This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 21, 2022

NEW ISSUE -- FULL BOOK-ENTRY

INSURED RATING: S&P: "AA"
UNDERLYING RATINGS: Moody's: "A3"; Kroll: "AA"

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(Sacramento County, California)

$215,295,000*
General Obligation Bonds,
Election of 2020 (Measure H)
2022 Series A

$57,000,000*
2022 General Obligation
Refunding Bonds

Dated: Date of Delivery **Due: July 1 and August 1, as shown on inside front cover**

This cover page contains information for general reference only. It is not a summary of this issue. Investors must read the entire official statement to obtain information essential to the making of an informed investment decision. Capitalized terms used in this cover page and not otherwise defined shall have the meanings set forth herein.

The Sacramento City Unified School District (Sacramento County, California) General Obligation Bonds, Election of 2020 (Measure H) 2022 Series A (the "Series A Bonds"), were authorized at an election of the registered voters of the Sacramento City Unified School District (the "District") held on March 3, 2020, at which election the requisite fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $750,000,000 aggregate principal amount of general obligation bonds of the District. The Series A Bonds are being issued (i) to finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) to pay the costs of issuing the Series A Bonds.

The Sacramento City Unified School District (Sacramento County, California) 2022 General Obligation Refunding Bonds (the "Refunding Bonds," and together with the Series A Bonds, the "Bonds") are being issued by the District (i) to currently refund certain of the District's 2012 General Obligation Refunding Bonds, and (ii) to pay the costs of issuing the Refunding Bonds.

The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes. The Board of Supervisors of Sacramento County is empowered and obligated to annually levy such *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Bonds when due.

The Series A Bonds will be issued as current interest bonds, such that interest thereon will accrue from the date of delivery thereof, and be payable semiannually on February 1 and August 1 of each year, commencing February 1, 2023. The Refunding Bonds will be issued as current interest bonds, such that interest thereon will accrue from the date of delivery thereof, and be payable semiannually on January 1 and July 1 of each year, commencing January 1, 2023. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. Payments of principal of and interest on the Bonds will be made by the Director of Finance of Sacramento County, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds.

The scheduled payment of principal of and interest on some or all the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.

The Bonds are subject to optional and mandatory sinking fund redemption as further described herein.*

Maturity Schedule
(See inside front cover)

*The Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain matters will be passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California as Disclosure Counsel, and for the Underwriters by Nixon Peabody LLP, San Francisco, California. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about July 21, 2022.**

Loop Capital Markets **UBS**

Dated: ____________, 2022

* Preliminary, subject to change.

MATURITY SCHEDULE*

$__________*
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(Sacramento County, California)
General Obligation Bonds, Election of 2020 (Measure H) 2022 Series A

Base CUSIP†:

$__________ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†

$________ – ____% Term Bonds due August 1, 20__ - Yield: _____%(1); CUSIP† Suffix: ___

$________ – ____% Term Bonds due August 1, 20__ - Yield: _____%(1); CUSIP† Suffix: ___

____
* Preliminary, subject to change.
† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services (CGS) which is owned by FactSet Research Systems Inc. ("FactSet"). FactSet will manage the CUSIP system on behalf of the American Bankers Association. CUSIP® data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriters and are provided for convenience of reference only. None of the District, the Municipal Advisor or the Underwriters takes any responsibility for the accuracy or usage of such numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP® number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions, including, but not limited to a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

MATURITY SCHEDULE*

$__________*
SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(Sacramento County, California)
2022 General Obligation Refunding Bonds

Base CUSIP†:

$__________ Serial Bonds

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services (CGS) which is owned by FactSet Research Systems Inc. ("FactSet"). FactSet will manage the CUSIP system on behalf of the American Bankers Association. CUSIP® data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriters and are provided for convenience of reference only. None of the District, the Municipal Advisor or the Underwriters takes any responsibility for the accuracy or usage of such numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP® number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions, including, but not limited to a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein, other than that provided by the District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this official statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

The District maintains a website and certain social media accounts. However, the information presented there is not being incorporated herein by any reference, and should not be relied upon in making an investment decision with respect to the Bonds.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "THE BONDS – Bond Insurance" and "APPENDIX G – Specimen Municipal Bond Insurance Company."

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

Board of Education

Christina Pritchett, *President, Trustee Area 3*
Leticia Garcia, *1st Vice President, Trustee Area 2*
Chinua Rhodes, *2nd Vice President, Trustee Area 5*
Lisa Murawski, *Member, Trustee Area 1*
Lavinia Grace Phillips, *Member, Trustee Area 7*
Jamee Villa, *Member, Trustee Area 4*
Darrel Woo, *Member, Trustee Area 6*

District Administration

Jorge A. Aguilar, *Superintendent*
Lisa Allen, *Deputy Superintendent*
Christine Baeta, *Chief Academic Officer*
Rose F. Ramos, *Chief Business and Operations Officer*
Brian Heap, *Chief Communications Officer*
(Vacant), *Chief Continuous Improvement and Accountability Officer*
Cancy McArn, *Chief Human Resources Officer*
Robert Lyons, Ed.D., *Chief Information Officer*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

Municipal Advisor

Dale Scott & Company, Inc.
San Francisco, California

Paying Agent

Sacramento County Director of Finance
Sacramento, California

Escrow Agent

U.S. Bank Trust Company, National Association
Los Angeles, California

Verification Agent

Causey Demgen & Moore, PC
Denver, Colorado

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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
(Sacramento County, California)

$215,295,000*	**$57,000,000***
General Obligation Bonds, Election of 2020 (Measure H) 2022 Series A	**2022 General Obligation Refunding Bonds**

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of (i) Sacramento City Unified School District (Sacramento County, California) General Obligation Bonds, Election of 2020 (Measure H) 2022 Series A (the "Series A Bonds"), and (ii) Sacramento City Unified School District (Sacramento County, California) 2022 General Obligation Refunding Bonds (the "Refunding Bonds," and together with the Series A Bonds, the "Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

The District

The Sacramento City Unified School District (the "District") is located in Sacramento County, California (the "County") and spans 70 square miles. The District was established in 1854 and is the 13th largest school district in the State of California (the "State"), as measured by student enrollment. The District provides educational services to approximately 350,000 residents in and around the City of Sacramento (the "City"). The District operates 42 elementary schools for grades K-6, seven K-8 schools, six middle schools for grades seven through eight, two middle/high schools for grades seven through twelve, seven comprehensive high schools for grades nine through twelve, three alternative schools, two special education centers, two adult education centers, six dependent charter schools and 42 children's centers/preschools. For fiscal year 2022-23, the District's average daily attendance ("ADA") is projected to be 34,558 students, and enrollment is projected to be 36,543 students. Taxable property within the District has a fiscal year 2021-22 total assessed valuation of $42,389,941,073. The District's actual ADA and enrollment, and the assessed valuation of taxable property within the District, may be affected by the ongoing COVID-19 (defined herein) pandemic. See "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein.

The District is governed by a seven-member Board of Education (the "Board"), each member of which is elected by trustee area to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day

* Preliminary, subject to change.

District operations as well as the supervision of the District's other personnel. Jorge A. Aguilar, Esq. is currently the District Superintendent.

The District's second interim financial report for fiscal year 2021-22 (the "2021-22 Second Interim"), was approved by the Board on March 17, 2022 and submitted by the District to the Sacramento County Office of Education (the "County Office of Education") with a "qualified" certification pursuant to Education Code 42139. However, on April 18, 2022, the County Office of Education notified the District that it was changing the certification on the 2021-22 Second Interim from "qualified" to "negative," citing concerns regarding the costs of then-tentative labor agreements entered into by the District with two of its bargaining units and the potential for monetary penalties associated with a recent labor strike. According to the County Office of Education, these labor agreements, which were approved by the District Board on April 21, 2022, significantly increase the District's risk of future insolvency. See "DISTRICT FINANCIAL INFORMATION – District Budgets and County Oversight – *Second Interim Report for Fiscal Year 2021-22*" and "—*County Superintendent Response to Second Interim Report for Fiscal Year 2021-22*" and "SACRAMENTO CITY UNIFIED SCHOOL DISTRICT – Labor Relations" herein.

The District's third interim financial report for fiscal year 2021-22 (the "2021-22 Third Interim") was approved by the Board on May 19, 2022. The 2021-22 Third Interim reflected the projected costs of the District's labor agreements and the potential penalties associated with the labor strike. As a result, the District's principal source of State funding was projected to decline. The 2021-22 Third Interim also projected general fund deficits in fiscal years 2021-22 through 2023-24. See "DISTRICT FINANCIAL INFORMATION – District Budgets and County Oversight – *Third Interim Report for Fiscal Year 2021-22*" herein.

The District's proposed budget for fiscal year 2022-23 (the "2022-23 District Budget") was presented to the Board on June 9, 2022 and is expected to be approved on June 23, 2022. The 2022-23 District Budget also includes estimated results for fiscal year 2021-22. As with the 2021-22 Third Interim, the 2022-23 District Budget reflects the projected costs of the District's labor agreements and the potential penalties associated with the labor strike. The District is projected to end the 2021-22 fiscal year with a general fund operating deficit of $58.6 million. For fiscal year 2022-23, the District projects a general fund operating surplus of $42.2 million. However, the District is currently projecting operating deficits in fiscal years 2023-24 and 2024-25 of $5.3 million and $13.6 million, respectively. See "DISTRICT FINANCIAL INFORMATION – District Budgets and County Oversight – *Proposed 2022-23 District Budget*" herein.

The County Office of Education, the Fiscal Crisis and Management Assistance Team ("FCMAT"), and the California State Auditor (the "State Auditor") have each conduced reviews of the District's finances over the past four years and issued a variety of recommendations to improve the District's finances, which are principally being affected by increasing labor and operating costs, declining fund balances and decreases in student enrollment. For additional information, see "DISTRICT FINANCIAL INFORMATION – District Budgets and County Oversight – *Disapproval of Fiscal Year 2018-19 Budget*," "—District Budgets and County Oversight – *Conditional Approval of Fiscal Year 2021-22 Budget*," "—FCMAT Fiscal Health Risk Analysis," and "—State Audit" herein.

See "TAX BASE FOR REPAYMENT OF BONDS" herein for information regarding the assessed valuation of property within the District. See "SACRAMENTO CITY UNIFIED SCHOOL DISTRICT" and "DISTRICT FINANCIAL INFORMATION" for information regarding the District and its operations and finances. The audited financial statements for fiscal year ending June 30, 2021 are attached hereto as APPENDIX B and should be read in their entirety.

Purpose of the Bonds

Series A Bonds. The Series A Bonds are being issued (i) to finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) to pay the costs of issuing the Series A Bonds.

Refunding Bonds. The Refunding Bonds are being issued (i) to currently refund certain of the District's outstanding 2012 General Obligation Refunding Bonds (the "Refunded Bonds"), and (ii) to pay the costs of issuing the Refunding Bonds.

See also "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the Bonds

Series A Bonds. The Series A Bonds are issued pursuant to certain provisions of the California Government Code (the "Government Code") and the State Constitution, other applicable law and pursuant to resolutions adopted by the Board and the Board of Supervisors of the County (the "County Board").

Refunding Bonds. The Bonds are issued pursuant to certain provisions of the Government Code and pursuant to a resolution adopted by the Board.

See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The County Board is empowered and obligated to annually levy such *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Bonds when due. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered book-entry form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS – General Provisions" and "APPENDIX F – DTC and the Book-Entry-Only System" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees. In the event that the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolutions (as defined herein).

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the "Owners," "Bondowners" or "Holders" of the Bonds (other than under the captions "INTRODUCTION – Tax Matters" and "TAX MATTERS," as well as in APPENDIX A) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount, or any integral multiple thereof.

Redemption.* The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as further described herein. See "THE BONDS – Redemption" herein.

Payments. The Series A Bonds will be dated as of the date of their initial execution and issuance (the "Date of Delivery"), and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery, and be payable semiannually on each February 1 and August 1 (each a "Series A Bond Payment Date"), commencing February 1, 2023. Principal of the Series A Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof.

The Refunding Bonds will be dated as of their Date of Delivery, and will be issued as current interest bonds, such that interest thereon will accrue from the Date of Delivery, and be payable semiannually on each January 1 and July 1 (each a "Refunding Bond Payment Date," and together with the Series A Bond Payment Dates, the "Bond Payment Dates"), commencing January 1, 2023. Principal of the Refunding Bonds is payable on July 1 in the amounts and years as set forth on the inside cover page hereof

Payments of the principal of and interest on the Bonds will be made by the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds. See "APPENDIX F – DTC and the Book-Entry-Only System" herein. The Sacramento County Director of Finance (the "Director of Finance") has been appointed to act as Paying Agent for the Bonds.

Bond Insurance. The scheduled payment of principal of and interest on some or all of the Bonds when due will be guaranteed under a municipal bond insurance policy (herein defined as the "Policy") to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY (herein defined as "BAM").

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through DTC in New York, New York, on or about July 21, 2022.*

* Preliminary, subject to change.

Bond Owners' Risks

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes which may be levied without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) on all taxable property in the District. For more complete information regarding the taxation of property within the District, as well as certain other considerations, see "TAX BASE FOR REPAYMENT OF BONDS" and "LIMITATION ON REMEDIES; BANKRUPTCY" herein.

Continuing Disclosure

Pursuant to a contractual undertaking entered into in connection with issuance of the Bonds (the "Continuing Disclosure Certificate"), the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). See "LEGAL MATTERS – Continuing Disclosure" herein. The specific nature of the information to be made available and the notices of listed events required to be provided are described in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Dale Scott & Company, Inc. is acting as Municipal Advisor to the District with respect to the Bonds. Bond/Disclosure Counsel and the Municipal Advisor will each receive compensation contingent on the issuance of the Bonds. Certain matters will be passed on for the Underwriters by Nixon Peabody, LLP, San Francisco, California. In connection with the Refunded Bonds, U.S. Bank Trust Company, National Association is acting as Escrow Agent and Causey Demgen & Moore, PC, is acting as Verification Agent (each as defined herein). From time to time, Bond Counsel represents each of the Underwriters on matters unrelated to the District or the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "intend," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Sacramento City Unified School District, 5735 47th Avenue, Sacramento, California 95824, telephone: (916) 643-4700. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each such documents, statutes and constitutional provisions.

The information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE BONDS

Authority for Issuance

Series A Bonds. The Series A Bonds are issued pursuant to (i) Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, commencing with Section 53506 *et seq*., as amended, (ii) Article XIII A of the State Constitution ("Article XIII A") and other applicable law (iii) the resolution of the Board adopted on April 7, 2022 (the "Series A District Resolution"), and (iv) the resolution of the County Board, adopted on May 24, 2022 (the "Series A County Resolution," and together with the Series A District Resolution, the "Series A Resolutions").

The District received authorization at an election held on March 3, 2020, by the requisite fifty-five percent of the votes cast by eligible voters within the District to issue $750,000,000 aggregate principal amount of general obligation bonds (the "Authorization"), which authorization was summarized as follows: "To upgrade student classrooms, labs, libraries, and learning technology for quality instruction in math, science, arts and engineering; provide modern career training centers; update schools to meet current academic/safety standards; and acquire/repair/construction/equip school facilities shall Sacramento City Unified District issue $750,000,000 in bonds at legal rates, levying 5¢ per $100 assessed value ($35,000,000 annually) while bonds are outstanding, with citizen oversight/audits and all funds locally controlled?" The voters of the District also authorized a specific list of the types of projects (the "Project List") eligible to be funded with proceeds of bonds sold pursuant to the Authorization. The District makes no representation as to the specific application of the proceeds of the Series A Bonds, the completion of any of the types of projects listed on the Project List, or whether bonds authorized by the Authorization will provide sufficient funds to complete any particular project listed in the Project List.

Refunding Bonds. The Refunding Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and pursuant to a resolution adopted by the Board on April 7, 2022 (the "Refunding Resolution," and together with the Series A Resolutions, the "Resolutions").

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The County Board is empowered and obligated to annually levy such *ad valorem* property taxes, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), upon all property within the District subject to taxation thereby, for the payment of the principal of and interest on the Bonds when due.

Such *ad valorem* property taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest thereon when due. The levy may include an allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. While the County has historically levied *ad valorem* property taxes to establish such a reserve for other bonds of the District, the County is not obligated to establish or maintain such a reserve, and the District can make no representations that the County will do so in future years. Such taxes, when collected, will be placed by the County in the respective Debt Service Funds (as defined herein) established by the Resolutions, which funds are required to be segregated and maintained by the County and which are designated for the payment of the series of Bonds to which such fund relates and interest thereon when due, and for no other purpose. Pursuant to the Resolutions, the District has pledged funds on deposit in each Debt Service Fund to the payment of the respective series of the Bonds to which such fund relates. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Funds, the Bonds are not a debt of the County.

The moneys in the Debt Service Funds, to the extent necessary to pay the principal of, and interest on the related series of the Bonds, as the same becomes due and payable, will be transferred by the County, as Paying Agent, to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The amount of the annual *ad valorem* property taxes levied by the County to repay the Bonds as described above will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, outbreaks of disease, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State of California (the "State") and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, fire, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the State Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien secures all bonds of the District, including the Bonds, issued after January 1, 2016 and payable, as to both principal and interest, from the proceeds of *ad valorem* property taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A. However, the statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of such *ad valorem* property taxes are insufficient to pay all amounts then due that are secured by the statutory lien.

Bond Insurance

Bond Insurance Policy. Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company. BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $466.8 million, $172.1 million and $294.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "THE BONDS – Bond Insurance."

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM;

they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

General Provisions

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for DTC. Beneficial Owners will not receive certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each respective Bond Payment Date, commencing February 1, 2023 (with respect to the Series A Bonds) and January 1, 2023 (with respect to the Refunding Bonds). Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month immediately preceding any Bond Payment Date to and including such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2023 (with respect to the Series A Bonds) or December 15, 2022 (with respect to the Refunding Bonds), in which event it shall bear interest from its dated date. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof and mature on August 1 (with respect to the Series A Bonds) and July 1 (with respect to the Refunding Bonds) in the years and amounts set forth on the inside cover pages hereof.

The principal of the Bonds will be payable in lawful money of the United States of America to the registered Owner thereof, upon the surrender thereof at the principal corporate trust office of the Paying Agent. The interest on the Bonds will be payable in lawful money of the United States of America to the person whose name appears on the bond registration books of the Paying Agent as the registered Owner thereof as of the close of business on the 15th day of the month next preceding any Bond Payment Date (a "Record Date"), whether or not such day is a business day, such interest to be paid by paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal, and redemption premiums, if any, payable on the Bonds will be payable upon maturity or redemption upon surrender at the principal office of the Paying Agent. The interest, principal and premiums, if any, on the Bonds will be payable in lawful money of the United States of America. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds. See also "APPENDIX F – DTC and the Book-Entry-Only System."

Application and Investment of Bond Proceeds

Series A Bonds. The proceeds of the Series A Bonds will be used (i) to finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) to pay the costs of issuing the Series A Bonds.

The proceeds of the sale from the Series A Bonds, net of costs of issuance and any premium received upon the sale thereof, will be deposited by the County to the credit of the building fund created by the Series A County Resolution (the "Building Fund"), and will be applied solely for the purposes for which the Series A Bonds are being issued. Interest earnings in the Building Fund will be retained therein. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued, upon written notice from the District, will be transferred to the Debt Service Fund relating to the Series A Bonds and applied to the payment of the principal and interest thereon.

Refunding Bonds. The net proceeds from the sale of the Refunding Bonds will be used by the District to currently refund the Refunded Bonds and to pay the costs of issuance of the Refunding Bonds. The table below shows additional information regarding the Refunded Bonds.

**REFUNDED BONDS*
Sacramento City Unified School District
2012 General Obligation Refunding Bonds**

Maturity Date (July 1)	CUSIP†	Principal Amount	Date of Redemption*	Redemption Price (% of principal)
2023	785780TA4	$3,850,000	7/21/22	100%
2024	785780TB2	4,295,000	7/21/22	100
2025	785780TC0	4,305,000	7/21/22	100
2026	785780TD8	4,620,000	7/21/22	100
2029	785780TG1	26,940,000	7/21/22	100
2031	785780TJ5	16,730,000	7/21/22	100

The net proceeds of the Refunding Bonds shall be deposited with U.S. Bank Trust Company, National Association, acting as escrow agent (the "Escrow Agent"), to the credit of a certain escrow fund (the "Escrow Fund") held pursuant to an escrow agreement (an "Escrow Agreement"), by and between the District and the Escrow Agent. Amounts in the Escrow Fund will be held uninvested as cash and used by the Escrow Agent to pay the principal of the Refunded Bonds on the first optional redemption date therefor as shown above, as well as the interest due on such Refunded Bonds on such date.

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* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services (CGS) which is owned by FactSet Research Systems Inc. ("FactSet"). FactSet will manage the CUSIP system on behalf of the American Bankers Association. CUSIP® data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriters and are provided for convenience of reference only. None of the District, the Municipal Advisor or the Underwriters takes any responsibility for the accuracy or usage of such numbers, and no representation is made as to their correctness on the applicable Refunded Bonds or as included herein.

The sufficiency of the amounts on deposit in the Escrow Fund to pay the redemption price of the Refunded Bonds, as described above, will be verified by Causey Demgen & Moore P.C. (the "Verification Agent"). As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the computations of the Underwriters and the Verification Agent, the Refunded Bonds will be defeased as of the Closing Date, and the obligation of the County to levy *ad valorem* property taxes for payment of such Refunded Bonds will terminate. See also "LEGAL MATTERS – Escrow Verification" herein.

Debt Service Funds. Accrued interest and premium on the Bonds received upon the sale thereof, together with *ad valorem* property taxes levied by the County for the payment of each series of the Bonds, when collected, shall be kept separate and apart in the debt service funds relating to each series of the Bonds created by the Resolutions (each, a Debt Service Fund") and used only for payment of principal of and interest on the series of the Bonds to which such Debt Service Fund relates. Any interest earnings on moneys held in the Debt Service Funds will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in any Debt Service Fund, said moneys will be applied to the payment of other general obligation bonds of the District, and afterwards transferred to the general fund of the District as provided and permitted by law.

Investment of Funds. Moneys in the Escrow Fund will be invested as described above. Moneys in the Building Fund and the Debt Service Funds are expected to be invested through the County's commingled investment pool. See "APPENDIX E - SACRAMENTO COUNTY TREASURY POOL" attached hereto.

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Annual Debt Service

The following table displays the annual debt service requirements of the District for the Bonds (assuming no further optional redemptions), together with the combined outstanding debt service for other outstanding general obligation bonds of the District:

		The Series A Bonds		The Refunding Bonds		
Period Ending August 1	Outstanding General Obligation Bonds Debt Service*(1)	Annual Principal Payment	Annual Interest Payment(2)	Annual Principal Payment	Annual Interest Payment(3)	Total Debt Service
2022	$56,982,696.95					
2023	38,647,470.00					
2024	39,294,420.00					
2025	39,221,330.00					
2026	39,763,430.00					
2027	36,302,017.00					
2028	37,839,292.00					
2029	36,043,842.00					
2030	35,365,380.00					
2031	30,959,930.00					
2032	31,421,905.00					
2033	21,689,992.00					
2034	21,828,092.00					
2035	21,967,042.00					
2036	22,106,592.00					
2037	22,252,942.00					
2038	22,216,354.00					
2039	17,671,250.00					
2040	17,834,650.00					
2041	13,320,300.00					
2042	12,685,650.00					
2043	12,863,800.00					
2044	13,055,250.00					
2045	13,248,600.00					
2046	13,452,850.00					
2047	13,660,950.00					
2048	7,626,350.00					
2049	7,850,400.00					
Total	$697,172,776.95					

* Preliminary, subject to change.

(1) Does not include the Refunded Bonds.

(2) Interest payments on the Series A Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2023.

(3) Interest payments on the Refunding Bonds will be made semiannually on January 1 and July 1 of each year, commencing January 1, 2023.

See "DISTRICT FINANCIAL INFORMATION – District Debt Structure – General Obligation Bonds" for a table of the total annual debt service requirements for all of the District's outstanding general obligation bonded debt.

Redemption

Optional Redemption.* The Series A Bonds maturing on or before August 1, 20__ are not subject to optional redemption. The Series A Bonds maturing on or after August 1, 20__, may be redeemed before maturity at the option of the District on any date on or after August 1, 20__ as a whole, or in part by lot from such maturities as are selected by the District, at a redemption price equal to the principal amount of the Series A Bonds selected for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Refunding Bonds maturing on or before July 1, 20__ are not subject to optional redemption. The Refunding Bonds maturing on or after July 1, 20__, may be redeemed before maturity at the option of the District on any date on or after July 1, 20__ as a whole, or in part by lot from such maturities as are selected by the District, at a redemption price equal to the principal amount of the Refunding Bonds selected for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Redemption.* The Series A Bonds maturing on August 1, 20__ (the "20__ Term Bonds"), are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such 20__ Term Bonds to be so redeemed and the dates therefor and the final payment date is as indicated in the following table:

Year Ending August 1	Principal To Be Redeemed
Total	

[1] Maturity.

In the event that a portion of any of the 20__ Term Bonds shown above are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 of principal amount, in respect of the portion of such 20__ Term Bonds optionally redeemed.

* Preliminary, subject to change.

The Series A Bonds maturing on August 1, 20__ (the "20__ Term Bonds"), are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such 20__ Term Bonds to be so redeemed and the dates therefor and the final payment date is as indicated in the following table:

Year Ending August 1	**Principal To Be Redeemed**
Total	

(1) Maturity.

In the event that a portion of any of the 20__ Term Bonds shown above are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 of principal amount, in respect of the portion of such 20__ Term Bonds optionally redeemed.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, will select the Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent will select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent will determine; *provided, however*, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Redemption Notice. When redemption is authorized or required pursuant to the Resolutions, the Paying Agent, upon written instruction from the District, will give notice (a "Redemption Notice") of the redemption of the Bonds. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 60 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 60 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to the Securities Depository; (c) at least 20 but not more than 60 days prior to the redemption date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Information Services; and (d) such Redemption Notice will be given to such persons as may be required by the Continuing Disclosure Certificate.

In lieu of providing notice via the means described in (a), (b) or (c) above, Redemption Notices may be provided via equally prompt electronic means as shall be acceptable to the Owners, the Depository or the Information Services.

"Information Services" means the MSRB's Electronic Municipal Market Access, or such other services providing information with respect to called municipal obligations as the District may specify in writing to the Paying Agent, or as the Paying Agent may select.

"Securities Depository" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the Resolutions will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer. The Redemption Notice may state that no representation is made as to the accuracy or correctness of CUSIP numbers printed thereon, or on the Bonds.

Payment of Redeemed Bonds. When Redemption Notice has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is set aside for that purpose as described in "—Defeasance," as described below, the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption Notice. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest to such redemption date, is held by an independent escrow agent selected by the District, so as to be available therefor on such redemption date, and if Redemption Notice thereof will have been given substantially as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable.

Rescission of Redemption Notice. With respect to any Redemption Notice for the optional redemption of Bonds as described above, unless upon the giving of such notice such Bonds shall be deemed to have been defeased as described in "—Defeasance," such notice will state that such redemption will be conditional upon the receipt by the independent escrow agent selected by the District on or prior to the date fixed for such redemption of the moneys necessary and sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed, and that if such moneys shall not have been so received, said notice shall be of no force and effect, the Bonds shall not be subject to redemption on such date and the Bonds shall not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the Redemption Notice was given, that such moneys were not so received. Notwithstanding the foregoing, the District will have the right to rescind any Redemption Notice, for any reason, by written notice to the Paying Agent on or prior to the date fixed for redemption. The Paying Agent will distribute notice of the rescission of such Redemption Notice in the same manner that the Redemption Notice was originally provided.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, in the case of Bonds, accrued interest with respect thereto to the date fixed for redemption, then such Bonds will no longer be deemed Outstanding and shall be surrendered to the Paying Agent for cancellation.

Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its principal office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolutions.

In the event that the book-entry-only system as described above is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Any Bond may be exchanged for Bonds of like tenor, maturity and outstanding principal amount thereof upon presentation and surrender at the designated corporate trust office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding any Bond Payment Date, the stated maturity of any of the Bonds or any date of selection of Bonds to be redeemed and ending with the close of business on the applicable Bond Payment Date, the close of business on the applicable stated maturity date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased at any time prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which, together with amounts transferred from the respective Debt Service Fund, if any, is sufficient to pay all Bonds outstanding and designated for defeasance, including all including all principal thereof, interest thereon and redemption premium, at or before their respective maturity dates; or

(b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations, together with amounts transferred from the respective Debt Service Fund, if any, and any other cash, if required, in such amount as will, together with interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance, including all including all principal thereof, interest thereon and redemption premium, at or before their respective maturity dates;

then, notwithstanding that any such Bonds shall not have been surrendered for payment, all obligations of the District and the County with respect to all such designated outstanding Bonds shall cease and terminate, except only the obligation of the independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of such designated Bonds not so surrendered and paid all sums due with respect thereto.

"Government Obligations" means direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations secured or otherwise guaranteed, directly or indirectly, as to principal and interest, by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), or by Moody's Investors Service ("Moody's").

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

Sources of Funds	**Series A Bonds**	**Refunding Bonds**
Principal Amount		
[Net] Original Issue Premium		
Total Sources		
Uses of Funds		
Building Fund		
Escrow Fund		
Debt Service Funds		
Costs of Issuance[1]		
Total Uses		

(1) Includes all costs of issuance, including, but not limited to, the underwriting discount, legal and Municipal Advisory fees, printing costs, rating agency fees, bond insurance premium, and the costs and fees of the Paying Agent, Escrow Agent and Verification Agent.

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem *property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from* ad valorem *property taxes levied and collected by the County on taxable property in the District. The District's general fund is not a source for the repayment of the Bonds.*

Ad Valorem Property Taxation

District *ad valorem* property taxes are assessed and collected by the County at the same time and on the same rolls as other taxes on real property. Assessed valuations are the same for both District and County taxing purposes.

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within the County's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently enrolled in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the Director of Finance. After the second installment of taxes on the secured roll is delinquent, the tax collector shall collect a cost of $10 for preparing the delinquent tax records and giving notice of delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a $15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Director of Finance.

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecure tax roll after July 31, if unpaid are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The County has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIII A. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including school districts, share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

Assessed Valuation

The following table shows the 10-year history of assessed valuations in the District, as of the date the equalized assessment tax roll is established in August of each year.

ASSESSED VALUATIONS
Fiscal Years 2012-13 through 2021-22
Sacramento City Unified School District

	Local Secured	Utility	Unsecured	Total	% Change
2012-13	$24,081,405,373	$7,130,520	$1,312,707,722	$25,401,243,615	--
2013-14	25,064,499,161	6,354,537	1,240,891,839	26,311,745,537	3.58%
2014-15	26,203,736,543	12,146,083	1,279,564,924	27,495,447,550	4.50
2015-16	27,621,228,905	5,824,663	1,188,321,120	28,815,374,688	4.80
2016-17	29,442,558,614	5,751,502	1,271,280,326	30,719,590,442	6.61
2017-18	31,625,086,640	5,693,751	1,332,650,184	32,963,430,575	7.30
2018-19	33,920,993,517	5,636,032	1,444,875,017	35,371,504,566	7.31
2019-20	36,759,308,491	5,334,879	1,403,666,196	38,168,309,566	7.91
2020-21	38,932,165,119	5,265,184	1,491,828,933	40,429,259,236	5.92
2021-22	40,932,044,833	5,265,184	1,452,631,056	42,389,941,073	4.85

Source: California Municipal Statistics, Inc. (except the percent change).

Economic and other factors beyond the District's control, such as general market decline in property values, outbreaks of disease, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service on to the Bonds. See "THE BONDS – Security and Sources of Payment" and "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein.

Seismic Events. The District is located in a seismically active region of the State. An earthquake of large magnitude could result in extensive damage to property within the District and could adversely affect the assessed valuation of property within the District, or more generally the region's economy.

Drought. In recent years California has experienced severe drought conditions. In January of 2014, the Governor declared a statewide Drought State of Emergency. As of such date, the State faced water shortfalls due to the driest year in recorded State history, the State's river and reservoirs were below their record low levels, and manual and electronic readings recorded the water content of snowpack at the highest elevations in the State (chiefly in the Sierra Nevada mountain range) at about 20% of normal average for the winter season. Following the Governor's declaration, the California State Water Resources Control Board (the "Water Board") issued a statewide notice of water shortages and potential future curtailment of water right diversions. In April 2017, the Governor lifted the drought emergency declaration, while retaining a prohibition on wasteful practices and advancing conservation measures. In April 2021, the Governor announced regional drought emergencies in two Northern California counties following two years of dry conditions. On May 10, 2021, the Governor expanded the emergency drought declaration to include an additional 39 counties throughout the State. On July 8, 2021 the Governor expanded the declaration to further include an additional nine counties. On October 19, 2021, the Governor extended the declaration to include all remaining counties, including the County, such that the drought state of emergency is now in effect Statewide. On March 28, 2022, the Governor issued Executive Order N0-27-22, which directed the Water Board to issue drought regulations, including a recommendation to have urban water suppliers initiate water shortage contingency plans.

Wildfires. Major wildfires have occurred in recent years in different regions of the State, including significant fires throughout the fall of 2020 and the summer of 2021. The District did not sustain any property losses as a result of these recent fires. However, serious and significant property damage has resulted in other areas of the State due to fire damage. The Governor has previously signed a number of measures into law intended to address a variety of issues related to mitigating the risk of wildfires, including forest management, mutual aid for fire departments, emergency alerts and other safety mandates.

Floods. The Federal Emergency Management Agency produces Flood Insurance Rate Maps that show that portions of the District are in a 100-year floodplain. A 100-year floodplain is an area expected to be inundated during a flood event of the magnitude for which there is a 1-in-100 probability of occurrence in any year.

Climate Change. In addition to the events described above, climate change caused by human activities may have adverse effects on the assessed value of property within the District. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, many scientists expect that climate change will intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods, heat waves, and rising sea levels. See also "—Drought" and "—Wildfires" above. Projections of the impact of global climate change are complex and depend on a variety of factors outside of the District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. In addition, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District in unable to forecast with certainty when or if adverse impacts of climate change will occur or the extent of such impacts.

Appeals and Adjustments of Assessed Valuation. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization ("SBE"), with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIII A of the State Constitution" herein.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals currently pending or in the future will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 ("AB 102"). AB 102 restructures the functions of the SBE and creates two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration will take over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear tax appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

Assessed Valuation by Jurisdiction. The following table shows a breakdown of the District's fiscal year 2021-22 assessed valuation by jurisdiction.

ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2021-22
Sacramento City Unified School District

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Elk Grove	$68,004,856	0.16%	$23,714,724,852	0.29%
City of Rancho Cordova	1,012,552,979	2.39	10,548,307,102	9.60
City of Sacramento	36,055,658,195	85.06	62,005,051,671	58.15
Unincorporated Sacramento County	5,253,725,043	12.39	67,882,816,569	7.74
Total District	$42,389,941,073	100.00%		
Sacramento County	$42,389,941,073	100.00%	$191,373,203,123	22.15%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table shows a per-parcel analysis of the distribution of taxable property within the District by principal use, and the fiscal year 2021-22 assessed valuation of such parcels.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2021-22
Sacramento City Unified School District

Non-Residential:	2021-22 Assessed Valuation(1)	% of Total	No. of Parcels	% of Total
Agricultural	$318,591	0.00%	8	0.01%
Commercial/Office	7,844,129,450	19.16	3,010	2.86
Vacant Commercial	221,467,772	0.54	562	0.53
Industrial	1,949,230,466	4.76	1,312	1.25
Vacant Industrial	63,238,578	0.15	392	0.37
Recreational	422,207,888	1.03	152	0.14
Government/Social/Institutional	204,293,583	0.50	955	0.91
Miscellaneous	2,323,785	0.01	248	0.24
Subtotal Non-Residential	$10,707,210,113	26.16%	6,639	6.31%
Residential:				
Single Family Residence	$22,520,329,493	55.02%	84,137	80.00%
Condominium/Townhouse	638,105,895	1.56	2,349	2.23
Mobile Home	40,636,632	0.10	1,493	1.42
Mobile Home Park	55,158,170	0.13	34	0.03
2-4 Residential Units	2,127,329,655	5.20	6,804	6.47
5+ Residential Units/Apartments	3,838,595,420	9.38	1,633	1.55
Hotel/Motel	636,441,992	1.55	72	0.07
Miscellaneous Residential	51,234,896	0.13	140	0.13
Vacant Residential	317,002,567	0.77	1,867	1.78
Subtotal Residential	$30,224,834,720	73.84%	98,529	93.69%

(1) Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes. The following table shows the distribution of single family homes within the District among various fiscal year 2021-22 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District. For fiscal year 2021-22, the median assessed value of single family homes within the District was $223,293.

ASSESSED VALUATION PER PARCEL OF SINGLE FAMILY HOMES
Fiscal Year 2021-22
Sacramento City Unified School District

	No. of Parcels	2021-22 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	84,137	$22,520,329,493	$267,663	$223,293

2021-22 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	388	0.461%	0.461%	$6,532,344	0.029%	0.029%
25,000 -49,999	3,162	3.758	4.219	128,738,058	0.572	0.601
50,000 - 74,999	5,075	6.032	10.251	318,735,448	1.415	2.016
75,000 - 99,999	6,286	7.471	17.722	550,706,445	2.445	4.461
100,000 - 124,999	5,888	6.998	24.720	662,111,828	2.940	7.401
125,000 - 149,999	5,775	6.864	31.584	793,844,443	3.525	10.926
150,000 - 174,999	5,657	6.724	38.308	918,764,433	4.080	15.006
175,000 - 199,999	5,205	6.186	44.494	975,158,214	4.330	19.336
200,000 - 224,999	4,921	5.849	50.343	1,044,646,272	4.639	23.975
225,000 - 249,999	4,945	5.877	56.220	1,173,687,748	5.212	29.187
250,000 - 274,999	4,799	5.704	61.924	1,258,143,022	5.587	34.773
275,000 - 299,999	4,055	4.820	66.744	1,163,713,911	5.167	39.941
300,000 - 324,999	3,692	4.388	71.132	1,152,112,375	5.116	45.057
325,000 - 349,999	3,145	3.738	74.870	1,060,160,130	4.708	49.764
350,000 -374,999	2,778	3.302	78.171	1,005,656,944	4.466	54.230
375,000 - 399,999	2,343	2.785	80.956	906,858,027	4.027	58.257
400,000 - 424,999	2,150	2.555	83.511	886,162,173	3.935	62.192
425,000 - 449,999	1,881	2.236	85.747	822,288,481	3.651	65.843
450,000 - 474,999	1,595	1.896	87.643	736,710,312	3.271	69.114
475,000 - 499,999	1,392	1.654	89.297	678,461,116	3.013	72.127
500,000 and greater	9,005	10.703	100.000	6,277,137,769	27.873	100.000
	84,137	100.000%		$22,520,329,493	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Tax Levies, Collections and Delinquencies

The following table shows secured *ad valorem* property tax levies within the District, and amounts delinquent as of June 30, for fiscal years 2016-17 through 2020-21.

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2016-17 through 2020-21
Sacramento City Unified School District

	Secured Tax Charge(1)	Amt. Del. June 30	% Del. June 30
2016-17	$36,846,021	$307,015	0.83%
2017-18	38,637,596	388,774	1.01
2018-19	39,103,684	328,227	0.84
2019-20	41,260,741	496,589	1.20
2020-21	45,154,083	407,237	0.90

(1) Debt service levy only.
Source: California Municipal Statistics, Inc.

The *ad valorem* property taxes to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan. The District will receive 100% of the *ad valorem* property tax levied to pay all of the outstanding general obligation bonds, irrespective of actual delinquencies in the collection of the tax by the County. See "—Alternative Method of Tax Apportionment – Teeter Plan" herein.

Pursuant to Revenue and Taxation Code Section 4985.2, the Director of Finance may cancel any penalty, costs or other charges resulting from tax delinquency upon a finding that the late payment is due to reasonable cause and circumstances beyond the taxpayer's control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect, provided the property taxes are paid within four fiscal years of such taxes coming due. See also "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein.

Alternative Method of Tax Apportionment - Teeter Plan

In June of 1993, the County Board approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the State Revenue and Taxation Code. Under the Teeter Plan, typically, each county apportions secured property taxes on an accrual basis (irrespective of actual collections) to local political subdivisions, for which such county acts as the tax-levying or tax-collecting agency.

The Teeter Plan was effective for the fiscal year commencing July 1, 1993, and pursuant to the Teeter Plan, the County purchased all delinquent receivables (comprised of delinquent taxes, penalties, and interest) which had accrued as of June 30, 1993, from local taxing entities and selected special assessment districts and community facilities districts. Under the Teeter Plan, the County distributes tax collections on a cash-basis to taxing entities, such as the District, during the fiscal year and at year-end distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities and those special assessment districts and community facilities districts which the County determines are eligible to participate in the Teeter Plan.

The County reserves the right to exclude from the Teeter Plan any special tax levying agency or assessment levying agency if such agency has provided for accelerated foreclosure proceedings in the event of non-payment of such special taxes or assessments except that, if such agency has a delinquency rate in the collection of such special tax or assessment as of June 30 of any fiscal year that is equal to or less than the County's delinquency rate on the collection of current year *ad valorem* property taxes on the countywide secured assessment roll, such agency's special taxes or assessments may, at the County's option, be included in the Teeter Plan.

The *ad valorem* property taxes to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan. The District will receive 100% of the *ad valorem* property tax levied to pay all of the outstanding general obligation bonds, irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the County Board orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the County Board receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the County Board is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The County Board may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secure tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency.

There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other pandemic or natural or manmade disaster. See "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein. However, notwithstanding any possible future change to or discontinuation of the Teeter Plan, State law requires the County to levy *ad valorem* property taxes within the District sufficient to pay the Bonds when due.

Tax Rates

The following table summarizes the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in a typical tax rate area (a "TRA") within the District from 2017-18 through 2021-22.

SUMMARY OF *AD VALOREM* PROPERTY TAX RATES (TRA 3-005)[(1)]
Fiscal Years 2017-18 through 2021-22
Sacramento City Unified School District

	2017-18	2018-19	2019-20	2020-21	2021-22
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Los Rios Community College District	.0130	.0131	.0232	.0223	.0249
Sacramento City Unified School District	.1235	.1164	.1139	.1171	.0918
Total Tax Rate	1.1365%	1.1295%	1.1371%	1.1394%	1.1167%

(1) 2021-22 assessed valuation of TRA 3-005 is $12,430,393,259, representing approximately 29.32% of the District total assessed valuation.
Source: California Municipal Statistics, Inc.

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Twenty Largest Property Owners

The more property (by assessed value) which is owned by a single taxpayer within any of the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table presents information on the twenty largest property taxpayers within the District for fiscal year 2021-22. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

TWENTY LARGEST 2021-22 LOCAL SECURED TAXPAYERS
Sacramento City Unified School District

	Property Owner	Primary Land Use	2021-22 Assessed Valuation	% of Total(1)
1.	City of Sacramento & The Sacramento Kings	Sports Arena	$320,347,451	0.78%
2.	M&H Realty Partners VI LP	Commercial	262,679,728	0.64
3.	Pac West Office Equities LP	Office Building	209,324,277	0.51
4.	Hancock SREIT Sacramento LLC	Office Building	200,809,050	0.49
5.	SRI Eleven 621 Capitol Mall LLC	Office Building	169,239,744	0.41
6.	Prime US-Park Tower LLC	Office Building	167,214,577	0.41
7.	HP Hood LLC	Industrial	153,697,178	0.38
8.	GPT Properties Trust	Office Building	150,974,102	0.37
9.	500 Capitol Mall LLC	Office Building	148,973,958	0.36
10.	300 Capitol Associates NF LP	Office Building	130,882,033	0.32
11.	BRE Depot PK LLC	Industrial	130,014,551	0.32
12.	Oakmont Properties The Press LLC	Apartments	118,306,000	0.29
13.	Kaiser Foundation Health Plan Inc.	Office Building	115,418,736	0.28
14.	Sacramento CA I FGF LLC	Office Building	106,706,547	0.26
15.	GSA Sacramento Newco LLC	Office Building	99,929,179	0.24
16.	Greenery Apartments LP & DLC Sacramento LLC	Apartments	98,339,177	0.24
17.	Gem Crossings LLC	Apartments	94,216,070	0.23
18.	CA Sacramento Commons LLC	Apartments	90,571,613	0.22
19.	1415 Meridian Plaza Investors LP	Office Building	86,500,000	0.21
20.	NB Element DST	Apartments	86,075,752	0.21
			$2,940,219,723	7.18%

(1) 2021-22 local secured assessed valuation: $40,932,044,833.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. effective as of June 1, 2022 for debt outstanding as of June 1, 2022. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

STATEMENT OF DIRECT AND OVERLAPPING DEBT
Sacramento City Unified School District

2021-22 Assessed Valuation: $42,389,941,073

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 6/1/22**
Los Rios Community College District	18.386%	$91,595,375
Sacramento City Unified School District	**100.000**	**488,647,966[(1)]**
City of Sacramento Community Facilities Districts	0.009-100.000	25,605,451
City and Special District 1915 Act Bonds (Estimate)	Various	142,845,470
Southgate Recreation and Park Benefit Assessment District	16.163	1,301,576
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$749,995,838
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Sacramento County General Fund Obligations	22.150%	$28,413,434
Sacramento County Pension Obligation Bonds	22.150	138,482,095
Sacramento County Board of Education Certificates of Participation	22.150	583,653
Sacramento City Unified School District Lease Revenue Bonds	**100.000**	**55,030,000**
City of Elk Grove General Fund Obligations	0.287	138,798
City of Rancho Cordova Certificates of Participation	9.599	1,235,391
City of Sacramento General Fund Obligations	58.150	324,602,023
Cordova Recreation and Park District General Fund Obligations	25.969	1,691,711
Cosumnes Community Services District Certificates of Participation	0.251	155,735
Sacramento Metropolitan Fire District General Fund and Pension Obligation Bonds	5.766	2,050,390
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$552,383,230
Less: City of Elk Grove supported obligations		23,247
Sacramento County supported obligations		3,042,824
City of Sacramento supported obligations		236,826,215
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$312,490,944
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$122,185,373
GROSS COMBINED TOTAL DEBT		$1,424,564,441[(2)]
NET COMBINED TOTAL DEBT		$1,184,672,155

Ratios to 2021-22 Assessed Valuation:
Direct Debt ($488,647,966) 1.15%
Total Direct and Overlapping Tax and Assessment Debt........................1.77%
Combined Direct Debt ($543,677,966)..1.28%
Gross Combined Total Debt..3.36%
Net Combined Total Debt 2.79%

Ratios to Redevelopment Incremental Valuation ($8,136,496,525):
Total Overlapping Tax Increment Debt...1.50%

[(1)] Excludes the Bonds, but includes the Refunded Bonds.
[(2)] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds will be payable solely from the proceeds of an ad valorem *property tax levied by the County for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein. Articles XIII A, XIII B, XIII C and XIII D, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes on behalf of the District and the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy property taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the voters of the District in compliance with Article XIII A, Article XIII C, and all applicable laws.*

Article XIII A of the State Constitution

Article XIII A limits the amount of *ad valorem* property taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the "base year value." The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuation" herein.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by fifty-five percent or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Series A Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any state taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIII A.

Proposition 19

On November 3, 2020, State voters approved Proposition 19, a legislatively referred constitutional amendment ("Proposition 19"), which amends Article XIII A to: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection. The District cannot make any representation regarding the effect Proposition 19 may have on District revenues or the assessed valuation of real property in the District. However, any reduction of assessed valuation would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service on to the Bonds.

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIII A to allow owners of property that was "substantially damaged or destroyed" by a disaster, as declared by the Governor, (the "Damaged Property"), to transfer their existing base year value (the "Original Base Year Value") to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the "Original Cash Value"); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the "Replacement Base Year Value") depends on the relation of the full cash value of the replacement property (the "Replacement Cash Value") to the Original Cash Value: if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the

Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIII A to allow owners of Damaged Property to transfer their Original Base Year Value to a "comparable replacement property" located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Inter-county transfers under Proposition 171 are more restrictive than intra-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a "reasonable size that is used as a site for a residence;" (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of "equal or lesser value" than the Original Cash Value.

Within the context of Proposition 171, "equal or lesser value" means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

The District cannot provide make any representation regarding the effect Propositions 50 and 171 may have on District revenues or the assessed valuation of real property in the District. However, any reduction of assessed valuation would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service on to the Bonds.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the SBE as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education" herein.

Article XIII B of the State Constitution

Article XIII B ("Article XIII B") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the State Legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIII B also includes a requirement that fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "Propositions 98 and 111" below.

Article XIII C and Article XIII D of the State Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the State Constitution Articles XIII C and XIII D (respectively, "Article XIII C" and "Article XIII D"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic one percent *ad valorem* property tax levied and collected by the County pursuant to Article XIII A. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 26

On November 6, 2012, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one-year period.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the State Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's budget for any given fiscal year.

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit: (i) all appropriations for "qualified capital outlay projects" as defined by the State Legislature, and (ii) any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, was recalculated beginning in fiscal year 1990-91. It was based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. A complex adjustment in the formula was enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, schools will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under Test 3, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" (also referred to as a "maintenance factor") to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the State Constitution. This amendment (1) allows school facilities bond measures to be approved by fifty-five percent (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current one percent limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the State Constitution previously limited property taxes to one percent of the value of property. Property taxes may only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The fifty-five percent vote requirement would apply only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by fifty-five percent of the voters. These provisions require that the tax rate levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary or high school district), or $25 (for a community college district), per $100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor.

Jarvis v. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to State statutes (such as continuing appropriations) or the State Constitution or a federal mandate is necessary for the Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 6, 2012, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on State transportation bonds, to borrow or change the distribution of State fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for State mandated costs. Proposition 22 impacts resources in the State's transportation funds and its general fund, the latter being the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

Proposition 55

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

On November 4, 2014, voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the "Annual BSA Transfer"). Supplemental transfers to the BSA (a "Supplemental BSA Transfer") are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

For the first 15 year period ending with the 2029-30 fiscal year, Proposition 2 provides that half of any required transfer to the BSA, either annual or supplemental, must be appropriated to reduce certain State liabilities, including making certain payments owed to K-14 school districts, repaying State interfund borrowing, reimbursing local governments for State mandated services, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. Following the initial 15-year period, the Governor and the State Legislature are given discretion to apply up to half of any required transfer to the BSA to the reduction of such State liabilities. Any amount not applied towards such reduction must be transferred to the BSA or applied to infrastructure, as described above.

Proposition 2 changes the conditions under which the Governor and the State Legislature may draw upon or reduce transfers to the BSA. The Governor does not retain unilateral discretion to suspend transfers from the BSA, nor does the State Legislature retain discretion to transfer funds from the BSA for any reason, as previously provided by law. Rather, the Governor must declare a "budget emergency," defined as a an emergency within the meaning of Article XIII B of the Constitution or a determination that estimated resources are inadequate to fund State general fund expenditures, for the current or ensuing fiscal year, at a level equal to the highest level of State spending within the three immediately preceding fiscal years. Any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the BSA are limited to the amount necessary to address the budget emergency, and no draw in any fiscal year may exceed 50% of funds on deposit in the BSA unless a budget emergency was declared in the preceding fiscal year.

Proposition 2 also required the creation of the Public School System Stabilization Account (the "PSSSA") into which transfers will be made in any fiscal year in which a Supplemental BSA Transfer is required (as described above). Such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would be otherwise paid to K-14 school districts as part of the minimum funding guarantee. A transfer to the PSSSA will only be made if certain additional conditions are met, as follows: (i) the minimum funding guarantee was not suspended in the immediately preceding fiscal year, (ii) the operative Proposition 98 formula for the fiscal year in which a PSSSA transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the fiscal year in which a PSSSA transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the fiscal year in which a PSSSA transfer might be made is higher than the immediately preceding fiscal year, as adjusted for ADA growth and cost of living. Proposition 2 caps the size of the PSSSA at 10% of the estimated minimum guarantee in any fiscal year, and any excess funds must be paid to K-14 school districts. Reductions to any required transfer to the PSSSA, or draws on the PSSSA, are subject to the same budget emergency requirements described above. However, Proposition 2 also mandates draws on the PSSSA in any fiscal year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living.

SB 858. Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the PSSSA, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an ADA of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an ADA that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an ADA of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses.

SB 751. Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of ADA.

The Bonds are payable solely from *ad valorem* property taxes to be levied within the District pursuant to the State Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal of and interest on the Bonds as and when due.

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in State general obligation bonds for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school districts lack sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of $1 billion will be available for the modernization and new construction of charter school ($500 million) and technical education ($500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for state loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, state grants are capped at $3 million for a new facility and $1.5 for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes $2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual state budget process.

The District can make no representation whether it will either pursue or qualify for Proposition 51 state facilities funding.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution and Propositions 98, 39, 22, 26, 30, 51 and 55 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem *property tax required to be levied by the County in the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

State Funding of Education

School district revenues consist primarily of guaranteed State moneys, local property taxes and funds received from the State in the form of categorical aid under ongoing programs of local assistance. All State aid is subject to the appropriation of funds in the State's annual budget.

Revenue Limit Funding. Previously, school districts operated under general purpose revenue limits established by the California Department of Education (the "State Department of Education"). In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. Funding of a school district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Since fiscal year 2013-14, school districts have been funded based on uniform system of funding grants assigned to certain grade spans. See "—Local Control Funding Formula" herein.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), as amended by Senate Bill 91 (Stats. 2013, Chapter 49) ("SB 91"), established the current system for funding school districts, charter schools and county offices of education.

The primary component of AB 97 was the implementation of the Local Control Funding Formula ("LCFF"), which replaced the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are now provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. During the implementation period of the LCFF, an annual transition adjustment was calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

The Base Grants per unit of ADA for each grade span are as follows: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. During the implementation period of the LCFF, Base Grants were required to be adjusted annually for COLAs by applying the implicit price deflator for government goods and services. The provision of COLAs is now subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. See also "—State Budget Measures" for information on the adjusted Base Grants provided by current budgetary legislation.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. AB 97 also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately). AB 97 authorizes a supplemental grant add-on (each, a "Supplemental Grant") for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 65% of the applicable Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

The table on the following page shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2013-14 through 2021-22, together with projections of such figures for fiscal year 2022-23 through 2024-25.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 through 2024-25
Sacramento City Unified School District

	Average Daily Attendance[1]					Enrollment[2]	
Fiscal Year	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment[3]
2013-14	13,798	9,663	6,383	10,658	40,502	41,679	75.40%
2014-15	13,456	9,563	6,297	10,687	40,003	41,066	68.36
2015-16	12,784	9,604	6,245	10,303	38,937	41,070	72.82
2016-17	12,371	9,757	6,359	10,419	38,906	41,115	70.89
2017-18	12,311	9,716	6,345	10,384	38,756	40,894	71.72
2018-19	12,361	9,430	6,429	10,425	38,646	40,762	72.51
2019-20	12,190	9,171	6,566	10,575	38,501	40,531	72.22
2020-21	12,059	9,063	6,501	10,702	38,325	39,160	72.03
2021-22	9,866	7,794	5,396	9,617	32,673	38,198	68.37
2022-23[4]	10,182	7,920	5,657	10,799	34,559	36,543	70.92
2023-24[4]	10,132	7,881	5,629	10,743	34,386	36,360	70.46
2024-25[4]	10,082	7,843	5,600	10,689	34,214	36,179	70.93

Note: ADA figures rounded to the nearest whole number.

(1) Except for fiscal years 2021-22, reflects as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four week period of instruction beginning on the first day of school for a particular school district. For the 2019-20 school year, due to the outbreak of COVID-19, P-2 ADA only reflects full school months from July 1, 2019 through February 29, 2020. See "—Considerations Regarding COVID-19" herein. Fiscal years 2022-23 and 2023-24 included funded Transitional Kindergarten.

(2) Reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. CALPADS figures exclude preschool students.

(3) For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students has been based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

(4) ADA is projected. For purposes of its multi-year financial projections, District revenues assume the implementation of the Governor's proposal to amend the LCFF calculation to consider the greater of a school district's current year, prior year or average of three prior years' ADA. See also "—District Budgets and County Oversight – *Proposed 2022-23 District Budget*" and "—State Budget Measures – *May Revision*" herein. In such an instance, the District's funded ADA in fiscal years 2022-23 through 2024-25 is projected to be 36,421, 35,227 and 34,489, respectively.

Source: Sacramento City Unified School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a COLAs in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on was required to be paid incrementally over the implementing period of the LCFF. The District did not qualify for the ERT add-on.

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the State Legislature to school districts.

Certain schools districts, referred to as "community funded" school district, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Community funded school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for community funded districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as a community funded district.

Accountability. Regulations adopted by the State Board of Education require that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, and detail the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs covering a three-year period are required to be updated annually. The State Board of Education has adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, established a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendent of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a State agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized (i) to modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs.

Other Revenue Sources

Federal Government and Other Local Revenues. The federal government provides funding for several school district programs, including specialized programs such as No Child Left Behind, special education programs, and programs under the Educational Consolidation and Improvement Act. In addition, portions of a school district's budget can come from local sources other than property taxes, including but not limited to interest income, leases and rentals, interagency services, developer fees (as further described herein), foundations, donations and sales of property.

The California lottery is another source of funding for school districts, providing approximately 1% to 3% of a school district's budget. Every school district receives the same amount of lottery funds per enrolled pupil from the State; however, these are not categorical funds as they are not for particular programs or children. The initiative authorizing the lottery mandates the funds be used for instructional purposes, and prohibits their use for capital purposes.

Developer Fees. The District maintains a fund, separate and apart from its general fund, to account for developer fees assessed by the District on residential and commercial development. Currently, the District levies $3.36 per square foot for residential development and $0.54 per square foot for commercial or industrial development. Developer fee revenue may only be used to construct or modernize school facilities to accommodate growths in enrollment. The following table lists the historical developer fees received by the District from fiscal years 2016-17 through 2020-21, an estimated amount for fiscal year 2021-22 and a budgeted amount for fiscal year 2022-23. District developer fees contribute to the payment of annual debt service on the District's outstanding Lease Revenue Bonds (as defined herein). See "SACRAMENTO CITY UNIFIED SCHOOL DISTRICT – District Debt Structure – Lease Revenue Bonds" herein.

DEVELOPER FEES
Fiscal Years 2016-17 through 2022-23
Sacramento City Unified School District

Fiscal Year	Developer Fees Collections
2016-17	$4,496,567.59
2017-18	4,753,306.71
2018-19	2,730,954.39
2019-20	6,208,728.19
2020-21	5,266,712.66
2021-22[1]	4,692,253.90
2022-23[2]	2,000,000.00

(1) Estimated.
(2) Budgeted.
Source: Sacramento City Unified School District.

Considerations Regarding COVID-19

An outbreak of disease or similar public health threat, such as the ongoing coronavirus ("COVID-19") outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results.

The spread of COVID-19 continues to have significant negative impacts throughout the world, including in the District. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the State and the United States. The purpose behind these declarations was to coordinate and formalize emergency actions and across federal, State and local governmental agencies, and to proactively prepare for the then-expected wider spread of the virus.

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed by the President of the United States. The CARES Act appropriated over $2 trillion to, among other things, (i) provide cash payments to individuals, (ii) expand unemployment assistance and eligibility, (iii) provide emergency grants and loans for small businesses, (iv) provide loans and other assistance to corporations, including the airline industry, (v) provide funding for hospitals and community health centers, (vi) expand funding for safety net programs, including child nutrition programs, and (vii) provide aid to state and local governments. On December 27, 2020, the President of the United States signed the Coronavirus Relief and Response Supplemental Appropriations Act, 2021 ("CRRSA"), which included approximately $900 billion worth of provisions for additional COVID-related relief, including extension of or additional funding for various relief programs implemented by the CARES Act. The

CRRSA provided approximately $82 billion of COVID-19 related relief for education, including $54.3 billion for K-12 schools (largely through Title I funding), $22.7 billion for higher education and $4 billion for state governors to spend at their discretion. On March 12, 2021, the President signed the American Rescue Plan Act of 2021 (the "American Rescue Plan"), which provides approximately $1.9 trillion in federal economic stimulus intended to accelerate the recovery from the COVID-19 pandemic. The American Rescue Plan provides direct payments to individuals, extends unemployment benefits, provides funding to distribute COVID-19 vaccines and provides funding for schools, higher education institutions, state, tribal governments and businesses.

State law allows school districts to apply for a waiver to hold them harmless from the loss of LCFF funding based on attendance and state instructional time penalties when they are forced to close schools due to emergency conditions. In addition, the Governor has enacted Executive Order N-26-20 ("Executive Order N-26-20"), which (i) generally streamlined the process of applying for such waivers for closures related to COVID-19 and (ii) directed school districts to use LCFF apportionment to fund distance learning and high quality educational opportunities, provide school meals and, as practicable, arrange for the supervision of students during school hours.

In response to the COVID-19 pandemic, on March 17, 2020, Senate Bill 89 ("SB 89") and Senate Bill 117 ("SB 117") were signed by the Governor, both of which took effect immediately. SB 89 amended the Budget Act of 2019 by appropriating $500,000,000 from the State general fund for any purpose related to the Governor's March 4, 2020 emergency proclamation. SB 117, among other things, (i) specified that for school districts that comply with Executive Order N–26–20, the ADA reported to the State Department of Education for the second period and the annual period for apportionment purposes for the 2019-20 school year only includes all full school months from July 1, 2019 through February 29, 2020, (ii) prevented the loss of funding related to an instructional time penalty because of a school closed due to the COVID–19 by deeming the instructional days and minutes requirements to have been met during the period of time the school was closed due to COVID–19, (iii) required a school district to be credited with the ADA it would have received had it been able to operate its After School Education and Safety Program during the time the school was closed due to COVID–19, and (iv) appropriated $100,000,000 from the State general fund to the State Superintendent to be apportioned to certain local educational agencies for purposes of purchasing personal protective equipment, or paying for supplies and labor related to cleaning school sites. Additionally, the Governor, on March 4, 2021, signed into law Assembly Bill 86 ("AB 86"), urgency legislation which provided approximately $6.6 billion to accelerate the return of in-person school instruction and expand student support. See also "—State Budget Measures – Assembly Bill 86" herein.

The District has been awarded COVID-19 relief funding from a variety of sources, as shown in the following table. The District can make no representation that all funding will be received, or that the District can expend relief funding prior the expiration of applicable expenditure deadlines. To date, the District has spent or encumbered approximately $155 million of these funds.

Source	Award
Coronavirus Relief	$34,085,392
SB117	666,159
Learning Loss Mitigation	3,497,424
In-Person Instruction (IPI) Grant	13,663,701
Expanded Learning Opportunities (ELO) Grant	13,150,213
ELO Grant: Paraprofessional Staff	2,821,288
Elementary and Secondary School Emergency Relief ("ESSER") I	15,877,983
Governor's Emergency Education Relief ("GEER") I	2,950,972
ESSER II	68,709,493
ESSER III	123,537,980
ESSER III, Learning Loss	30,884,496
ELO Grant: ESSER II State Reserve	4,223,222
ELO Grant: GEER II	969,267
ELO Grant: ESSER III State Reserve Emergency Need	2,753,051
ELO Grant: ESSER III State Reserve Learning Loss	4,745,785
American Rescue Plan- Homeless Children & Youth (ARP HCY I)	27,226
American Rescue Plan- Homeless Children & Youth (ARP HCY II)	370,671

On March 19, 2020, the Governor ordered all California residents to stay home or at their place of residence to protect the general health and well-being, except as needed to maintain continuity of 16 critical infrastructure sectors described therein (the "Stay Home Order"). The District closed its schools commencing March 12, 2020, and extended this closure through the end of the 2019-20 school year and into the beginning of the 2020-21 school year. During such periods of closure the District implemented distance learning programs for its students. The District began its 2021-22 academic year on August 23, 2021 with in-person instruction, while also offering an independent study program to qualifying students.

To date there have been thousands of confirmed cases of COVID-19 in the County, although vaccines and vaccine boosters are currently widely available, no representation can be made as to whether the number of cases will grow. The COVID-19 outbreak resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including the District's schools), as well as supply chain issues as these restrictions and closures have been lifted. The U.S. is restricting certain non-US citizens and permanent residents from entering the country. Stock markets in the U.S. and globally have been volatile, with significant declines attributed to coronavirus concerns.

On May 4, 2020, the Governor enacted Executive Order N-60-20 ("Executive Order N-60-20"), which directed the State Public Health Officer to establish criteria to determine whether and how particular local jurisdictions may implement public health measures that are less restrictive than statewide directives, as the State transitions from Stage 1 to Stage 2, and then Stage 3 of reopening. The order provided that stages would be phased in gradually, and counties which met readiness criteria and worked with the State Department of Public Health could open more public spaces and workplaces, as outlined by the State, with variances allowed by county. Pursuant to Executive Order N-60-20, local jurisdictions could issue their own public health measures to slow the spread of COVID-19.

On June 29, 2020, Senate Bill 98 ("SB 98"), the education omnibus bill to the 2020-21 State budget, was signed by the Governor, which took effect immediately. SB 98 provided that distance learning could be offered by a school district during the 2020-21 academic year on a local educational agency or schoolwide level as a result of an order or guidance from a State public health officer or a local public health officer or for pupils who are medically fragile or would be put at risk by in-person instruction, or who are self-quarantining because of exposure to COVID-19. SB 98 provided requirements for distance learning, including, but not limited to: (i) confirmation or provision of access for all pupils to connectivity and devices adequate to participate in the educational program and complete assigned work, (ii) content aligned to grade level standards that is provided at a level of quality and intellectual challenge substantially equivalent to in-person instruction, (iii) support for pupils who are not performing at grade level or need support in other areas, (iv) special education services, (v) designated and integrated instruction in English language development for English learners, and (vi) daily live interaction with certificated employees and peers.

On August 28, 2020, the Governor released a revised system of guidelines for reopening – "Blueprint for a Safer Economy" (the "Blueprint"). The Blueprint placed each of the State's 58 counties into four color-coded tiers - purple, red, orange and yellow - in descending order of severity, based on the number of new daily cases of COVID-19 and the percentage of positive tests. Counties were required to remain in a tier for at least three weeks before advancing to the next one. To move forward, a county was required to meet the next tier's criteria for two consecutive weeks. If a county's case rate and positivity rate fell into different tiers, the county remained in the stricter tier. The County was last in the orange tier.

Under the Blueprint, schools could reopen for in-person instruction in accordance with the California Department of Public Health's "COVID-19 and Reopening In-Person Instruction Framework & Public Health Guidance for K-12 Schools in California, 2020-2021 School Year" (the "Guidelines"). The Guidelines consolidated and updated prior State public health guidance and orders related to schools. Pursuant to the Guidelines, prior to reopening for in-person instruction, all schools were required to complete and post to their website a COVID-19 Safety Plan ("CSP"), and, if in the purple tier, submit the CSP to the local health department and the State Safe Schools for All Team. Schools in the red, orange and yellow tiers could reopen for in-person instruction at all grades. Schools serving grades 7-12 in the purple tier could not reopen for in-person instruction. Schools serving grades K-6 could open for in-person instruction in the purple tier if the adjusted case rate was less than 25 cases per 100,000 of population. Schools had a three-week period to open, starting the day the county met the criterion for reopening, even if the county stops meeting the criterion during that window. If a school opened while the county was in the red, orange, or yellow tier, and the county reverted to the purple tier, or if a school opened while the county was in the purple tier, and the county case rate later exceeded the criteria described above, individual school sites could not be required to close. K-6 schools in the purple tier that had received a waiver under previous guidance from the State and had subsequently begun their reopening of in-person instruction could also continue to offer in-person instruction.

The District began its 2021-22 academic year on August 23, 2021 with in-person instruction, while also offering an independent study program to qualifying students. The District will continue to evaluate the State's school reopening guidelines and will consult with local health officials and the State's school reopening guidelines in implementing the District's plans for the current and coming academic year.

On December 3, 2020, the California Department of Public Health announced a Regional Stay at Home Order (the "Regional Stay at Home Order"), and a supplemental order, signed December 6, 2020, which divided the State into fiver regions (Norther California, Bay Area, Greater Sacramento, San Joaquin Valley, and Southern California), which went into effect at 11:59 PM the day after a region was announced to have less than 15% ICU availability. The orders prohibited private gatherings of any size, closed sector operations except for critical infrastructure and retail, and required 100% masking and physical distancing in all others. Guidance related to schools remained in effect and unchanged. Schools that had reopened for in-person instruction may remain open, and schools could continue to bring students back for in-person instruction under the existing elementary school waiver process or cohort guidance provided by the California Department of Public Health. The Regional Stay at Home Order went into effect in the County on December 16, 2020 and was lifted on January 29, 2021.

On June 11, 2021, the Governor issued two executive orders. The first order rescinded several previous executive orders effective June 15, 2021, including the Stay Home Order and the order that led to the establishment of the Blueprint. The second order began the process of winding down the State's COVID 19-related executive orders in several phases: by June 30, 2021 (including most of Order N-26-20); by July 31, 2021; and by September 30, 2021. In addition, on June 11, 2021, the California Department of Public Health issued an order was to take effect on June 15, 2021. The order replaced the previous public health orders, allowing all sectors to return to usual operations, with limited exceptions for events characterized by large crowds (greater than 5,000 attendees indoors and 10,000 attendees outdoors), which will require (indoors) or recommend (outdoors) vaccine verification and/or negative testing through October 1, 2021. Face coverings were required in certain settings, such as on public transit, indoors in schools and childcare settings, and in healthcare settings, as well as, for unvaccinated individuals, in all indoor public settings and businesses. Additionally, Californians were required to follow existing guidance for K-12 schools, childcare programs, and other supervised youth activities. On February 16, 2022, the State-wide mask mandate was lifted for vaccinated individuals in most settings, although masks are still currently being required in schools, and individual counties may still require masks to be worn. The mask mandate for schools was allowed to lapse after March 11, 2022.

Other potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing distance learning programs or other measures to permit instruction while schools remain closed, disruption of the regional and local economy with corresponding decreases in tax revenues, including property tax revenue, sales tax revenue and other revenues, increases in tax delinquencies, potential declines in property values, and decreases in new home sales, and real estate development. The economic consequences and the volatility in the U.S. and global stock markets resulting from the spread of COVID-19, and responses thereto by local, State, and the federal governments, could have a material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, which, in turn, could result in material changes to the District's required contribution rates in future fiscal years. See "SACRAMENTO CITY UNIFIED SCHOOL DISTRICT – Retirement Programs" herein.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, the effectiveness of available vaccines in containing the spread or mutation of the virus, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to: the Governor's office (http://www.gov.ca.gov), California Department of Public Health (https://covid19.ca.gov/) and the County Department of Health (https://dhs.saccounty.gov/PUB/Pages/PUB-Home.aspx). The District has not incorporated by reference the information on such websites, and the District does not assume any responsibility for the accuracy of the information on such websites.

The ultimate impact of COVID-19 on the District's operations and finances is unknown. There can be no assurances that the spread of COVID-19, or the responses thereto by local, State, or the federal government, will not materially adversely impact the local, state and national economies or the assessed valuation of property within the District, or adversely impact enrollment or ADA within the District and, notwithstanding SB 117 or the Blueprint, materially adversely impact the financial condition or operations of the District. See also "TAX BASE FOR REPAYMENT OF THE BONDS –Assessed Valuations" herein.

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information herein that the principal of or interest on the Bonds is payable solely from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem *property tax required to be levied by the County in an amount sufficient for the payment thereof.*

2021-22 State Budget. On July 16, 2021, the Governor signed a series of bills representing the State budget for fiscal year 2021-22 (the "2021-22 Budget"). The Governor's signing followed negotiations between the Governor and the State Legislature regarding the final provisions of the 2021-22 Budget, including the expenditure of a large projected State general fund surplus. The State Legislature passed temporary budgetary legislation in June of 2021 to meet the required constitutional deadline. The following is drawn from the DOF and LAO summaries of the 2021-22 Budget.

The 2021-22 Budget indicates that revenues are up significantly from the forecast included in the Governor's proposed State budget for fiscal year 2021-22, resulting in a large budgetary surplus. This is a result of strong cash trends, two major federal relief bills since the beginning of 2021, continued stock market appreciation, and a significantly upgraded economic forecast from the prior fiscal year. The 2021-22 Budget also reports that the State has received approximately $285 billion in federal COVID-19 stimulus funding for State programs. Although the 2021-22 Budget acknowledges that building reserves and paying down debts are critical, the 2021-22 Budget allocates approximately 85% of discretionary funds to one-time spending. The multi-year forecast reflects a budget roughly in balance, although the 2021-22 Budget assumes that risks remain to the economic forecast, including a stock market decline that could reduce State revenues.

For fiscal year 2020-21, the 2021-22 Budget projects total general fund revenues and transfers of $188.8 billion and authorizes expenditures of $166.1 billion. The State is projected to end the 2020-21 fiscal year with total reserves of $39.8 billion, including $25.1 billion in the traditional general fund reserve, $12.3 billion in the BSA, $1.9 billion in the PSSSA and $450 million in the Safety Net Reserve Fund. For fiscal year 2021-22, the 2021-22 Budget projects total general fund revenues and transfers of $175.3 billion and authorizes expenditures of $196.4 billion. The State is projected to end the 2021-22 fiscal year with total reserves of $25.2 billion, including $4 billion in the traditional general fund reserve, $15.8 billion in the BSA, $4.5 billion in the PSSSA and $900 million in the Safety Net Reserve Fund. The balance in the PSSSA in fiscal year 2021-22 is projected to trigger school district reserve caps beginning in fiscal year 2022-23. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

The 2021-22 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2021-22 at $93.7 billion. This results in per-pupil funding of $13,976 from Proposition 98 funding, growing to $21,555 when accounting for all funding sources. The 2021-22 Budget also makes retroactive increases to the minimum funding guarantee in fiscal years 2019-20 and 2020-21, setting them at $79.3 billion and $93.4 billion, respectively. Collectively, this represents a three-year increase in the minimum funding guarantee of $47 billion from the level projected by the 2020-21 State budget. In addition, Test 1 is projected to be in effect over this three year period.

Other significant features relating to K-12 school district funding include the following:

- *Local Control Funding Formula*: The 2021-22 Budget funds a compounded COLA of 4.05%, representing an adjustment of 2.31% allocable to fiscal year 2020-21 and a fiscal year 2021-22 adjustment of 1.7%. Additionally, to assist local educational agencies address ongoing fiscal pressures, the 2021-22 Budget also includes $520 million in Proposition 98 funding to provide a 1% increase in LCFF base funding. This discretionary increase, when combined with the compounded COLA, results in a 5.07% growth in LCFF funding over 2020-21 levels. As result, the adjusted Base Grants for fiscal year 2021-22 are as follows: (i) $8,093 for grades Kindergarten through 3, (ii) $8,215 for grades 4 through 6, (iii) $8,458 for grades 7 and 8, and (iv) $9,802 for grades 9 through 12. To increase the number of adults providing direct services to students on school campuses, the 2021-22 Budget also includes an ongoing increase to the LCFF Concentration Grant of $1.1 billion, an increase from 50% to 65%. See "—State Funding of Education – *Local Control Funding Formula*" herein. Local educational agencies that are recipients of these funds will be required to demonstrate in their LCAPs how these funds are used to increase the number of certificated and classified staff on their campuses, including school counselors, nurses, teachers, paraprofessionals, custodial staff, and other student support providers.

- *Deferrals:* The State budget for fiscal year 2020-21 deferred approximately $1.9 billion in K-12 apportionments in fiscal year 2019-20, growing to more than $11 billion in fiscal year 2020-21. The 2021-22 Budget eliminates in its entirety all K-12 deferrals in fiscal year 2021-22.

- *Universal Transitional Kindergarten:* The 2021-22 Budget includes a series of provisions intended to incrementally establish a universal transitional kindergarten for four-year-old children. Full implementation is expected by fiscal year 2025-26. Local educational agencies will be able to use fiscal year 2021-22 for planning and infrastructure development. The 2021-22 Budget indicates that the costs to the State general fund of the plan are projected to be approximately $600 million in fiscal year 2022-23, growing to approximately $2.7 billion in fiscal year 2025-26. The 2021-22 Budget includes $200 million in one-time Proposition 98 funding for planning and implementation grants for all local educational agencies and $100 million in one-time Proposition 98 funding to train and increase the number of early childhood educators. To build on and enhance the quality of the existing transitional kindergarten program, the 2021-22 Budget also proposes new ongoing Proposition 98 funding beginning in fiscal year 2022-23 to provide one additional certificated or classified staff person in each transitional kindergarten classroom, reducing adult-to-child ratios from 1:24 to 1:12.

- *Student Supports:* $3 billion, available over several years, to expand and strengthen the implementation and use of community school models in communities with high levels of poverty. Community schools typically integrate health, mental health and other services for students and families and provide these services directly on school campuses. In addition, the 2021-22 Budget provides $547.5 million in one-time Proposition 98 funding to assist high school students, particularly those that are eligible for free and/or reduced priced meals, English learners or foster youth, to graduate having completed certain classes required for admission to the California State University and University of California systems.

- *County Offices of Education:* In recognition of the disproportionate impact of the COVID-19 pandemic on youth in foster care, the 2021-22 Budget provides $30 million in one-time Proposition 98 funding to county offices of education to work with local partners to coordinate and provide direct services to these students.

- *Expanded Learning Time:* $1.8 billion of Proposition 98 funding as part of a multi-year plan to implement expanded-day, full-year instruction and enrichment for all elementary school students, with a focus on local educational agencies with the highest concentrations of low-income students, English language learners, and youth in foster care. Pursuant to this plan, all local educational agencies will receive funding for expanded learning opportunities based on their number of low-income students, English language learners, and youth in foster care, with local educational agencies with the highest concentrations of these students receiving a higher funding rate. All local educational agencies will be required to offer expanded learning opportunities to the students generating the funding, with the local educational agencies receiving the higher funding rate required to offer expanded learning opportunities to all students. Students will have access to no-cost after school and summer programs, which when combined with regular instructional time, is expected to provide these students with the opportunity for nine hours of developmentally appropriate academics and enrichment activities per instructional day and for six weeks each summer. Additionally, these programs will be required to maintain adult-to-student ratios of no less than 1:10 for Transitional Kindergarten and Kindergarten students and 1:20 for students in first through sixth grades.

- *Educator Preparation, Retention and Training:* $2.9 billion to support a variety of initiatives intended to further expand the State's educator preparation and training infrastructure, including meeting the needs of early childhood educators.

- *Nutrition:* $54 million in additional Proposition 98 funding to reimburse all meals served to students, including those who would not normally qualify for reimbursement under the State's existing meal program. Beginning in fiscal year 2022-23, all public schools will be required to provide two free meals per day to any student who requests one, regardless of income eligibility. Further, all schools eligible for the federal universal meals provision program will be required to apply for it, and the State will cover any remaining unreimbursed costs up to the federal free per-meal rate, at an estimated annual cost of $650 million in Proposition 98 funding. Additionally, the 2021-22 Budget provides $150 million in one-time Proposition 98 funding for school districts to upgrade kitchen infrastructure and equipment, and to provide training to food service employees.

- *Remote Learning:* The 2021-22 Budget requires that all districts return to full-time in-person instruction for the 2021-22 school year. Consistent with all school years prior to fiscal year 2020-21, this mode of instruction will be the default for all students, and generally one of only two ways in which local educational agencies can earn State apportionment funding in fiscal year 2021-22. However, to give families a high-quality option for non-classroom based instruction, and to provide local educational agencies with an option to generate state funding by serving students outside the classroom in response to parent requests, the Budget requires school districts and county offices of education to provide students with an independent study option and includes a series of improvements to the State's existing independent study programs.

- *Special Education:* $1.7 billion to invest in and improve instruction and services for students with disabilities to provide, among other things, learning recovery support, an increase in the State-wide base funding rate for special education funding, a 4.05% COLA to State special education funding, and early intervention services for preschool-aged children.

- *Career Technical Education (CTE):* An increase of $150 million in ongoing Proposition 98 funding to augment opportunities for local educational agencies to participate in the CTE Incentive Grant Program. The 2021-22 Budget also provides an increase of $86.4 million in one-time Proposition 98 funding for CTE regional occupational centers or programs operated by joint powers authorities to address costs associated with the COVID-19 pandemic.

For additional information regarding the 2021-22 Budget, see the DOF and LAO websites at www.dof.ca.gov and www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Assembly Bill 86. On March 4, 2021, the Governor signed into law Assembly Bill 86 ("AB 86"), urgency legislation which provided approximately $6.6 billion to accelerate the return of in-person school instruction and expand student support. Specifically, AB 86 provided $2 billion for in-person instruction grants to local educational agencies (with the exception of non-classroom based charter schools and independent study programs) that can be used for, among other things, personal protective equipment, ventilation upgrades and COVID-19 testing. To qualify for the funding, local educational agencies were required to offer in-person instruction for Kindergarten through second grade, and all grade levels for high-needs students, by March 31, 2021, losing 1% of eligible funds for every day thereafter if they did not. Schools in the Blueprint's red, orange or yellow tiers were required to offer in-person instruction to all elementary grades and at least one middle or high school grade or risk losing the same amount of funding. Local educational agencies forfeited eligibility for all funding if they did not resume in-person instruction by May 15, 2021. Funding will be allocated proportionally on the basis of LCFF funding entitlements, determined as of the fiscal year 2020-21 second principal apportionment certification.

The remaining $4.6 billion was allocated for supplemental instruction and support for social and emotional well-being. Schools will be able to use the funds for, among other things, providing more instructional time (including summer school), tutoring, learning recovery programs, mental health services, access to school meal programs, programs to address pupil trauma and supports for credit-deficient students. Funding will be allocated proportionally on the basis of LCFF funding entitlements, determined as of the fiscal year 2020-21 second principal apportionment certification. Local educational agencies will also receive an additional $1,000 for each homeless pupil enrolled in the 2020-21 fiscal year.

AB 86 also codified several State programs that support the safe re-opening of schools, including (i) setting aside 10% of available vaccines for education workers, (ii) COVID-19-related data reporting requirements, and (iii) additional funding for the State's "Safe Schools Team," which provides technical assistance and oversight to schools that experience COVID-19 outbreaks.

Proposed 2022-23 State Budget. On January 10, 2022, the Governor released his proposed State budget for fiscal year 2022-23 (the "Proposed 2022-23 Budget"). The following information is drawn from the DOF and LAO overviews of the Proposed 2022-23 Budget.

The Proposed 2022-23 Budget reports that, since the passage of the prior year's budgetary legislation, the State's economy has continued to recover from the recession occasioned by the COVID-19 pandemic. Before accounting for certain required transfers (such as those to the BSA), State revenues are higher than the projections included in the 2021-22 Budget by almost $28.7 billion over a three-year span from 2020-21 through 2022-23. The Proposed 2022-23 Budget attributes this increase to four main factors: (1) a more robust economic recovery, (2) a greater share of wage gains going to high-wage sectors, (3) a stronger-than-forecast stock market, and (4) higher inflation. The Proposed 2022-23 Budget identifies several risk factors that could affect the current economic and revenue forecasts, including the impact of the COVID-19 Omicron variant or other potential future COVID-19 variants, persistent supply chain issues, increased inflation, stock market volatility and the lack of affordable housing.

For fiscal year 2021-22, the Proposed 2022-23 Budget projects total general fund revenues and transfers of $196.7 billion and authorizes expenditures of $210 billion. The State is projected to end the 2021-22 fiscal year with total reserves of $47.4 billion, including $20.5 billion in the traditional general fund reserve, $19.3 billion in the BSA, $6.7 billion in the PSSSA and $900 million in the Safety Net Reserve Fund. For fiscal year 2022-23, the Proposed 2022-23 Budget projects total general fund revenues and transfers of $195.7 billion and authorizes expenditures of $213 billion. The State is projected to end the 2022-23 fiscal year with total reserves of $34.6 billion, including $3.1 billion in the traditional general fund reserve, $20.9 billion in the BSA, $9.7 billion in the PSSSA and $900 million in the Safety Net Reserve Fund. The projected balance in the PSSSA at the conclusion of fiscal year 2021-22 will trigger school district reserve caps in fiscal year 2022-23. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

The upward revisions of State general fund revenues results in significant increases to the Proposition 98 minimum funding guarantee. Proposition 98 funding for K-14 school districts for fiscal year 2022-23 is set at $102 billion (including $73.1 billion from the State general fund and $28.9 billion from other sources), an increase of $8.2 billion (or 8.8%) from the level set by the 2021-22 Budget. The Proposed 2022-23 Budget projects that Test 1 will be in effect in fiscal year 2022-23, as it has been in the prior two fiscal years. To accommodate expected enrollment increases related to the expansion of transition kindergarten (as described more fully below), the Proposed 2022-23 Budget would rebench the Test 1 percentage of State revenues allocated to education.

As a result of increased revenues, the Proposed 2022-23 Budget would also make certain retroactive adjustments to the minimum funding guarantee in fiscal years 2020-21 and 2021-22, setting them at $95.9 billion and $99.1 billion, respectively. Together with the funding level for fiscal year 2022-23, this represents a three-year increase in the guarantee of $16.1 billion over the level included in the 2021-22 Budget.

The Proposed 2022-23 Budget would set total funding for K-12 education at $119 billion, including $70.5 billion from the State general fund and $48.5 billion from other sources. K-12 per-pupil funding would total $20,855 from all sources, including $15,261 from Proposition 98 sources. Other significant features relating to K-12 school district funding include the following:

- *Local Control Funding Formula*: The Proposed 2022-23 Budget funds a COLA of 5.33% to LCFF apportionments for K-12 school districts and county offices of education. The Proposed 2022-23 Budget acknowledges that demographic trends which existed prior to the

COVID-19 pandemic have been exacerbated over the past two fiscal years. To allow K-12 school districts to adjust to enrollment-related funding declines and minimize the impacts of single-year drops in enrollment, the Proposed Budget would amend the LCFF calculation to consider the greater of a school district's current year, prior year or average of three prior years' ADA. The Proposed 2022-23 Budget also indicates that the administration intends to engage in outreach and discussions with interested parties to explore options for providing declining enrollment protections to charter schools. Ongoing costs associated with these funding changes are estimated to be approximately $1.2 billion in Proposition 98 funds.

- *Categorical Programs:* An increase of $295 million in ongoing Proposition 98 funding to provide a 5.33% COLA for categorical programs that remain outside the LCFF.

- *Universal Transitional Kindergarten*: $639.2 million to expand eligibility for transitional kindergarten to include all children turning five years old between September 2 and February 2, beginning in the 2022-23 fiscal year. These funds will increase the Proposition 98 minimum guarantee through a rebenching process, as described above. Additionally, the Proposed 2022-23 Budget includes $383 million in Proposition 98 funding to add one additional certificated or classified employee to every transitional kindergarten class, which is expected to reduce student-to-adult ratios to more closely align with the State's preschool program.

- *Literacy*: The Proposed Budget provides a series of measures to provide access to literacy support systems, including (i) $500 million in one-time Proposition 98 funding for grants to high-needs schools to train and hire literacy coaches and reading specialists, and (ii) $200 million in one-time Proposition 98 funding to enable local educational agencies to create and expand multi-lingual school or classroom libraries.

- *Educator Preparation, Retention and Training:* $54.4 million in Proposition 98 funding and other State funds to continue to support a variety of initiatives intended to further expand the State's educator preparation and training infrastructure.

- *Expanded Learning Time:* $3.4 billion in ongoing Proposition 98 funding to continue funding a multi-year plan to implement expanded-day, full-year instruction and enrichment for all elementary school students. The Proposed 2022-23 Budget also includes $937 million in one-time Proposition 98 funding to support expanded learning opportunities infrastructure, with a focus on integrating arts and music programming into enrichment opportunities for students.

- *Special Education:* $500 million to increase in the State-wide base funding rate for special education funding.

- *College and Career Pathways*: $1.5 billion in one-time Proposition 98 funding, over four years, to support the development of college and career pathways for high schoolers focused on technology (including computer science, green technology and engineering), health care, education and climate-related fields. Additionally, the Proposed 2022-23 Budget includes $500 million in one-time Proposition 98 funding, also available over four years, to strengthen and expand student access and participation in dual enrollment opportunities that are also coupled with student advising and support services. These funds are intended to complement $45 million in higher education funding for pathways and partnerships for STEM, education and health care career preparation.

- *Transportation*: $1.5 billion in one-time Proposition 98 funding, available over three years, to support school transportation programs with a focus on greening school bus fleets. These funds would include grants of (i) $500,000 for local educational agencies with high concentrations of low-income, foster youth and English-learning students, and (ii) $500,000 for local educational agencies to acquire electric school buses and associated infrastructure.

- *Nutrition:* $596 million in additional Proposition 98 funding to build on prior budgetary legislation to create universal access to subsidized school meals. Additionally, the Proposed 2022-23 Budget provides $450 million in additional, one-time Proposition 98 funding to upgrade school kitchen infrastructure and equipment to incorporate fresh, minimally-processed, California-grown foods in school meals. Finally, the Proposed 2022-23 Budget provides an additional $30 million in one-time Proposition 98 funding to support a farm-to-school program which connects local producers and school food buyers, increases food education opportunities at schools, gardens and farms, and engages schools and students with the agricultural community.

- *Facilities:* $1.4 billion in State general obligation bond funding to support school construction projects. This represents the final installment available to K-12 school districts under Proposition 51. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 51" herein. The Proposed 2022-23 Budget also provides $1.3 billion in one-time State general funds in fiscal year 2022-23, and $925 million of such funds in 2023-24, to support new construction and modernization projects through the State's school facility program. Finally, the Proposed 2022-23 Budget includes $30 million in ongoing Proposition 98 funding to support eligible facilities costs for the Charter School Facility Grant Program.

For additional information regarding the Proposed 2022-23 Budget, see the DOF and LAO websites at www.dof.ca.gov and www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

May Revision. On May 13, 2022, the Governor released his May revision (the "May Revision") to the Proposed 2022-23 Budget. The following information is drawn from the DOF and LAO summaries of the May Revision.

The May Revision's economic forecast projects the U.S. and California economies will continue to recover and grow steadily through the forecast period. However, economic growth has been slightly downgraded as compared to the Proposed 2022-23 Budget projections due to continuing global supply chain bottlenecks, international economic sanctions in response to the Russian invasion of Ukraine, tighter monetary policy (including several planned interest rate hikes), and persistently high inflation. Nonetheless, State general fund revenues are projected to be nearly $55 billion higher than the projections included in the Proposed 2022-23 Budget.

For fiscal year 2021-22, the May Revision projects total general fund revenues and transfers of $227 billion and authorizes expenditures of $249.2 billion. The State is projected to end the 2021-22 fiscal year with total reserves of $39.6 billion, including $11.1 billion in the traditional general fund reserve, $20.3 billion in the BSA, $7.3 billion in the PSSSA and $900 million in the Safety Net Reserve Fund. For fiscal year 2022-23, the May Revision projects total general fund revenues and transfers of $219.6 billion and authorizes expenditures of $227.4 billion. The State is projected to end the 2022-23 fiscal year with total reserves of $37.1 billion, including $3.4 billion in the traditional general fund reserve, $23.3 billion in the BSA, $9.5 billion in the PSSSA and $900 million in the Safety Net Reserve Fund. The projected balance in the PSSSA at the conclusion of fiscal year 2021-22 will trigger school district reserve caps in fiscal year 2022-23. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

The upward revision of State general fund revenues results in an increase to the Proposition 98 minimum funding guarantee. The May Revision sets Proposition 98 funding for K-14 school districts at $110.3 billion in fiscal year 2022-23, an increase of $8.3 billion from the level included in the Proposed 2022-23 Budget. The May Revision also revises the minimum funding guarantee in fiscal years 2020-21 and 2021-22 at $96.1 billion and $110.2 billion, respectively. Collectively, this represents a three-year increase to the minimum funding guarantee of $19.6 billion over the level estimated by the Proposed 2022-23 Budget. Across all three years, "Test 1" is projected to be in effect.

The May Revision would set total funding for K-12 education at $128.3 billion, including $78.4 billion from the State general fund and $49.9 billion from other sources. K-12 per-pupil funding would total $22,850 from all sources, including $16,991 from Proposition 98 sources. Significant adjustments or additional proposals to K-12 education funding include the following:

- *Local Control Funding Formula*: The May Revision would increase the COLA for LCFF apportionments to 6.56%, an increase of 1.23% from the COLA provided in the Proposed 2022-23 Budget. Additionally, to assist local educational agencies address ongoing fiscal pressures, staffing shortages and other operational needs, the May Revision includes $2.1 billion in ongoing Proposition 98 funding to increase LCFF base funding. With respect to county offices of education, the May Revision includes $101.2 million in ongoing, augmented LCFF funding. In addition to an earlier proposal which would have amended the LCFF calculation to consider the greater of a school district's current year, prior year or average of three prior years' ADA, the May Revision would amend the LCFF to permit all classroom-based local educational agencies to be funded at the greater of their current year ADA or their current year enrollment, adjusted for pre-COVID-19 absence rates in the 2021-22 fiscal year. The May Revision also proposes further modifying the three-year rolling average to conform to this adjustment. Total ongoing costs associated with these policies are estimated to be $3.3 billion in ongoing funding and $463 million in one-time funding.

- *Discretionary Block Grant:* To assist local educational agencies respond to increasing operational costs, including pension contributions, the May Revision provides $8 billion in one-time, discretionary Proposition 98 funding, to be allocated on a per-pupil basis. Funds received by local educational agencies will offset any categorical mandate funding owed to such agencies.

- *Categorical Programs:* The May Revision provides an additional $62.1 million of Proposition 98 funding to provide a 6.56% COLA for selected categorical programs that remain outside the LCFF.

- *Universal Transitional Kindergarten*: The May Revision adjusts the costs to expand eligibility for transitional kindergarten to include all children turning five years old between September 2 and February 2, from $639.2 million to $614 million.

- *Student Supports*: The 2021-22 Budget provided $3 billion, available over several years, to expand and strengthen the implementation and use of community school models in communities with high levels of poverty. Community schools typically integrate health, mental health and other services for students and families and provide these services directly on school campuses. The May Revision includes an additional $1.5 billion in one-time Proposition 98 funding to expand access to community schools.

- *Educator Preparation, Retention and Training:* The May Revision funds a variety of additional educator workforce initiatives, including (i) $500 million in one-time Proposition 98 funding to expand residency slots for teachers and school counselors, (ii) $385 million in one-time Proposition 98 funding to create Pre-Kindergarten through 12th grade educator resources and professional learning in STEM, (iii) $15 million in one-time Proposition 98 funding for educator training in computer science, and (iv) $15 million in one-time Proposition 98 funding for educator training and support in the areas of special education and support for English-learners.

- *Expanded Learning Time:* The May Revision includes an additional $403 million in ongoing Proposition 98 funding for a multi-year plan to implement expanded-day, full-year instruction and enrichment for all elementary school students. The May Revision also provides an additional $63 million in one-time Proposition 98 funding to support expanded learning opportunities infrastructure, with a focus on integrating arts and music programming into enrichment opportunities for students.

- *Nutrition:* The May Revision provides an additional $611.8 million in ongoing Proposition 98 funding to build on prior budgetary legislation to create universal access to subsidized school meals.

- *Facilities:* The May Revision provides an additional $2.2 billion in one-time State general funds in fiscal year 2022-23, $1.2 billion of such funds in 2023-24, and $625 million of such funds in 2024-25 to support new construction and modernization projects through the State's school facility program. The May Revision also provides $1.8 billion in one-time Proposition 98 funding to address outstanding school facility maintenance issues.

- *Community Engagement*: The May Revision provides $100 million in one-time Proposition 98 funding to expand the reach of an initiative included in prior budgetary legislation which builds the capacity of local educational agencies to engage more effectively with their communities.

- *Classified Staff*: The May Revision provides an increase of $80 million in ongoing Proposition 98 funding for the Classified School Employee Summer Assistance Program, which provides supplemental pay for classified staff during the intersessional months when they are not employed.

Future Actions and Events. The District cannot predict what additional actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. The COVID-19 pandemic has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels. In addition, the pandemic could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See "DISTRICT FINANCIAL INFORMATION – Considerations

Regarding COVID-19" herein. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation of the County to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal of and interest on the Bonds would not be impaired.

District Budgets and County Oversight

State Budgeting Requirements. The District is required by provisions of the Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations, if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, whether the budget includes the expenditures necessary to implement a local control and accountability plan, and whether the budget's ending fund balance exceeds the minimum recommended reserve for economic uncertainties.

On or before September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by September 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than October 22, the county superintendent must notify the State Superintendent of all school districts whose budget may be disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. No later than October 8, the county superintendent must notify the State Superintendent of all school districts whose budget has been disapproved. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

For fiscal years 2018-19 through 2019-20, as well as the first interim report for fiscal year 2020-21, the District reported, and the County Office of Education accepted, negative certifications on the interim financial reports submitted for such years. The District reported, and the County Office of Education accepted, qualified certifications on the second interim report for fiscal year 2020-21 and the first interim financial report for fiscal year 2021-22. On April 18, 2022, the District was informed that the certification on its second interim financial report for fiscal year 2021-22 was changed from qualified to negative. See "—*County Superintendent Response to Second Interim Report for Fiscal Year 2021-22*" herein.

For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent, may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the Superintendent of Public Instruction and the president of the State board or the president's designee will appoint a trustee at the direction of the county superintendent to serve the school district until it has adequate fiscal systems and controls in place. In connection with appointing such a trustee, some or all of the legislative powers of the governing board of such a school district can be suspended until the district achieves fiscal stability.

The District does not currently project the need for an emergency apportionment in fiscal year 2022-23. However, the District can make no representation that an emergency apportionment will not be required in future fiscal years.

Disapproval of Fiscal Year 2018-19 Budget and Initial County Oversight. By letter dated August 22, 2018, the County Office of Education disapproved the District's fiscal year 2018-19 adopted budget, citing concerns regarding the District's on-going structural deficit. The County Office of Education disapproved the District's revised budget for that year on October 11, 2018. Pursuant to Education Code Section 42127.6(e), the Sacramento County Superintendent of Schools (the "County Superintendent") was authorized to implement increased oversight procedures, including (i) developing and imposing budget revisions to enable the District to meet its financial obligations, (ii) staying and rescinding any actions by the District determined to be inconsistent with meeting the District's financial obligations, (iii) assist in the development of a multi-year financial plan, (iv) assist in the development of the following fiscal year's budget, and (v) the assignment of a fiscal advisor (the "Fiscal Advisor") to assist the District develop a balanced budget. The District's subsequent adopted budgets for fiscal years 2019-20 and 2020-21 were similarly disapproved, with the County Office of Education citing in each instance ongoing concerns regarding the structural deficit, projected negative ending fund balances, and projected failures to maintain minimum general fund reserves. The Fiscal Advisor continues to be in place, and, as a result of conditionally approving the District's 2021-22 budget, the County Superintendent continues to be authorized to implement the increased oversight procedures authorized by Education Code 42127.6(e). See "—*Conditional Approval of Fiscal Year 2021-22 Budget*" below.

Conditional Approval of Fiscal Year 2021-22 Budget. By letter dated September 15, 2021, the County Office of Education conditionally approved the District's adopted budget for Fiscal Year 2021-22 (the "2021-22 District Budget"). The County Office of Education concluded that the 2021-22 District Budget did not provide adequate assurance that the District was a going concern and could meet its future obligations. The County Office of Education noted that the 2021-22 District Budget projected a significant drop in funded ADA in fiscal year 2021-22, as result of the expiration of the hold-harmless provisions instituted by State budgetary legislation in response to the COVID-19 pandemic, with continuing projected decreases in fiscal years 2022-23 and 2023-24. Coupled with projected increases in ongoing costs, the unrestricted general fund balance was projected to decrease by $6.7 million in fiscal year 2021-22, and by $18.2 million and $24.9 million in fiscal years 2022-23 and 2023-24, respectively. Recognizing that the District required additional time to identify measures to eliminate the structural deficit, the County Office of Education issued a conditional approval in lieu of disapproving the 2021-22 District Budget, with a requirement that the District submit a board-approved financial plan that would enable the District to meet its future obligations, including (i) identifying areas of overstaffing and aligning staffing with enrollment and associated revenues, (ii) identifying areas of significant cost growth and strategies to reduce them, and (iii) identifying additional cost savings to eliminate the structural deficit over the multi-year forecast period. This financial plan was required to be delivered no later than December 15, 2021.

First Interim Report for Fiscal Year 2021-22 and Fiscal Recovery Plan. On December 16, 2021, the Board approved the first interim financial report for fiscal year 2021-22 (the "2021-22 First Interim"). The 2021-22 First Interim projected District general fund revenues of $711.3 million (an increase of $152.1 million from the 2021-22 District Budget) and expenditures of $715.7 million (an increase of $125.8 million from the 2021-22 District Budget). In particular, federal revenues increased approximately $132 million from the prior level, while the most significant increases in expenditures were on books and supplies (an increase of $48.6 million from the prior level) and other services and operating expenses (an increase of $51.8 million from the prior level). The 2021-22 First Interim reflected the major assumptions built into the State budget for the current year. See "—State Budget Measures" herein.

The 2021-22 First Interim projected a current-year operating deficit of $2.35 million. For fiscal years 2022-23 and 2023-24, the 2021-21 First Interim projected deficits of $19.5 million and $26.2 million, respectively. The District was projected to satisfy the minimum required general fund reserve level of 2% in all three years. The projected deficits are primarily due to declining enrollment, and funding levels included in the 2021-22 First Interim did not reflect increased costs from tentative agreements between the District and two of its bargaining units. See "SACRAMENTO CITY UNIFIED SCHOOL DISTRICT – Bargaining Units" herein.

Concurrently with the 2021-22 First Interim, the Board approved a revised fiscal recovery plan (the "Fiscal Recovery Plan") to address the conditional approval of the current year budget. See "—*Conditional Approval of Fiscal Year 2021-22 Budget*" herein. The Fiscal Recovery Plan reported that, although an emergency State apportionment is not projected to be required in fiscal year 2021-22, on-going reductions of $26.2 million would be required in order to balance the District's budget, meet the minimum required reserve levels and maintain fiscal solvency. The District projected having a positive cash balance through June of 2024, however, due to deficit spending, cash balances were projected to decline. The Fiscal Recovery Plan included the following proposed revenue and expenditure measures:

1. Approve non-negotiated staffing reductions to align with enrollment declines, as well as shifting certain one-time expenses to restricted sources, which would be effective July 1, 2022 ($7.9 million in projected savings).

2. Reserve one-time unrestricted general fund savings resulting from unexpended budget categories ($14.2 million in projected savings).

3. Apply any additional unrestricted general funds provided by the adopted State budget for fiscal year 2022-23 to the deficit, and refrain from allocating any such funds to expenses until the deficit is eliminated.

4. Implement budgetary measures requiring negotiation with the District's bargaining units, including reducing District contributions to health, visions and dental benefits (approximately $43.1 million in projected savings), as well as a 1% salary reduction and eliminating one furlough day.

5. Revisit central office and school site staffing reductions, as needed, to address the deficit ($14.1 million in projected savings).

No representation can be made that the proposed expenditure reductions and revenues measures in the Fiscal Recovery Plan can be achieved.

Second Interim Report for Fiscal Year 2021-22. The 2021-22 Second Interim was approved by the Board on March 17, 2022, initially with a "qualified" certification. Generally, the 2021-22 Second Interim reported that the District had made some progress in reducing the District's structural deficit and no longer had an imminent need for a State loan. This progress resulted from budgetary reductions, strategic use of restricted resources, aligning FTES counts to enrollment and budget monitoring to capture savings when possible.

The 2021-22 Second Interim projected a current-year operating surplus of $4.3 million, growing to $10.5 million in fiscal year 2022-23. However, the District was projecting a general fund deficit of $6.2 million in fiscal year 2023-24, necessitating the need for further budgetary solutions. The District was projected to satisfy the minimum required general fund reserve level of 2% in all three years, as well as the additional 3% reserve required by Board policies. Finally, the District was projected to have a positive cash balance through June of 2024. The District's revenue projections were based on the funding levels built into the proposed State budget for fiscal year 2022-23 (see "—State Budget Measures" herein), including the proposal to amend the LCFF calculation to consider the greater of a school district's current year, prior year or average of three prior years' ADA. The District, however, can make no representation whether some or any of the Governor's proposals will be enacted. See also "—State Funding of Education – *Local Control Funding Formula*" herein.

Finally, the 2021-22 Second Interim continued to include a matrix showing the self-reported progress the District has made in addressing findings made by FCMAT. See "—FCMAT Fiscal Health Risk Analysis" herein. As of the date of the 2021-22 Second Interim, the District had reported that it had addressed 34 of FCMAT's recommendations, with 26 findings left to be fully addressed.

County Superintendent Response to Second Interim Report for Fiscal Year 2021-22. By letter dated April 18, 2022, the County Superintendent notified the District that the County Superintendent was changing the certification of the 2021-22 Second Interim to "negative," based on the projected financial impacts of tentative agreements entered into by the District and two of its bargaining units, as well as potential penalties (in the form of lost LCFF funding and instructional time penalties) levied on the District as a result of an employee strike which caused the District to close its schools for eight days. See also "SACRAMENTO CITY UNIFIED SCHOOL DISTRICT – Bargaining Units" herein.

The County Superintendent expressed concern that these tentative agreements significantly increase the District's risk of future insolvency. Specifically, the County Superintendent noted that the ongoing cost of the tentative labor agreements is approximately $22 million, and that multi-year projections submitted to the Board in connection with approving these agreements indicate that the unrestricted general fund balance would decrease by approximately $59.1 million in fiscal year 2021-22, $678,000 in fiscal year 2022-23, and $16.1 million in 2023-24. The County Superintendent noted that any additional salary and benefit increases or other costs included in future agreements could result in even larger projected deficits.

The County Superintendent also noted that, as a result of the labor strike, the District was unable to keep its schools open for eight days, and as result may fall short of State-mandated minimum requirements for instructional days and minutes. The net potential penalties associated with not meeting these requirements are approximately $38.6 million (reflecting $47 million in penalties reduced by operational savings of $8.4 million as a result of the labor strike). The County Superintendent encouraged the District to work with its labor partners to restore as many days and minutes as possible to reduce the penalties incurred.

Third Interim Report for Fiscal Year 2021-22. The 2021-22 Third Interim was approved by the Board on May 19, 2022. As required by State law, the 2021-22 Third Interim was submitted without a positive, qualified or negative certification. The 2021-22 Third Interim reflected the projected costs of the District's labor agreements and the potential penalties associated with the labor strike. As a result, the District's total LCFF funding was projected to decline by approximately $47 million, while operating expenses were projected to increase by approximately $42 million. As compared to the 2021-22 Second Interim, the 2021-22 Third Interim projected general fund deficits throughout the forecast period (fiscal years 2021-22 through 2023-24). The District has not received any communication from the County Superintendent regarding the District's 2021-22 Third Interim.

Proposed District Budget for Fiscal Year 2022-23. The 2022-23 District Budget was presented to the Board on June 9, 2022. The 2022-23 District Budget is expected to be approved on June 23, 2022, after which it will be submitted to the County Office of Education. The 2022-23 District Budget also includes estimated results for fiscal year 2021-22. The District can make no representation regarding whether the County Office of Education will approve, conditionally approve or disapprove the 2022-23 District Budget. As with the 2021-22 Third Interim, the 2022-23 District Budget reflects the projected costs of the District's labor agreements and the potential penalties associated with the labor strike.

The 2022-23 District Budget projects a current-year operating deficit of $58.6 million. For fiscal year 2022-23, the District is projecting a general fund surplus of $42.2 million. The District's revenue projections are based on the funding levels built into the Governor's May revision to the proposed State budget for fiscal year 2022-23, which provides ongoing and one-time increases to education funding that are projected to improve the District's ending balance in fiscal year 2022-23. Significant revenue projections for fiscal year 2022-23 made by the District include (i) a COLA of 6.56%, (ii) an increase to LCFF base funding equal to approximately 3.3%, (iii) LCFF funding based on the average of the District's three prior years' ADA, and (iv) a discretionary block grant equal to $1,500 per unit of ADA (approximately $49 million total). See also "—State Budget Measures – *May Revision*" herein. In fiscal years 2023-24 and 2024-25, the District is currently projecting operating deficits of $5.3 million and $13.6 million, respectively. The District is projected to satisfy the minimum required general fund reserve level of 2% in all three years, and is projected to have a positive cash balance through June of 2025. The District's multi-year projections currently show that the District's structural deficit has not been eliminated, and that there is an ongoing need for approximately $11.6 million of additional budgetary reductions or revenue increases.

No assurances can be given whether the funding levels included in the final State Budget for fiscal year 2022-23 will be similar to the funding levels included the Governor's May Revision. Any material differences between the funding levels proposed in the Governor's May Revision and such funding levels in the final State Budget for fiscal year 2022-23 could have a material impact on the financial position of the District or the 2022-23 District Budget.

Recent Financial Trends. The table on the next page summarizes the District's adopted general fund budgets for fiscal years 2018-19 through 2021-22, the District's proposed adopted general fund budget for fiscal year 2022-23 (which is expected to be approved by the Board on June 23, 2022), ending results for fiscal years 2018-19 through 2020-21, and estimated results for fiscal year 2021-22.

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GENERAL FUND BUDGETING
Fiscal Years 2018-19 through 2022-23
Sacramento City Unified School District

	Fiscal Year 2018-19		Fiscal Year 2019-20		Fiscal Year 2020-21		Fiscal Year 2021-22		Fiscal Year 2022-23
REVENUES	Budgeted[1]	Ending[1]	Budgeted[1]	Ending[1]	Budgeted[1]	Ending[1]	Budgeted[2]	Estimated[3]	Budgeted[3]
LCFF	$398,504,903	$398,672,584	$411,797,231	$413,709,116	$412,231,565	$412,682,736	$432,750,059	$390,210,891	$456,323,702
Federal	53,970,361	47,850,158	66,583,550	51,917,179	116,834,764	106,543,983	46,193,654	181,608,450	91,620,567
Other state	67,215,792	91,644,448	72,319,786	78,372,218	75,048,088	99,545,932	73,939,718	109,717,961	133,686,719
Other local	6,694,121	11,661,233	9,090,755	9,950,079	9,685,814	7,979,528	6,385,645	8,908,301	8,258,946
Total Revenues	526,385,177	549,828,423	559,791,322	553,948,592	613,800,231	626,752,179	559,269,075	690,445,603	689,889,933
EXPENDITURES									
Current									
Certificates salaries	210,175,812	211,749,238	222,800,621	209,808,827	215,532,888	213,345,658	225,805,852	248,712,071	242,978,512
Classified salaries	66,138,347	63,096,658	62,778,941	60,163,620	58,460,874	62,484,309	61,720,315	78,840,711	79,677,912
Employee benefits	172,109,818	186,303,443	177,606,806	175,948,151	181,174,974	177,007,077	189,329,145	194,948,907	215,767,200
Books and supplies	22,899,370	14,459,073	41,196,691	11,145,790	101,259,537	56,495,308	29,444,199	76,044,590	29,337,531
Contract services and operating expenditures	82,011,585	70,305,279	75,194,802	65,548,240	84,007,765	76,546,897	82,045,873	136,869,240	85,526,262
Other outgo	--	689,233	471,000	1,150,697	1,100,000	1,265,463	1,150,000	1,605,155	1,540,000
Transfers of indirect costs	--	--	--	--	--	--	(1,300,180)	(1,371,074)	(1,191,259)
Capital outlay	5,328,453	6,855,740	627,792	8,361,223	484,435	4,423,302	1,781,522	15,316,414	5,429,251
Debt service									
Principal retirement	2,626,713	31,643	10,300	2,820	--	--	--	--	--
Interest	2,378,333	808	--	--	--	--	--	--	--
Total Expenditures	563,668,431	553,491,115	580,686,953	532,129,368	642,020,473	591,568,014	589,976,725	750,966,014	650,065,410
(Deficiency) excess of revenues (under) over expenditures	(37,283,254)	(3,662,692)	(20,895,631)	21,819,224	(28,220,242)	35,184,165	(30,707,650)	(60,520,411)	39,824,523
Other financing sources (uses)									
Transfers in	4,208,003	3,850,573	4,022,539	3,598,304	3,798,264	3,181,213	2,316,301	2,171,179	2,342,426
Transfers out	(2,875,207)	(1,719,449)	(1,833,785)	(2,698,262)	(1,981,864)	(5,507,272)	(266,000)	(266,000)	--
Proceeds from the sale of land/buildings	--	1,360,162	--	--	--	--	--	--	--
Other Financing Sources (Uses)	1,332,796	3,491,286	2,188,754	900,042	1,816,400	(2,326,059)	2,050,301	1,905,179	2,342,426
Net Change in Fund Balances	(35,950,458)	(171,406)	(18,706,877)	22,719,266	(26,403,842)	32,858,106	(28,657,349)	(58,615,232)	42,166,949
Fund Balances – July 1	70,500,751	70,500,751	70,329,345	70,329,345	93,048,611	93,048,611	125,906,717	125,906,717	67,291,485
Fund Balances – June 30	$34,550,293	$70,329,345	$51,622,468	$93,048,611	$66,644,769	$125,906,717	$97,249,369	$67,291,485	$109,458,435

(1) From the District's audited financial statements in each fiscal year.
(2) Reflects the District's original adopted budget for fiscal year 2021-22, approved on June 24, 2021.
(3) From the District's proposed budget for fiscal year 2022-23, which was presented to the Board on June 9, 2022 and is expected to be approved on June 23, 2022.
Source: Sacramento City Unified School District.

FCMAT Fiscal Health Risk Analysis

Following the disapproval of its 2018-19 budget, in September 2018 the District entered into an agreement for FCMAT to conduct a fiscal health risk analysis (the "FHRA") of the District. The FRHA is a metrics-based scorecard tool developed by FCMAT to evaluate a school district's fiscal health and risk of insolvency, and is composed of a series of questions in 20 specific areas. The FRHA assigns a total score to the participating district, with 100% being the highest total risk that can be scored. Not all questions within each section carry equal weight; some areas carry a higher risk and are weighted more heavily towards the total score. The District's FHRA also involved a one-day visit by FCMAT to conduct interviews, collect data and review documents. FCMAT issued a report of its conclusions (the "FCMAT Risk Analysis") dated December 12, 2018.

The District's total FRHA score was 44.8%, indicating a high probability of fiscal insolvency in the near future based on the topics covered by the FCMAT Risk Analysis. FCMAT recommended that the District take immediate action to avoid further erosion of the District's reserves. FCMAT identified several signs of fiscal distress for the District, including deficit spending, substantial reductions in fund balance, inadequate reserve levels, approval of a bargaining agreement beyond cost-of-living adjustments, large increases in contributions to restricted programs (especially in special education), lack of a strong position control system, and leadership issues.

The full FCMAT Risk Analysis is available at http://www.fcmat.org/, however the information presented on such website is not incorporated herein by any reference. In response to the FCMAT Risk Analysis, the District established its Fiscal Transparency and Accountability Committee to review the District's budget based on District priorities and goals, review and advise on budget versus actual expenditure variances, and evaluate the budget based on student performance and outcome indicators. This committee consists of three members of the Board and began meeting regularly in February 2019.

Although FCMAT's oversight and review of the District ended after the Fiscal Risk Analysis was presented to the Board, the District and FCMAT entered into an agreement for FCMAT to review the District's budget and develop independent multiyear financial projections and cash flow analysis for 2019-20 and the two subsequent fiscal years, to determine whether the District will need an emergency appropriation from the State. FCMAT issued a set of recommendations to the District and found that, without substantial corrective action to the District budget, an emergency appropriation from the State would be likely necessary in fiscal year 2021-22. Based on the District's implementation of certain of the recommendations to date, the District does not project the need for such an emergency appropriation in the current fiscal year. The District's interim financial reports include a matrix showing the District's self-reported progress in addressing findings made by FCMAT. See "—District Budgets and County Oversight – *Second Interim Report for Fiscal Year 2021-22 and Fiscal Recovery Plan*" herein.

State Audit

The California Joint Legislative Audit Committee directed that the California State Auditor conduct a performance audit (the "State Audit") of the District's finances for the fiscal year period of 2013-14 through 2019-20 and identify causes of the District's fiscal distress. The State Audit was released in December 2019, finding that the District failed to take sufficient action to control its costs in three main areas—teacher salaries, employee benefits, and special education. The State Audit found that the District (i) increased its spending by $31 million annually when it approved a new labor contract with its teachers union in 2017, despite warnings from the County Office of Education that this agreement was potentially unaffordable, (ii) failed to control the costs of its employee benefits, which increased by 52% from fiscal years 2013–14 through 2017–18, and (iii) lacked clear policies to guide staff on appropriate expenditures for special education, limiting its ability to control such costs.

To address the District's fiscal issues as of December 2019, the State Audit recommended that the District (i) adopt a detailed plan to resolve its fiscal crisis, (ii) revise its multiyear projections, with at least quarterly updates, until sufficient budgetary measures could be implemented to eliminate the structure deficit, (iii) adopt a multiyear projection methodology, with assumptions and rationale used to estimate changes in salaries, benefits, contributions, and LCFF revenue, and (iv) before it imposes an agreement on its teachers union or accepts state assistance, publicly disclose the likely effects that such actions will have on the District's students, faculty, and the community, and its plans to address these effects. The State Audit also recommended that the District (i) develop a long-term funding plan to address its retiree health benefits liability, (ii) adopt a policy that guides staff on steps they should take to ensure that special education expenditures are cost-effective, (iii) annually apply for available state funding for its extraordinary special education costs, (iv) develop and adopt a succession plan that ensures that it has staff who have the training and knowledge necessary to assume critical roles in the case of turnover, and (v) develop effective employee orientation programs, including mentorship.

By letter dated November 14, 2019, the District responded to the State Audit and confirmed that its findings ultimately align with those of the District, namely that the primary solutions to the District's budget imbalance exist through negotiations with its labor partners and recognized that such relationship has not been productive or collaborative for a number of years.

The full State Audit is available at https://www.bsa.ca.gov/pdfs/reports/2019-108.pdf, however the information presented on such website is not incorporated herein by any reference.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles and are in accordance with the policies and procedures of the California School Accounting Manual. This manual, according to Education Code Section 4010, is to be followed by all California school districts.

Revenue is recorded on an accrual basis except for taxes allocable to the District, which are considered revenue in the year collections are made and, therefore, are fully reserved. Expenditures are recorded according to receipt of goods and services on an accrual basis. Differences between estimated and actual accounts receivable and payable, as of the beginning of the year, are reflected as adjustments to the fund balance.

Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2021, and prior fiscal years are on file with the District and available for public inspection at the Office of the Chief Business and Operations Officer, 5735 47th Avenue, Sacramento, California 95824, telephone: (916) 643-4700.

The table on the following page summarizes the District's audited statement of revenues, expenditures and fund balances for fiscal years 2016-17 through 2020-21.

STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Fiscal Years 2016-17 through 2020-21
Sacramento City Unified School District

	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
REVENUES					
Local Control Funding Formula (LCFF)					
State apportionment	$283,664,516	$287,546,461	$307,178,947	$313,649,770	$307,220,871
Local sources	79,238,343	85,807,376	91,493,637	100,059,346	105,461,865
Total LCFF	362,902,859	373,353,837	398,672,584	413,709,116	412,682,736
Federal	41,219,643	49,249,342	47,850,158	51,917,179	106,543,983
Other state	83,134,267	70,050,430	91,644,448	78,372,218	99,545,932
Other local	10,843,677	11,881,019	11,661,233	9,950,079	7,979,528
Total Revenues	498,100,446	504,534,628	549,828,423	553,948,592	626,752,179
EXPENDITURES					
Current					
Certificates salaries	192,501,260	196,143,370	211,749,238	209,808,827	213,345,658
Classified salaries	58,343,622	63,562,086	63,096,658	60,163,620	62,484,309
Employee benefits	141,343,139	160,839,811	186,303,443	175,948,151	177,007,077
Books and supplies	12,897,800	19,147,391	14,459,073	11,145,790	56,495,308
Contract services and operating expenditures	87,290,180	71,049,494	70,305,279	65,548,240	76,546,897
Other outgo	216,459	659,827	689,233	1,150,697	1,265,463
Capital outlay	23,010,286	2,202,829	6,855,740	8,361,223	4,423,302
Debt service					
Principal retirement	65,426	2,218,576	31,643	2,820	--
Interest	2,785	2,185,174	808	--	--
Total Expenditures	515,670,957	518,008,558	553,491,115	532,129,368	591,568,014
(Deficiency) excess of revenues (under) over expenditures	(17,570,511)	(13,473,930)	(3,662,692)	21,819,224	35,184,165
Other financing sources (uses)					
Transfers in	3,126,985	3,755,901	3,850,573	3,598,304	3,181,213
Transfers out	(2,022,282)	(1,248,027)	(1,719,449)	(2,698,262)	(5,507,272)
Proceeds from the sale of land/buildings	--	--	1,360,162	--	--
Other Financing Sources (Uses)	1,104,703	2,507,874	3,491,286	900,042	(2,326,059)
Net Change in Fund Balances	(16,465,808)	(10,966,056)	(171,406)	22,719,266	32,858,106
Fund Balances – July 1	97,932,615	81,466,807	70,500,751	70,329,345	93,048,611
Fund Balances – June 30	$81,466,807	$70,500,751	$70,329,345	$93,048,611	$125,906,717

Source: Sacramento City Unified School District.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District's finances are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Bonds is payable from the general fund of the District. The Bonds are payable only from the revenues generated by an ad valorem *property tax levied by the County for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

Introduction

The District is located in the County and spans 70 square miles. The District was established in 1854 and is the 13th largest school district in the State, as measured by student enrollment. The District provides educational services to approximately 350,000 residents in and around the City. The District operates 42 elementary schools for grades K-6, seven K-8 schools, six middle schools for grades seven through eight, two middle/high schools for grades seven through twelve, seven comprehensive high schools for grades nine through twelve, three alternative schools, two special education centers, two adult education centers, six dependent charter schools and 42 children's centers/preschools. For fiscal year 2022-23, the District's ADA is projected to be 34,558 students, and enrollment is projected to be 36,543 students. Taxable property within the District has a fiscal year 2021-22 total assessed valuation of $42,389,941,073. The District's actual ADA and enrollment, and the assessed valuation of taxable property within the District, may be affected by the ongoing COVID-19 pandemic. See "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the district and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Sacramento City Unified School District, 5735 47th Avenue, Sacramento, California 95824, Attention: Chief Business & Operations Officer.

Administration

The District is governed by a seven-member Board of Education, the members of which are elected by trustee areas to serve four-year terms. Elections for positions to the Board are held every two years, alternating between three and four available positions. Current members of the Board, together with their offices and the date each member's term expires, are listed below:

BOARD OF EDUCATION
Sacramento City Unified School District

Board Member	Office	Term Expires
Christina Pritchett	President	December, 2024
Leticia Garcia	First Vice President	December, 2022
Chinua Rhodes	Second Vice President	December, 2024
Lisa Murawski	Member	December, 2022
Lavinia Grace Phillips	Member	December, 2024
Jamee Villa	Member	December, 2024
Darrel Woo	Member	December, 2022

Day-to-day management and supervisory responsibilities with respect to District operations currently rest with the Superintendent. Brief biographies of the Superintendent, the Deputy Superintendent and the Chief Business Official follow:

Jorge A. Aguilar, Esq., Superintendent. Mr. Aguilar was appointed Superintendent of the District on July 1, 2017. Prior to serving as Superintendent, Mr. Aguilar served as the Associate Superintendent for Equity and Access at Fresno Unified School District. Mr. Aguilar also previously served as the Association Vice Chancellor for Educational and Community Partnerships, and Special Assistant to the Chancellor, at the University of California, Merced. His other prior positions include serving as a Spanish teacher at Los Angeles Unified School District and as a legislative fellow at the State capital. Mr. Aguilar has over 20 years of experience in education. He earned his Bachelor of Arts degree from the University of California, Berkeley, and a Juris Doctorate degree from Loyola Law School.

Lisa Allen, Deputy Superintendent. Ms. Allen has served as the Deputy Superintendent of the District since 2017. Prior to serving as the Deputy Superintendent, Ms. Allen held various positions within the District, including the Interim Chief of Schools, Assistant Superintendent of Accountability, Administrator of Curriculum and Professional Development, and Director of Multilingual/Multicultural, Equity, Access and Achievement. Prior to serving the District, Ms. Allen held the position of Private School Specialist in both State and Federal Department for 10 years. Ms. Allen earned a Bachelor of Science in Elementary Education from Indiana State University and her Masters of Art in Educational Leadership from California State University, Sacramento. She also holds professional licenses in both Indiana and California; a Professional Clear Administrative Credential and Professional Clear Multiple Subjects Teaching Credential.

Rose Ramos, Chief Business and Operations Officer. Ms. Ramos has served as the Chief Business and Operations Officer of the District since September, 2019. Prior to the District, Ms. Ramos served as the Chief Business Officer of Mt. Diablo Unified School District. She previously served as the Vice-Chancellor of Finance for Los Rios Community College District, Assistant Superintendent of Business Services for Woodland Joint Unified School District and Chief Business Officer of River Delta Unified School District. She also previously served the District as the Director of Accounting. Ms. Ramos earned both her Bachelor of Science in Finance Degree and her Master of Business Administration Degree from California State University at Sacramento.

In the past, District leadership, staffing and turnover have been identified as potential weaknesses by both FCMAT and the State Auditor. See "DISTRICT FINCANCIAL INFORMATION – FCMAT Fiscal Health Risks Analysis" and "DISTRICT FINANCIAL INFORMATION – State Audit." The ability of the District to continue to reform past deficiencies and implement corrective actions will require both the ongoing commitment of the senior staff, as well as their ability to execute such corrective actions. No assurances can be given that the corrective actions described herein will be extended by any subsequent administrative team. Nor can any assurances be given that the District's current administrators will remain in their positions for any certain period of time. To the extent turnover occurs in senior level positions, no assurance can be given that any progress made in the District's fiscal recovery can be sustained.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the Education Code (the "Charter School Law"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education, or the State Board of Education.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to: (i) to provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (ii) to hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (iii) to provide competition within the public school system to stimulate improvements in all public schools.

The District currently operates six dependent charter schools. There are also 10 additional, non-affiliated charter schools operating within the boundaries of the District. The District can make no representations regarding how many District students will transfer to such charter schools in the future, and the corresponding financial impact on the District.

Labor Relations

Bargaining Units. The District currently employs 2,266 full-time equivalent ("FTE") certificated employees and 1,358 FTE classified employees, as well as 291 management employees. District employees, except management and some part-time employees, are represented by two bargaining units as noted below.

BARGAINING UNITS
Sacramento City Unified School District

Labor Organization	Number of Employees	Contract Expiration Date
Sacramento City Teachers Association ("SCTA")(1)	2,306	June 30, 2023
Teamsters Classified Supervisor(2)	22	June 30, 2020
United Professional Educators (3)	151	June 30, 2023
Teamsters Union, Local 150(4)	73	June 30, 2020
Service Employee International Union, Local 1021 ("SEIU")(5)	1,655	June 30, 2023

(1) Represents certificated instructional employees.
(2) Represents certain classified employees. Members are working under the terms of their expired contract during the pendency of negotiations.
(3) Represents certain District employees, including school site principals, assistant principals and coordinators.
(4) Represents food process workers, warehouseman and assistants. Members are working under the terms of their expired contract during the pendency of negotiations
(5) Represents certain service employees.
Source: Sacramento City Unified School District.

Labor Strike. On March 23, 2022, both SCTA and SEIU elected to go on strike. On April 3, 2022, the District reached tentative agreements with SCTA and SEIU to end the strike, and District schools opened for instruction the following day. During the pendency of the strike, the District was required to close all of its schools for eight days of instruction. As a result, the District may fall short of State-mandated minimums regarding instructional days and minutes and be subject to fiscal penalties of up $47 million. The District is currently working with its bargaining units to restore as many days and minutes as possible, however no representation can be made that this effort will be successful. In addition, the District is planning to apply for a waiver from the State from the potential penalties associated with the lost instruction time, however no assurance can be made that such a waiver will be granted. Pursuant to applicable audit guidance, the District has recognized this potential liability in its estimated actuals for fiscal year 2021-22. See also "DISTRICT FINANCIAL INFORMATION – District Budgeting and County Oversight – *Recent Financial Trends*."

In connection with ending the labor strike, the District agreed to memorandums of understanding (the "MOUs") with SCTA and SEIU which extend the certificated and classified collective bargaining agreements through June 30, 2023. Among other things, the MOUs provide for (1) a 4% ongoing general salary increase, (2) one-time, off schedule stipends for fiscal years 2019-20 through 2021-22, (3) a 25% increase to the pay rate for substitute teachers for fiscal year 2021-22, and (4) various other stipends, pay rate adjustments, additional paid sick leave and additional professional development days. The agreements allow for reopeners of salaries in fiscal year 2022-23. The agreements were approved by the Board on April 21, 2022. In connection therewith, the Board was presented with revised revenue projections showing the impact of these labor agreements on the District's operating budget. The financial impact of these agreements is reflected in the 2022-23 District Budget. See also "DISTRICT FINANCIAL INFORMATION – District Budgeting and County Oversight – *Recent Financial Trends*."

Retirement Programs

The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriters.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the California State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program (the "STRS Defined Benefit Program"). The STRS Defined Benefit Program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers, and the State. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended from time to time.

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, none of the employee, employer nor State contribution rates to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State passed the legislation described below to increase contribution rates.

Prior to July 1, 2014, K-14 school districts were required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed AB 1469 ("AB 1469") into law as a part of the State's fiscal year 2014-15 budget. AB 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS Defined Benefit Program before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing member, K-14 school district and State contributions to STRS. Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired Prior to January 1, 2013	STRS Members Hired After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members ("PEPRA Members") hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees ("Classic Members") hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2021, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2022, the contribution rate will 10.250% for Classic Members and 10.205% for PEPRA Members.

Pursuant to AB 1469, K-14 school districts' contribution rate increased over a seven-year phase-in period in accordance with the following schedule:

K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	K-14 school districts
July 1, 2014	8.88%
July 1, 2015	10.73
July 1, 2016	12.58
July 1, 2017	14.43
July 1, 2018	16.28
July 1, 2019	18.13
July 1, 2020	19.10

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "STRS Board"), is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to the State Legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated $2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21, resulting in employer contribution rates of 17.1% in fiscal year 2019-20 and 18.4% in fiscal year 2020-21. In addition, the State made a contribution of $1.117 billion to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. This additional payment was reflected in the June 30, 2020 actuarial valuation. Subsequently, the State's 2020-21 Budget redirected $2.3 billion previously appropriated to STRS and PERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in fiscal year 2020-21 and 2021-22. As a result, the effective employer contribution rate was 16.15% in fiscal year 2020-21 and is 16.92% in fiscal year 2021-22. The employer contribution rate will be 19.1% in fiscal year 2022-23.

The District's contributions to STRS were $33,293,091 in fiscal year 2016-17, $41,902,967 for fiscal year 2017-18, $62,870,210 in fiscal year 2018-19, $59,294,141 in fiscal year 2019-20, and $55,190,778 in fiscal year 2020-21. The District has currently projects $60,166,521 for its contribution to STRS for fiscal year 2021-22, and has budgeted $72,118,961 as its contribution in fiscal year 2022-23. These figures include State payments to STRS made on behalf of the District.

The State also contributes to STRS, currently in an amount equal to 8.328% for fiscal year 2021-22, and 8.328% for fiscal year 2022-23. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. However, the maximum increase or decrease in a given year is limited to 0.5% of payroll under the STRS valuation policy.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the California Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2021 included 1,608 public agencies and 1,329 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually, and contributions by plan members vary based upon their date of hire. Pursuant to SB 90, the State Legislature appropriated $904 million to the Schools Pool, including transfers in fiscal years 2019-20 and 2020-21 to the Public Employees Retirement Fund to pay, in advance on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years, as well as additional amounts to be applied toward certain unfunded liabilities for K-14 school district employers. In June 2020, SB 90 was amended by Assembly Bill 84/Senate Bill 111 ("AB 84"). Under AB 84, $144 million of the State contribution under SB 90 was deemed to satisfy a portion of the State's required contribution in fiscal year 2019-20, and the amounts previously allocated toward future liabilities were redirected such that, $430 million will satisfy a portion of the employer contribution rate in fiscal year 2020-21, and $330 million will satisfy a portion of the employer contribution rate in fiscal year 2021-22. As a result of the payments made by the State pursuant to SB 90, as amended by AB 84, the employer contribution rate was 19.721% for fiscal year 2019-20, 20.7% in fiscal year 2020-21, and 22.9% for fiscal year 2021-22. The employer contribution rate will be 25.37% in fiscal year 2022-23. Classic Members contribute at a rate established by statute, which is 7.0% of their respective salaries in fiscal year 2021-22 and will be 7.0% in fiscal year 2022-23, while PEPRA Members contribute at an actuarially determined rate, which is 7.0% in fiscal year 2021-22 and will be 8% in fiscal year 2022-23. Due primarily to the change in the discount rate, the total normal cost of PEPRA Members changed by more than 1% of payroll relative to fiscal year 2021-22, which required the PEPRA Member contribution rate to be adjusted to equal 50% of the total normal cost of 15.91% in fiscal year 2022-23. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were $7,608,205 in fiscal year 2016-17, $9,158,775 for fiscal year 2017-18, $14,833,304 in fiscal year 2018-19, $11,406,394 in fiscal year 2019-20, and $11,651,695 in fiscal year 2020-21. The District has currently projects $14,843,826 for its contribution to PERS for fiscal year 2021-22, and has budgeted $18,200,974 as its contribution in fiscal year 2022-23.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future. Actuarial assessments will change with the future experience of the pension plans.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) (1)
Fiscal Years 2010-11 through 2020-21

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)(2)	Unfunded Liability (MVA)(2)	Value of Trust Assets (AVA)(3)	Unfunded Liability (AVA)(3)
2010-11	$208,405	$147,140	$68,365	$143,930	$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19	310,719	225,466	102,636	205,016	105,703
2019-20	322,127	233,253	107,999	216,252	105,875
2020-21	332,082	292,980	60,136	242,363	89,719

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)(3)	Unfunded Liability (AVA)(3)
2010-11	$58,358	$45,901	$12,457	$51,547	$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	--(4)	--(4)
2014-15	73,325	56,814	16,511	--(4)	--(4)
2015-16	77,544	55,785	21,759	--(4)	--(4)
2016-17	84,416	60,865	23,551	--(4)	--(4)
2017-18	92,071	64,846	27,225	--(4)	--(4)
2018-19(5)	99,528	68,177	31,351	--(4)	--(4)
2019-20(6)	104,062	71,400	32,662	--(4)	--(4)
2020-21(7)	110,507	86,519	23,988	--(4)	--(4)

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.
(3) Reflects actuarial value of assets.
(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
(5) For fiscal year 2020-21, the additional $430 million State contribution made pursuant to AB 84 did not directly impact the actuarially determined contribution as it was not yet in the Schools Pool by the June 30, 2019 actuarial valuation date. The additional State contribution was treated as an advance payment toward the unfunded accrued liability contribution with required employer contribution rate correspondingly reduced.
(6) For fiscal year 2021-22, the impact of the additional $330 million State contribution made pursuant to AB 84 is directly reflected in the actuarially determined contribution, because the additional payment was in the Schools Pool as of the June 30, 2020 actuarial valuation date, which served to reduce the required employer contribution rate by 2.16% of payroll.
(7) On April 18, 2022, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2022-23 and released certain actuarial information to be incorporated into the June 30, 2021 actuarial valuation to be released in the latter half of 2022.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015) (the "2017 Experience Analysis"), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation, and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%.

Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2015, through June 30, 2018) (the "2020 Experience Analysis"), on January 31, 2020, the STRS Board adopted a new set of actuarial assumptions that were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2019 (the "2019 STRS Actuarial Valuation"). While no changes were made to the actuarial assumptions discussed above, which were established as a result of the 2017 Experience Analysis, certain demographic changes were made, including: (i) lowering the termination rates to reflect a continued trend of lower than expected teachers leaving their employment prior to retirement, and (ii) adopting changes to the retirement rates for both Classic Members and PEPRA Members to better reflect the anticipated impact of years of service on retirements. The 2021 STRS Actuarial Valuation (defined below) continues using the Entry Age Normal Actuarial Cost Method.

The STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2021 (the "2021 STRS Actuarial Valuation") reports that the unfunded actuarial obligation decreased by $16.1 billion since the 2020 STRS Actuarial Valuation and the funded ratio, based on an actuarial value of assets, increased by 5.9% to 73.0% over such time period. The increase in the funded ratio is primarily due to a greater than expected investment return (27.2% in fiscal year 2021-22), salary increases less than assumed, additional State contributions, and contributions to pay down the unfunded actuarial obligation under the STRS Board's valuation policy. The full impact of the 27.2% investment return will take three years to be reflected in the contribution rates, since STRS uses an actuarial value of assets which smooths the volatility of investment returns by reflecting only one-third of the net accumulated investment gains or losses in a year. The STRS Board has no authority to adjust rates to pay down the portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990 (the "Unallocated UAO"). There was a decrease in the Unallocated UAO from $377 million as of June 30, 2020 to a negative $469 million as of June 30, 2021.

According to the 2021 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2041 of 101.0%. This finding assumes additional increases in the scheduled contribution rates allowed under the current law will be made, the future recognition of the currently deferred asset gains, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

In the STRS 2020 Review of Funding Levels and Risks, STRS noted that COVID-19 has the potential to affect investment performance, the number of teachers working in California and the longevity of STRS members, which are the three main risks to long-term funding that STRS has been monitoring for the last few years. In the 2020 STRS Actuarial Report, the actuary reports that a potential decline in the number of teachers and a slower growth in total payroll constitute the largest risk facing employers with respect to STRS. For the 2020 STRS Actuarial Valuation, the number of teachers actively working dropped from 451,000 on June 30, 2019, to about 448,000 on June 30, 2020. This drop in the number of working teachers, combined with salary increases, resulted in the payroll increasing by approximately 2.8% between 2019 and 2020, below the assumed 3.5% annual payroll growth. The actuary notes that the assumed growth in the total payroll was a key component of the employer contribution rate calculated in the 2020 STRS Actuarial Valuation, and that a slower growth will require a higher employer contribution rate to be able to collect the same amount of contributions. The actuary notes that the number of active teachers could be impacted in the future by K-12 enrollment, as well as teacher retirements. Based on CDE reports, net enrollment in K-12 school districts decreased by 3% (160,000 students) in 2020-21, the largest drop in 20 years, and the Department of Finance projects enrollment will continue to decline in the State over the next decade. In addition, in the first half of the fiscal year, STRS has seen a 26% increase in the number of retirements, and while an increase in retirements would normally not impact long-term funding, decisions made by employers about whether or not to replace the teachers who have retired could impact STRS ability to reach full funding by 2046, especially if it leads to an overall reduction in the number of teachers working in the State and a reduction in total payroll.

In recent years, the PERS Board of Administration (the "PERS Board") has taken several steps, as described below, intended to reduce the amount of the unfunded accrued actuarial liability of its plans, including the Schools Pool.

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. The PERS Funding Risk Mitigation Policy recently triggered an automatic decrease of 0.2% in the PERS Discount Rate due to the investment return in fiscal year 2020-21, lowering such rate to 6.8%.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies included a rate smoothing method with a 30-year fixed amortization period for gains and losses, a five-year increase of public agency contribution rates, including the contribution rate at the onset of such amortization period, and a five year reduction of public agency contribution rates at the end of such amortization period. The new actuarial policies were first included in the June 30, 2014 actuarial valuation and were implemented with respect the State, K-14 school districts and all other public agencies in fiscal year 2015-16.

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on November 17, 2021 (the "2021 Experience Study"), the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.30% per year, (ii) increasing the assumed real wage inflation assumption to 0.5%, which results in a total wage inflation of 2.80%, (iii) increasing the payroll growth rate to 2.80%, and (iii) certain changes to demographic assumptions relating to modifications to the mortality rates, retirement rates, and disability rates (both work and non-work related), and rates of salary increases due to seniority and promotion. These actuarial assumptions will be incorporated into the actuarial valuation for fiscal year ending June 30, 2021 and will first impact contribution rates for school districts in fiscal year 2022-23. Based on the timing of the study, the member data used in the analysis, which runs through June 30, 2019, does not include the impacts of COVID-19. Preliminary analysis of the system experience since the beginning of the pandemic has shown demographic experience (e.g. retirements, deaths, etc.) did differ from the current actuarial assumptions in some areas, which will be more precisely quantified in future actuarial valuations. However, as of November 2021, PERS did not believe that the demographic impacts of COVID-19 would have a material impact on the system experience going forward.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

On November 15, 2021, the PERS Board selected a new asset allocation mix through its periodic Asset Liability Management Study that will guide the fund's investment portfolio for the next four years, retained the current 6.8% discount rate and approved adding 5% leverage to increase diversification. The new asset allocation takes effect July 1, 2022 and will impact contribution rates for employers and PEPRA employees beginning in fiscal year 2022-23.

On April 18, 2022, the PERS Board established the employer contribution rates for 2022-23 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2021, ahead of its release date in the latter half of 2022. From June 30, 2020 to June 30, 2021 the funded status for the Schools Pool increased by 9.7% (from 68.6% to 78.3%); primarily due to higher than expected investment return in fiscal year 2020-21, offset partially by the changes in assumptions, including the reduction of the discount rate. The return on assets for the year ending June 30, 2021 exceeded the assumed return of 7% for such fiscal year, leading to an investment gain (excess of actual return over assumed return) of approximately $11,101 million. Pursuant to the Funding Risk Mitigation and Actuarial Amortization policies, a portion of this investment gain was used to fully offset the impact of the discount rate reduction with the remainder established as a net investment gain amortized over 20 years with a five-year ramp. Assuming all actuarial assumptions are realized, including an assumed investment return of 6.80%, and no changes to assumptions, methods of benefits will occur during the projection period, along with the expected reductions in normal cost due to the continuing transition of active members from Classic Members to PEPRA Members, the projected contribution rate for 2023-24 is projected to be 25.2%, with annual decreases in most years thereafter, resulting in a projected 22.6% employer contribution rate for fiscal year 2027-28.

The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make additional contributions to STRS in the future above those amounts required under AB 1469. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For PEPRA Members, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

As of June 20, 2021, the District's share of the net pension liabilities for the STRS and PERS programs were reported as $364,571,000 and $145,701,000, respectively. See also "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2020-21 – Note 8" and "—Note 9" attached hereto.

Other Post-employment Benefits

Benefits Plan. The District administers a single-employer defined benefit health care plan (the "Plan") pursuant to which the District provides medical insurance benefits (collectively, the "Post-Employment Benefits") to certain retirees of the District. Currently, eligible retirees receive benefits that are paid 100% by the District. District teachers qualify for benefits after reaching age 55 with at least five years of service to the District, age 50 with 30 years of service (if a member prior to January 1, 2013) or approved disability retirement with five years of service to the District. CalPERS employees qualify for benefits after attaining age 50 (or 52, if a member of CalPERS on or after January 1, 2013) with five years of State or public agency service, or approved disability. The Board retains the authority to establish or amend the terms offered by the Plan.

The District funds the Plan on a "pay-as-you-go" basis to cover cost of insurance premiums for current retirees, together with annual contributions to the OPEB Trust (defined herein) to begin funding its accrued liability for Post-Employment Benefits. For fiscal years 2018-19 through 2020-21, the District's contributions to the Plan were $48,000,844, $33,078,830 and $28,640,257, respectively. For fiscal year 2021-22, the District estimates a contribution of $26,713,074 to the Plan, and has budgeted $22,561,106 as its contribution to the Plan in fiscal year 2022-23.

The District has established an irrevocable, GASB-qualifying trust (the "OPEB Trust") administered by CalPERS to begin funding its accrued liability for Post-Employment Benefits. As of July 1, 2021, the balance in the OPEB Trust was $97,327,847.

Accrued Liability. Pursuant to *Governmental Accounting Standards Board Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 74") and *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), the District has commissioned and received an actuarial study of its liability with respect to the Post-Employment Benefits. The requirements of GASB 74 and 75, as further discussed below, include biennial actuarial valuations for all plans. The District's most recent actuarial study, dated as of July 1, 2019 (the "Study"), calculated, among other things, the Total OPEB Liability (the "TOL"), Fiduciary Net Position ("FNP") and Net OPEB Liability ("NOL") of the District with respect to the Post-Employment Benefits, pursuant to GASB 75. The TOL is the amount of the actuarial present value of projected benefits payments attributable to employees' past service based on the actuarial cost method used. The FNP are the net assets (or liability) of any qualifying irrevocable trust or equivalent arrangement. The NOL is TOL minus the value of any trust assets. As of the June 30, 2020 valuation date, the District's TOL was $654,240,872, the FNP was $86,333,843 and the NOL was $567,907,029.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved Statements Nos. 74 and 75 with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB 74 replaces GASB Statements No. 43 and 57 and GASB 75 replaces GASB Statement No. 45.

Most of GASB 74 applies to plans administered through trusts, contributions in which contributions are irrevocable such that trust assets are dedicated to providing other post-employment benefits to plan members and are legally protected from creditors. GASB 74 and 75 will require a liability for post-employment obligations, the NOL, to be recognized on the balance sheet of the plan and the participating employer's financial statements. In addition, an Other Post-Employment Benefit expense will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the NOL and a sensitivity analysis of the NOL to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan's NOL reconciliation and related ratios, and any actuarially determined contributions and investment returns, if any.

Under GASB 74, the measurement date must be the same as the plan's fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the TOL, if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet GASB 74 requirements, a projection of the benefit payments and future FNP is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB 74.

GASB 74 had an effective date for plan fiscal years beginning after June 15, 2016 and GASB 75 became effective for employer fiscal years beginning after June 15, 2017. See "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2020-21 – Note 10" attached hereto.

Cybersecurity

The District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. To date, the District has not experienced an attack on its computer operating systems which resulted in a breach of its cybersecurity systems that are in place. However, no assurances can be given that the District's efforts to manage cyber threats and attacks will be successful or that any such attack will not materially impact the operations or finances of the District. Additionally, the District carries cybersecurity insurance. See also "—Risk Management" below.

Risk Management

The District is exposed to various risks of loss related to property, general liability, workers' compensation, cyber intrusions and employee benefits. These risks are mitigated through a combination of commercial insurance, self-insurance, and participation in certain public entity risk pools, as described below.

The District currently participates in a joint powers agreement with Schools Insurance Authority ("SIA") for excess general liability, property, workers compensation, and cybersecurity coverage. SIA enters into insurance agreements for coverage above certain self-insured retention lawyers, whereby it cedes various amounts of risk to other insurance companies. SIA's property, liability and workers compensation programs provide self-insured retention of $100,000, $750,000 and $1,000,000 per incident, respectively. The District pays a premium to SIA for excess coverage, and shares in SIA's deficits and surpluses in proportion to its participation therein. As such, SIA is not a component unit of the District for financial reporting purposes.

District Debt Structure

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2021 is show below.

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Debt:				
General Obligation Bonds	$465,127,966	--	$28,705,000	$436,422,966
Accreted Interest	20,661,016	$2,208,384	--	22,869,400
Lease Revenue Bonds	60,550,000	--	2,695,000	57,855,000
Premium on Issuance	33,031,114	--	2,530,870	30,500,244
Other Long-Term Liabilities:				
Net Pension Liability	551,057,000	--	785,000	510,272,000
Net OPEB Liability	567,907,029	--	250,168,760	317,738,269
Compensated Absences	4,970,473	358,390	--	5,328,863
Total	$1,663,304,598	$2,566,774	$284,884,630	$1,380,986,742

Source: Sacramento City Unified School District.

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Lease Revenue Bonds. On February 4, 2014, the Sacramento City Schools Joint Powers Financing Authority (the "Authority") issued $44,825,000 of its Lease Revenue Refunding Bonds, 2014 Series A, and $29,460,000 of its Lease Revenue Refunding Bonds, 2014 Series B, (collectively, the "Lease Revenue Bonds"), to prepay certain outstanding certificates of participation of the District. The Lease Revenue Bonds are secured by certain base rental payments and additional payments to be made by the District pursuant to certain facility sublease agreements by and between the District and the Authority. The District is obligated to budget and appropriate sufficient funds to make debt service payments in connection with the Lease Revenue Bonds. Currently, the District finances such debt service payments from developer fee collections and special tax proceeds levied by a community facilities district established by the District pursuant to the Mello-Roos Community Facilities District Act of 1982.

Future payments in connection with the Lease Revenue Bonds are shown in the table below:

Year Ending June 30	Series A Lease Revenue Bonds	Series B Lease Revenue Bonds	Total Lease Payments
2022	$4,114,750.00	$1,347,654.00	$5,462,404.00
2023	4,128,500.00	1,339,474.00	5,467,974.00
2024	4,135,000.00	1,331,294.00	5,466,294.00
2025	4,099,250.00	1,363,114.00	5,462,364.00
2026	1,158,000.00	4,328,298.00	5,486,298.00
2027	911,250.00	4,616,804.50	5,528,054.50
2028	911,250.00	4,618,133.00	5,529,383.00
2029	911,250.00	4,613,326.50	5,524,576.50
2030	911,250.00	4,617,385.00	5,528,635.00
2031	911,250.00	4,614,695.00	5,525,945.00
2032	911,250.00	2,275,256.50	3,186,506.50
2033	911,250.00	2,274,366.50	3,185,616.50
2034	3,151,250.00	--	3,151,250.00
2035	3,149,250.00	--	3,149,250.00
2036	3,151,750.00	--	3,151,750.00
2037	3,148,250.00	--	3,148,250.00
2038	3,148,750.00	--	3,148,750.00
2039	3,147,750.00	--	3,147,750.00
2040	3,150,000.00	--	3,150,000.00
Total	46,061,250.00	37,339,801.00	83,401,051.00

General Obligation Bonds. The District has previously issued general obligation bonds pursuant to several voter-approved authorizations, as well as refunding general obligation bonds to refinance portions of outstanding bonded indebtedness. The following table summarizes the outstanding general obligation bond issuances by the District, not including the Bonds.

Issuance	Initial Principal Amount	Date of Delivery	Principal Outstanding[1]
2002 Authorization (Measure I)			
Series 2007	$64,997,966.35	11/14/2007	$26,077,966.35
2012 Authorizations (Measures Q and R)			
2013 Series A (Measures Q and R)[2]	30,000,000.00	7/16/2013	10,840,000.00
2013 Series B (Measures Q and R)[2][3]	40,000,000.00	7/16/2013	40,000,000.00
2015 Series C (Measure Q)	90,000,000.00	6/4/2015	59,010,000.00
2016 Series D (Measure Q)	14,000,000.00	6/8/2016	11,675,000.00
2017 Series E (Measure Q)	112,000,000.00	5/25/2017	89,705,000.00
2017 Series C (Measure R)	10,000,000.00	5/25/2017	9,420,000.00
2018 Series F (Measure Q)	10,000,000.00	7/25/2018	1,300,000.00
2019 Series D (Measure R)	30,900,000.00	12/12/2019	22,800,000.00
2021 Series G (Measure Q)	77,100,000.00	7/8/2021	65,905,000.00
Refunding Issuances			
2012 Refunding Bonds	113,245,000.00	6/14/2012	67,935,000.00
2014 Refunding Bonds	44,535,000.00	1/30/2014	28,590,000.00
2015 Refunding Bonds	32,740,000.00	1/28/2015	22,035,000.00
2021 Refunding Bonds	33,355,000.00	7/8/2021	33,355,000.00

(1) As of June 1, 2022. Includes principal of the Refunded Bonds expected to be refinanced with the Refunding Bonds.
(2) Composite issues that allocated portions of the initial principal amount amongst two outstanding bond authorizations.
(3) Designated as federally-taxable "Qualified School Construction Bonds" pursuant to an irrevocable election by the District to have Sections 54AA and Section 54AA(g) of the Code apply thereto. The District expects to receive a federal subsidy equal to a portion of the debt service due on the Bonds. See following page for additional information.

The following table shows the debt service schedules for all of the District's prior outstanding general obligation bonded debt (assuming no optional redemptions). For a combined debt service schedule including the Bonds, see "THE BONDS – Annual Debt Service" herein.

ANNUAL GENERAL OBLIGATION BOND DEBT SERVICE*
Sacramento City Unified School District

Year Ending Aug. 1	2002 Series 2007[1]	2013 Series A[2]	2013 Series B[2][3]	2012 Refunding[1]	2014 Refunding[1]	2015 Refunding[1]	2015 Series C[2]	2016 Series D[2]	2017 Series E[2]	2017 Series C[2]	2018 Series F[2]	2019 Series D[2]	2021 Series G[2]	2021 Refunding[2]	The Refunding Bonds[2]	The Series A Bonds
2022	--	$965,538	$3,926,667	$8,948,731	$5,100,600	$4,556,750	$4,687,250	$808,000	$5,659,650	$593,800	$181,980	$1,235,575	$14,004,898	$6,313,257		
2023	$5,065,000	968,738	3,926,667	--	5,294,100	929,000	4,688,650	811,400	5,653,250	595,800	528,290	1,236,375	2,636,200	6,314,000		
2024	5,225,000	966,138	3,926,667	--	5,488,600	929,000	4,686,400	807,700	5,654,250	595,300	665,990	1,236,375	2,796,200	6,316,800		
2025	5,510,000	968,388	3,926,667	--	5,698,100	929,000	4,684,150	808,900	5,655,250	594,300	--	1,235,575	2,894,800	6,316,200		
2026	5,725,000	969,388	3,926,667	--	5,910,850	929,000	4,686,650	806,900	5,661,000	592,800	--	1,238,975	2,999,200	6,317,000		
2027	6,280,000	967,875	3,926,667	--	6,125,600	929,000	4,688,400	808,500	5,656,000	595,800	--	1,236,375	3,104,000	1,983,800		
2028	6,525,000	970,050	3,926,667	--	--	6,629,000	4,684,150	809,300	5,660,500	593,050	--	1,237,975	3,209,000	3,594,600		
2029	6,765,000	965,650	3,926,667	--	--	6,829,000	4,683,900	809,300	5,653,750	594,800	--	1,238,575	3,324,000	1,253,200		
2030	7,015,000	969,938	3,926,667	--	--	7,029,750	4,687,150	808,500	5,656,000	595,800	--	1,238,175	3,438,400	--		
2031	9,525,000	967,388	3,926,667	--	--	--	4,688,400	806,900	5,659,400	594,000	--	1,235,175	3,557,000	--		
2032	9,860,000	968,263	3,926,667	--	--	--	4,687,400	809,500	5,658,200	591,800	--	1,235,675	3,684,400	--		
2033	--	967,300	3,926,667	--	--	--	4,683,900	811,100	5,657,400	594,200	--	1,234,425	3,815,000	--		
2034	--	969,500	3,926,667	--	--	--	4,687,650	806,700	5,656,800	596,000	--	1,236,375	3,948,400	--		
2035	--	966,500	3,926,667	--	--	--	4,687,900	811,500	5,661,200	592,200	--	1,236,875	4,084,200	--		
2036	--	966,750	3,926,667	--	--	--	4,684,400	811,700	5,660,200	593,000	--	1,236,875	4,227,000	--		
2037	--	965,000	3,926,667	--	--	--	4,685,400	811,300	5,658,800	593,200	--	1,236,375	4,376,200	--		
2038	--	967,396	3,738,333	--	--	--	4,685,200	810,300	5,656,800	592,800	--	1,234,325	4,531,200	--		
2039	--	--	--	--	--	--	4,688,600	808,700	5,659,000	591,800	--	1,236,750	4,686,400	--		
2040	--	--	--	--	--	--	4,685,200	811,500	5,655,000	595,200	--	1,236,350	4,851,400	--		
2041	--	--	--	--	--	--	--	808,550	5,659,800	592,800	--	1,238,750	5,020,400	--		
2042	--	--	--	--	--	--	--	--	5,657,800	594,800	--	1,235,250	5,197,800	--		
2043	--	--	--	--	--	--	--	--	5,654,000	596,000	--	1,236,000	5,377,800	--		
2044	--	--	--	--	--	--	--	--	5,658,200	591,400	--	1,235,850	5,569,800	--		
2045	--	--	--	--	--	--	--	--	5,654,800	596,200	--	1,234,800	5,762,800	--		
2046	--	--	--	--	--	--	--	--	5,653,800	595,000	--	1,237,850	5,966,200	--		
2047	--	--	--	--	--	--	--	--	5,659,850	592,250	--	1,234,850	6,174,000	--		
2048	--	--	--	--	--	--	--	--	--	--	--	1,235,950	6,390,400	--		
2049	--	--	--	--	--	--	--	--	--	--	--	1,236,000	6,614,400	--		
Total	$67,495,000	$16,449,800	$66,565,005	$8,948,731	$33,617,850	$29,689,500	$89,040,750	$16,186,250	$147,090,700	$15,444,100	$1,376,260	$34,618,475	$132,241,498	$38,408,857		

* Preliminary, subject to change.

Note: does not include debt service on the Refunded Bonds.

(1) Interest payable on January 1 and July of each year. Principal payable on July 1 of each year.

(2) Interest payable on February 1 and August 1 of each year. Principal payable on August 1 of each year.

(3) Represents gross debt service thereon. The 2013 Series B Bonds were designated as federally-taxable “Build America Bonds” pursuant to an irrevocable election by the District to have Sections 54AA and Section 54AA(g) of the Code apply thereto. The District expects to receive cash subsidy payments (“Subsidy Payments”) from the United States Department of the Treasury equal to a portion of the interest payable on such bonds on or about each respective semi-annual interest payment date. Such Subsidy Payments are required to be deposited, as and when received, in the respective interest and sinking funds for such bonds, to be used as a credit against future debt service thereon. Subsidy Payments are subject to reduction (each, a “Sequestration Reduction”) pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended. In the absence of action by the United States Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years. However, notwithstanding any such reduction, the County is empowered to levy an *ad valorem* property tax sufficient to pay principal of and interest on such bonds.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond (to the extent that the redemption price is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE BONDS OR THE MARKET VALUE OF THE BONDS. PROPOSED LEGISLATIVE CHANGES OR OTHER CHANGES WHICH MIGHT BE INTRODUCED IN CONGRESS COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES WILL BE INTRODUCED WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE INCOME TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The District Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Copies of the proposed forms of opinions of Bond Counsel for the Bonds are attached hereto as APPENDIX A.

LIMITATION ON REMEDIES; BANKRUPTCY

General

State law contains certain safeguards to protect the financial solvency of school districts. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education" herein. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent, operating through an administrator appointed thereby, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing such a petition. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the Bonds are executed and delivered. See "THE BONDS – Statutory Lien" herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* property taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues

If the *ad valorem* property tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* revenues should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the Bond proceeds can only be used to finance or refinance the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies

The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's pooled investment fund, as described in "THE BONDS – Application and Investment of Bond Proceeds" herein and "APPENDIX E – SACRAMENTO COUNTY TREASURY POOL" attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinions of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights

The proposed forms of the approving opinions of Bond Counsel attached hereto as APPENDIX A are qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights

LEGAL MATTERS

Legality for Investment in California

Under provisions of the State Financial Code, the Bonds are legal investments for commercial banks in the State to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the Government Code, are eligible for security for deposits of public moneys in the State.

Enhanced Reporting Requirements

Under Section 6049 of the Internal Revenue Code of 1986, as amended by Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"), interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Continuing Disclosure

Current Undertaking. Pursuant to the Continuing Disclosure Certificate, the District has covenanted for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2021-22 Fiscal Year, and to provide notices of the occurrence of certain listed events. The Annual Report and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Report or the notices of listed events is included in "APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriters in complying with the Rule.

Prior Undertakings. Within the past five years, the District did not properly associate its annual report for fiscal year 2020-21 with all applicable CUSIP numbers for outstanding debt issues of the District. The District has since made a corrective filing.

Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* property taxes or to collect other revenues or contesting the District's ability to issue and retire the Bonds.

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2021, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated January 27, 2022 of Crowe LLP, the Auditor, are included in this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Legal Opinions

The legal opinions of Bond Counsel, approving the validity of each series of the Bonds, will be supplied to the original purchasers thereof without cost. Copies of the proposed forms of such legal opinions are attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Ratings

The Bonds are expected to be assigned ratings of "AA" by S&P, based upon the issuance of the Policy by the Insurer at the time the Bonds are delivered. Moody's and Kroll Bond Rating Agency ("Kroll"), have also assigned underlying ratings of "A3" and "AA" to the Bonds. Such ratings reflects only the views of the rating agencies and any desired explanation of the significance of such rating should be obtained therefrom. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The District has covenanted in a Continuing Disclosure Certificate to file notices of any ratings changes on the Bonds. See the caption "LEGAL MATTERS – Continuing Disclosure" above and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from Kroll and Moody's prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change pursuant to the Rule. Purchasers of the Bonds are directed to Kroll and Moody's, their websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance thereof.

Considerations Regarding Bond Insurance

Concurrently with issuance of the Bonds, BAM will issue the Policy for some or all of the Bonds. The Policy unconditionally guarantees the payment of the principal of and interest on such Bonds that has become due for payment but that is unpaid. See "THE BONDS – Bond Insurance" and "APPENDIX G – Specimen Municipal Bond Insurance Policy" attached hereto.

In the event of a default in the payment of principal of or interest on the Bonds, when all or some becomes due, any Owner of such Bonds may have a claim under the Policy secured in connection with the Bonds. The Policy may not insure against redemption premium, if any, with respect to the Bonds.

In the event that the BAM is unable to make payments of principal of or interest on the Bonds, as such payments become due under the Policy, such Bonds will be payable solely as otherwise described herein. In the event that BAM becomes obligated to make payments with respect to the Bonds, no assurance can be given that such event would not adversely affect the market price of such Bonds or the marketability or liquidity of such Bonds.

As a result of obtaining the Policy, the long-term ratings on the Bonds would be dependent in part on the financial strength of BAM, and its claims paying ability. BAM's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of BAM and of the ratings on the Bonds insured by BAM will not be subject to downgrade, and such event could adversely affect the market price of the Bonds, or the marketability or liquidity for such Bonds.

Neither the District, nor the Municipal Advisor or Underwriters (each as defined herein), have made independent investigations into the claims paying ability of BAM and no assurance or representation regarding the financial strength or projected financial strength of BAM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the County to levy and collect sufficient ad valorem property taxes to pay principal and interest on the Bonds, and the claims paying ability of BAM, particularly over the life of the investment..

Underwriting

Loop Capital Markets LLC, on behalf of itself and UBS Financial Services Inc. (collectively, the "Underwriters") has agreed, pursuant to a bond purchase agreement relating to the Series A Bonds, to purchase all of the Series A Bonds for a price of $__________, which is equal to the initial principal amount of the Series A Bonds of $__________, plus original issue premium of $__________, less $__________ of underwriting discount. The Underwriters have also agreed, pursuant to a bond purchase agreement relating to the Series A Bonds, to purchase all of the Refunding Bonds for a price of $__________, which is equal to the initial principal amount of the Series A Bonds of $__________, plus original issue premium of $__________, less $__________ of underwriting discount

The purchase agreement relating to the Bonds provide that the Underwriters will purchase all of the Bonds if any are purchased, the obligation to make such purchases being subject to certain terms and conditions set forth in such purchase agreement, the approval of certain legal matters by Bond Counsel and certain other conditions. The initial offering prices stated on the inside cover of this Official

Statement may be changed from time to time by the Underwriters. The Underwriters may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

The Underwriters have provided the language below for inclusion in this Official Statement. The District can make no representation regarding the accuracy of such information.

UBS Financial Services, Inc. ("UBS FSI") has entered into a distribution and service agreement with its affiliate UBS Securities LLC ("UBS Securities") for the distribution of certain municipal securities offerings. Pursuant to such agreement, UBS FSI will share a portion of its underwriting compensation with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolutions providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

All data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By: ____________________________________
Jorge A. Aguilar
Superintendent

APPENDIX A

FORMS OF OPINIONS OF BOND COUNSEL FOR THE BONDS

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Series A Bonds substantially in the following form:

__________, 2022

Board of Trustees
Sacramento City Unified School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $___________ Sacramento City Unified School District (Sacramento County, California) General Obligation Bonds, Election of 2020 (Measure H) 2022 Series A (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code a fifty-five percent vote of the qualified electors of the Sacramento City Unified School District (the "District") voting at an election held on March 3, 2020, a resolution of the Board of Education of the District (the "Resolution") and a resolution of the Board of Supervisors of Sacramento County.

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds (to the extent that the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the

applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and as their enforcement may also be subject to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect thereto substantially in the following form:

__________, 2022

Board of Trustees
Sacramento City Unified School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $___________ Sacramento City Unified School District (Sacramento County, California) 2022 General Obligation Refunding Bonds (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and a resolution (the "Resolution") of the Board of Education of the Sacramento City Unified School District (the "District") adopted on April 7, 2022.

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount

payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

Stradling Yocca Carlson & Rauth

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2020-21

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SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2021

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

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

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Sacramento City Unified School District
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sacramento City Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Sacramento City Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento City Unified School District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter - Management's Plan

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 14 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule, the Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability and Related Ratios, the Schedule of the District's Contributions – OPEB, the Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of the District's Contributions on pages 61 to 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sacramento City Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2022 on our consideration of Sacramento City Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sacramento City Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sacramento City Unified School District's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
January 27, 2022

Management's Discussion and Analysis

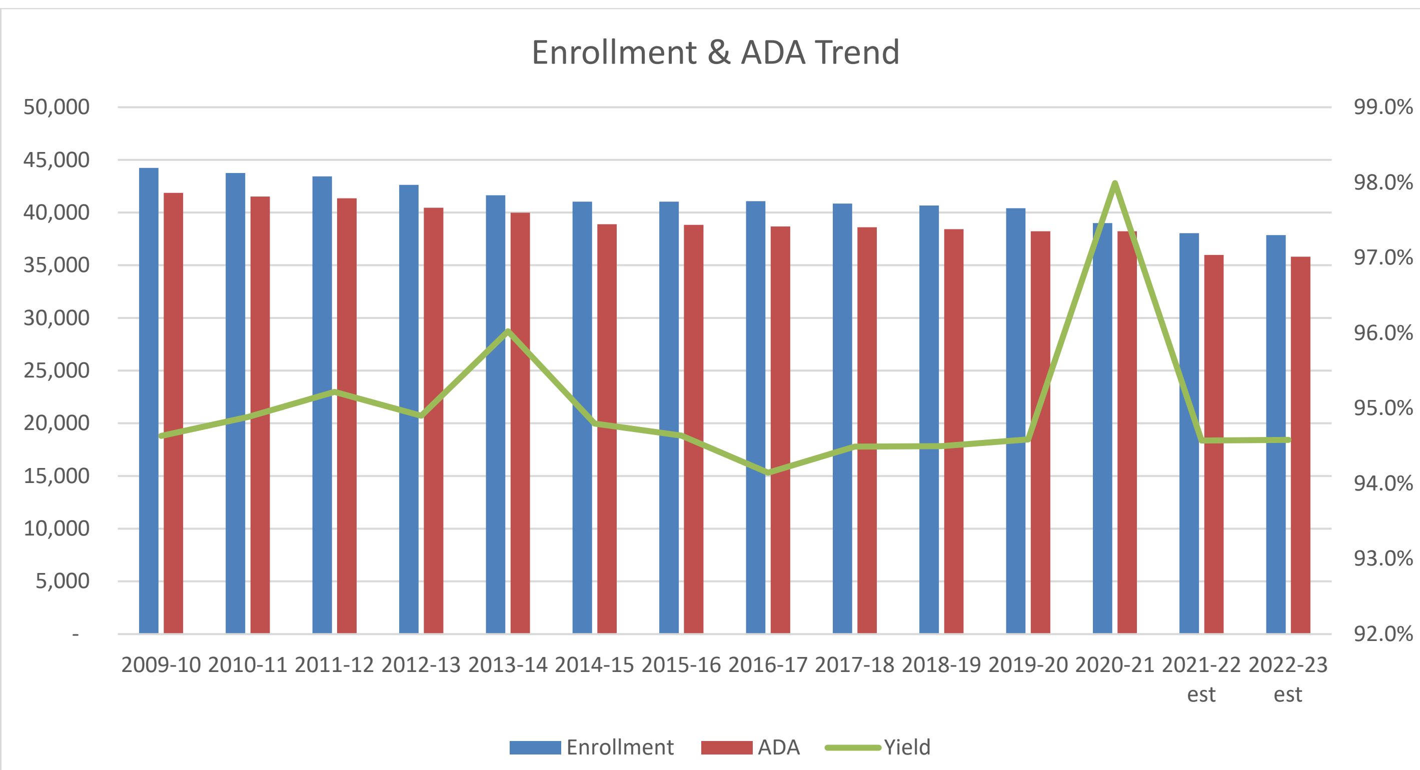
The Management's Discussion and Analysis (MD&A) Section of the audit report is District management's overall view of the District's financial condition and provides an opportunity to discuss important fiscal issues with the Board and the public. The MD&A is an element of the reporting model adopted by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

District Overview

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

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

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



COVID-19 Impacts

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

Governance

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

Strategic Plan and Guiding Principle

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

The District's Mission:

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

The District's Vision:

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

The District's Core Values:

- Equity: Commitment to reducing the academic achievement gap by ensuring that all students have equal access to the opportunities, supports and the tools they need to be successful.

- Achievement: Students will be provided with a relevant, rigorous and well-rounded curriculum, with the expectation that all will be well prepared for a career and post-secondary education.

- Integrity: Communication and interaction among and between students, parents, staff, labor and community partners is defined by mutual respect, trust and support.

- Accountability: Commitment to transparency and ongoing review of data will create a culture focused on results and continuous improvement in a fiscally sustainable manner.

The District's Goals:

- College, Career and Life Ready Graduates: Challenge and support all students to actively engage in rigorous and relevant curriculum that prepares them for college, career, and a fulfilling life, regardless of zip code, race/ethnicity, ability, language proficiency, and life circumstance.

- Safe, Emotionally Healthy and Engaged Students: Provide supports and opportunities to ensure that every student succeeds, with safe school environments that foster student engagement, promote daily attendance, and remove barriers to learning.

- Family and Community Empowerment: Commit to a welcoming school environment for our community; recognize and align district partnerships; and provide tools and family empowerment opportunities that are linked to supporting student academic achievement and social emotional competencies in order for families to be equal and active partners in their child's educational success.

- Operational Excellence: Be a service-focused organization. Consistently serve students, families, staff and community with efficient and effective programs, practices, policies and procedures at every point of contact across the district.

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

Overview of the Financial Statements

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

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

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

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

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. State support from the Local Control Funding Formula (LCFF) and categorical apportionments finance most of these activities.

- Business-type activities – The District does not currently have any business-type activities.

These two financial statements start on page 15.

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

District-wide Financial Condition

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

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

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

District-wide Financial Condition (Continued)

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

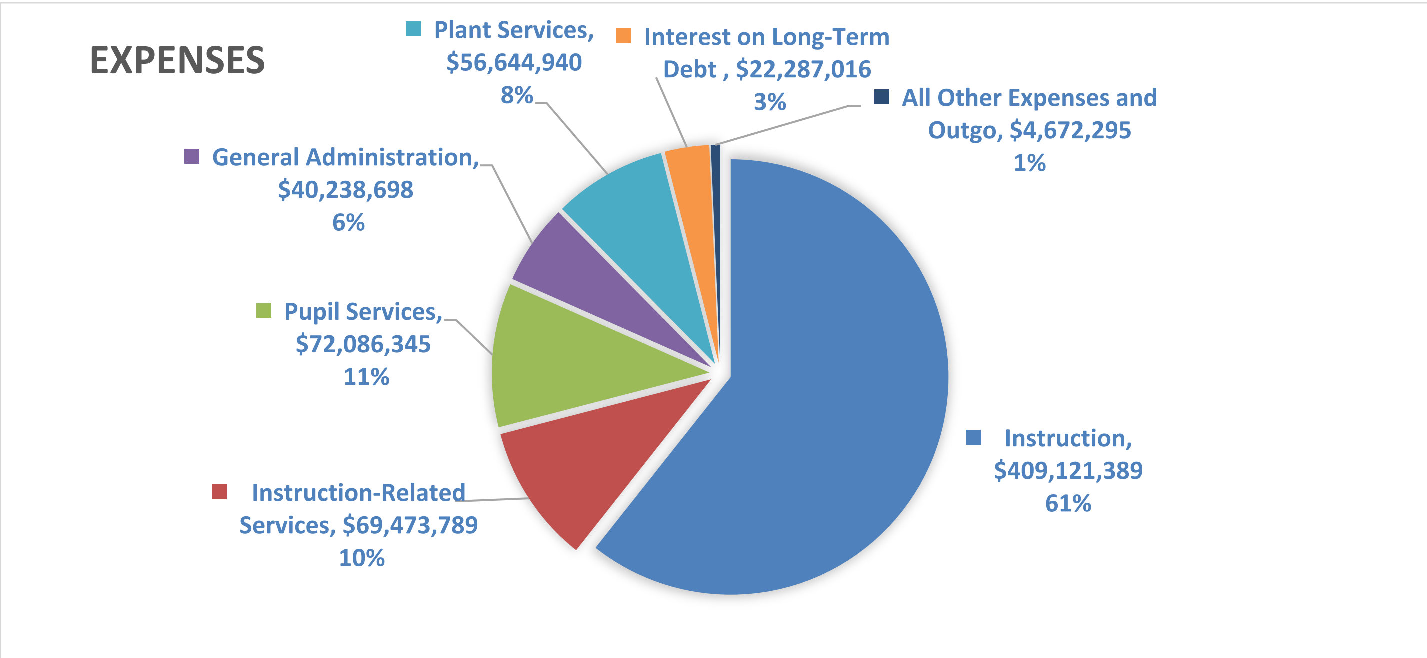
	June 30, 2021	June 30, 2020	Variance	% Diff
Expenses				
Governmental Activities:				
Instruction	$409,121,389	$404,009,047	$5,112,342	1%
Instruction-Related Services	$69,473,789	$74,907,523	($5,433,734)	-7%
Pupil Services	$72,086,345	$76,687,871	($4,601,526)	-6%
General Administration	$40,238,698	$27,513,618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

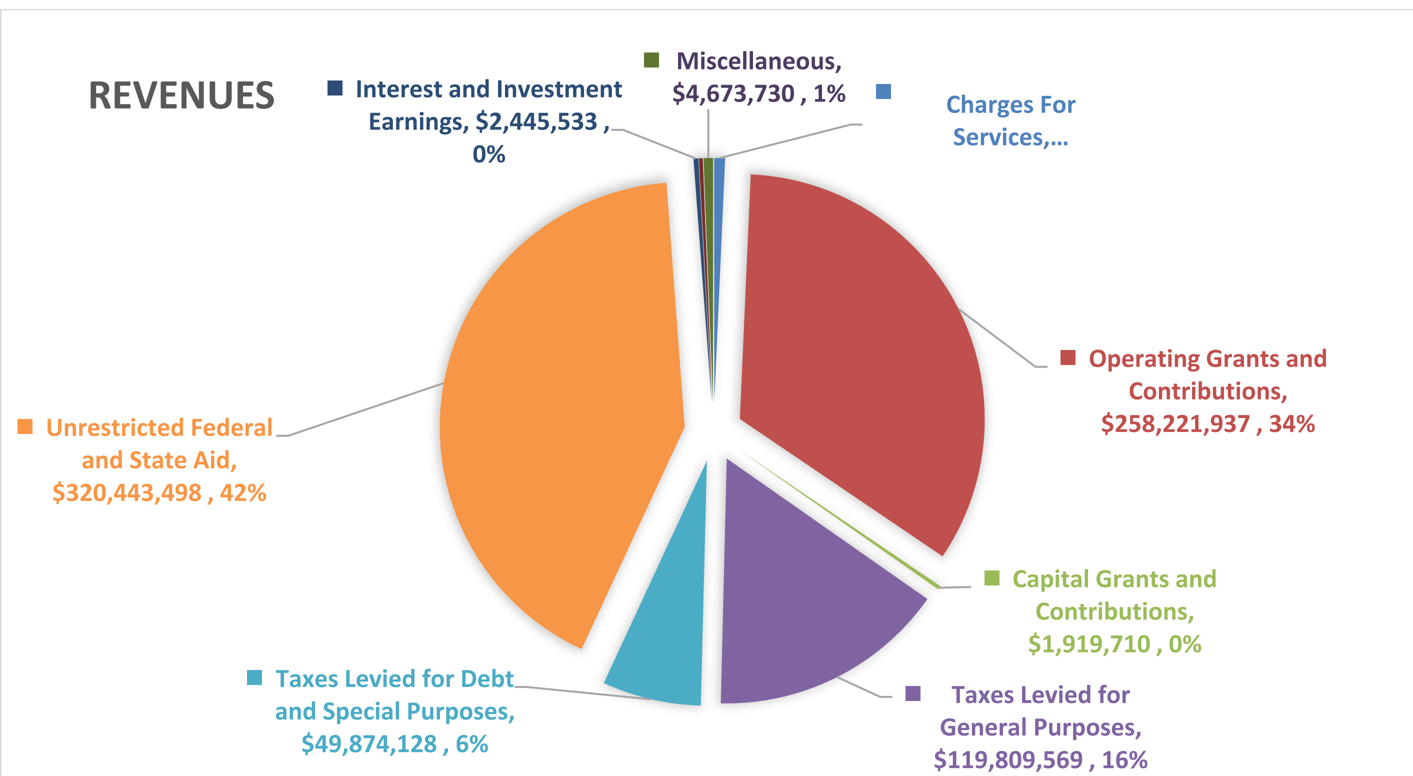
Revenues				
Charges For Services	$5,422,128	$7,711,938	($2,289,810)	-30%
Operating Grants and Contributions	$258,221,937	$171,956,963	$86,264,974	50%
Capital Grants and Contributions	$1,919,710	$0	$1,919,710	0%
Taxes Levied for General Purposes	$119,809,569	$113,311,579	$6,497,990	6%
Taxes Levied for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

Change in Net Position	$90,237,134	$31,157,844	$59,079,290	190%

District-wide Financial Condition (Continued)

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





Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (such as cafeteria funds) or to show that it is properly using certain revenues (such as community facility funds).

The District has three kinds of funds:

- Governmental Funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out; and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

- Proprietary Funds - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. Enterprise funds (one type of proprietary fund) are the same as business-type activities, but provide more detail and additional information, such as cash flows. The District does not currently have any business-type activities. Internal service funds (another type of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund, the Self-Insurance Fund, which includes Workers' Compensation and Dental/Vision.

- Fiduciary Funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

General Fund Financial and Budgetary Highlights

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

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

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

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

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

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

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

District Reserves and Net Ending Balance

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

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

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

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

Capital Projects

Modernization and construction projects are scheduled to continue as we update our existing facilities and continue to close out construction projects. With the passage of Bond Measures Q and R in 2012, the District continues facility improvements, modernization and construction projects that enhance the learning environment.

Total Expenditures for Fiscal Year Ended June 30, 2021

Measure Q Total	$ 23,502,285
● Program Management Expenditures	$ 1,097,269
● Completed Project Expenditures:	
▪ Modernization, Repair & Upgrades	$ 4,218,159
▪ Technology Upgrades Restated to COVID Funding Source	($ 4,143,067)
● In Progress Project Expenditures:	
▪ Core Academic Renovation	$ 6,742,145
▪ Modernization, Repair & Upgrades	$ 15,587,779
Measure R Total	$ 9,900,162
● Program Management Expenditures	$ 87,698
● In Progress Project Expenditures:	
▪ Nutrition Services Center	$ 9,812,464

Summary of Future Projects as of June 30, 2021

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

District Indebtedness

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

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

Financial Outlook

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

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

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

BASIC FINANCIAL STATEMENTS

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

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

See accompanying notes to the financial statements.

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

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:					
Instruction	$ 409,121,389	$ 168,703	$ 140,115,875	$ 1,919,710	$ (266,917,101)
Instruction-related services:					
Supervision and administration	29,910,559	91,972	18,848,431	-	(10,970,156)
Library, media and technology	2,340,772	-	532,191	-	(1,808,581)
School site administration	37,222,458	14,786	7,159,140	-	(30,048,532)
Pupil services:					
Home-to-school transportation	9,049,965	555	2,365,920	-	(6,683,490)
Food services	24,672,965	14,574	30,404,617	-	5,746,226
All other pupil services	38,363,415	66,773	17,596,872	-	(20,699,770)
General administration:					
Centralized data processing	8,250,356	2,857	4,269,387	-	(3,978,112)
All other general administration	31,988,342	7,545	12,793,183	-	(19,187,614)
Plant services	56,644,940	(296,335)	22,809,139	-	(34,132,136)
Ancillary services	3,109,146	10,486	437,200	-	(2,661,460)
Community services	233,946	-	-	-	(233,946)
Enterprise activities	63,739	-	47,480	-	(16,259)
Other outgo	1,265,463	5,340,212	842,502	-	4,917,251
Interest on long-term liabilities	22,287,017	-	-	-	(22,287,017)
Total governmental activities	$ 674,524,472	$ 5,422,128	$ 258,221,937	$ 1,919,710	(408,960,697)

General revenues:	
Taxes and subventions:	
Taxes levied for general purposes	119,809,569
Taxes levied for debt service	45,087,095
Taxes levied for other specific purposes	4,787,033
Federal and state aid not restricted to specific purposes	320,443,498
Interest and investment earnings	2,445,533
Interagency revenues	1,951,373
Miscellaneous	4,673,730
Total general revenues	499,197,831
Change in net position	90,237,134
Net position, July 1, 2020	(827,217,558)
Cumulative effect of GASB 84 implementation	1,427,892
Net Position, July 1, 2020, as restated	(825,789,666)
Net position, June 30, 2021	$ (735,552,532)

See accompanying notes to the financial statements.

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

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

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET -
TO THE STATEMENT OF NET POSITION
June 30, 2021

Total fund balances - Governmental Funds		$ 247,115,571
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $1,308,166,257 and the accumulated depreciation is $663,170,010 (Note 4).		644,996,247
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2021 consisted of (Note 6):		
General Obligation Bonds	$ (436,422,966)	
Accreted interest	(22,869,400)	
Lease Revenue Bonds	(57,855,000)	
Premium on issuance	(30,500,244)	
Net pension liability (Notes 8 and 9)	(510,272,000)	
Net OPEB liability (Note 10)	(317,738,269)	
Compensated absences	(5,328,863)	
		(1,380,986,742)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Net position of the Self-Insurance Fund is:		12,632,456
In the governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred:		(5,568,098)
Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the life of the related debt.		1,597,834
In governmental funds, deferred outflows and inflows of resources relating to other postemployment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported (Note 10).		
Deferred outflows of resources relating to OPEB	62,992,483	
Deferred inflows of resources relating to OPEB	(401,670,060)	
		(338,677,577)
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8 and 9).		
Deferred outflows of resources relating to pensions	130,261,777	
Deferred inflows of resources relating to pensions	(46,924,000)	83,337,777
Total net position - governmental activities		$ (735,552,532)

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

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

See accompanying notes to the financial statements.

Net change in fund balances - Total Governmental Funds	$	7,866,428
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).		50,116,641
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4)		(39,367,603)
In the governmental funds, the entire proceeds (loss) from the disposal of capital assets is reported as revenue (loss). In the statement of activities, only the resulting gain or loss is reported (Note 4)		(495,557)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).		31,400,000
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).		(2,208,384)
Premiums related to the issuance of long-term liabilities is recognized as an other financing source in the governmental funds, but decreases the liability in the statement of net position. (Note 6).		2,530,870
In governmental funds, deferred inflows and deferred outflows of resources are not recognized. In the government-wide statements, deferred inflows and deferred outflows of resources are amortized over the life of the debt. The net activity in the deferred outflow for the current year is:		(152,585)
In governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred.		175,935
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost recovery basis. The change in net position for the Self-Insurance Fund was:		(302,801)

(Continued)

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

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION – PROPRIETARY FUND
SELF-INSURANCE FUND
June 30, 2021

ASSETS	
Current assets:	
Cash and investments:	
Cash in County Treasury	$ 11,397,179
Cash in banks	392
Cash with fiscal agent	250,000
Receivables	2,303,292
Due from other funds	82
Total current assets	13,950,945
LIABILITIES	
Current liabilities:	
Accounts payable	860,056
Unpaid claims and claim adjustment expenses	458,433
Total current liabilities	1,318,489
NET POSITION	
Unrestricted	$ 12,632,456

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN
NET POSITION – PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2021

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

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2021

Cash flows provided by operating activities:	
Cash received from self-insurance premiums and other revenue	$ 14,220,712
Cash paid for employee benefits	(13,686,146)
Cash paid for other expenses	263,532
Net cash provided by operating activities	798,098
Cash flows provided by investing activities:	
Interest income received	54,438
Change in cash and investments	852,536
Cash and investments, July 1, 2020	10,795,035
Cash and investments, June 30, 2021	$ 11,647,571
Reconciliation of net operating loss to net cash provided by operating activities:	
Net operating loss	$ (357,239)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Decrease (increase) in:	
Receivables	202,971
Due from other funds	(82)
(Decrease) increase in:	
Unpaid claims and claim adjustment expenses	110,364
Accounts payable	842,338
Due to other funds	(254)
Total adjustments	1,155,337
Net cash provided by operating activities	$ 798,098

See accompanying notes to the financial statements.

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

	Scholarship Trust
ASSETS	
Cash and investments (Note 2)	
Cash on hand and in banks	$ 435,401
NET POSITION	
Restricted for scholarships	$ 435,401

See accompanying notes to the financial statements.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
TRUST FUND
For the Year Ended June 30, 2021

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

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A - Manifestations of Oversight

1. The Corporation's and the Authority's Boards of Directors were appointed by the District's Board of Education.

2. The Corporation and the Authority have no employees. The District's Superintendent and Chief Business Officer function as agents of the Corporation and the Authority. Neither individual received additional compensation for work performed in this capacity.

3. The District exercises significant influence over operations of the Corporation and the Authority as it is anticipated that the District will be the sole lessee of all facilities owned by the Corporation and the Authority.

B - Accounting for Fiscal Matters

1. All major financing arrangements, contracts, and other transactions of the Corporation and the Authority must have the consent of the District.

2. Any deficits incurred by the Corporation and the Authority will be reflected in the lease payments of the District. Any surpluses of the Corporation and the Authority revert to the District at the end of the lease period.

3. It is anticipated that the District's lease payments will be the sole revenue source of the Corporation and the Authority.

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Scope of Public Service and Financial Presentation

1. The Corporation and the Authority were created for the sole purpose of financially assisting the District.

2. The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Authority was created pursuant to a joint powers agreement between the District and the California Statewide Communities Development Authority, pursuant to the California Government Code, commencing with Section 6500. The Corporation and the Authority were formed to provide financing assistance to the District for construction and acquisition of major capital facilities. Upon completion the District intends to occupy all Corporation and Authority facilities. When the Authority's Lease Revenue Bonds have been paid with state reimbursements and the District's developer fees, title of all Corporation and Authority property will pass to the District for no additional consideration.

3. The Corporation's and the Authority's financial activity is presented in the financial statements in the Building Fund. Lease Revenue Bonds issued by the Authority are included in the government-wide financial statements. There are currently no outstanding Certificates of Participation under the Corporation as of June 30, 2021.

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds:

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

2. Building Fund: The Building Fund is a capital projects fund used to account for resources used for the acquisition or construction of capital facilities by the District.

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

B - Other Funds:

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

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

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

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

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

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Receivables: Receivables are made up principally of amounts due from the State of California and Categorical programs. The District has determined that no allowance for doubtful accounts was required as of June 30, 2021.

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

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

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

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for debt service repayments represents the portion of net position which the District plans to expend on debt repayment in the ensuing year. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for scholarships represents the portion of net position to be used to provide financial assistance to students of the District. It is the District's policy to first use restricted net position when allowable expenditures are incurred.

3. Unrestricted Net Position – All other net position that does not meet the definitions of "restricted" or "net investment in capital assets".

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

D - Assigned Fund Balance: The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances, however, as of June 30, 2021, no such designation has occurred.

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

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

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

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2021, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2021 are reported at fair value and consisted of the following:

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

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing Sacramento County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in the financial statements at the amounts based upon the District's pro-rate share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

(Continued)

NOTE 2 – CASH AND INVESTMENTS (Continued)

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

Cash with Fiscal Agent: Cash with Fiscal Agent in the Governmental Funds represents funds held by Fiscal Agents restricted for capital projects and repayment of General Obligation Bonds. The District holds their funds with the Sacramento County Treasurer. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash with Fiscal Agent held in the Proprietary Fund represents funds held as required by the District's third-party administrator, Schools' Insurance Authority, for the District's self-insurance activities.

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

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2021, the District had no concentration of credit risk.

NOTE 3 – INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables: Individual interfund receivable and payable balances at June 30, 2021 were as follows:

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

(Continued)

NOTE 3 – INTERFUND TRANSACTIONS (Continued)

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

Transfers for the 2020-2021 fiscal year were as follows:

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

(Continued)

NOTE 4 – CAPITAL ASSETS

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

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

Depreciation expense was charged to governmental activities as follows:

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

(Continued)

NOTE 5 – SELF-INSURANCE CLAIMS

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

The liability for unpaid claims and claim adjustment expenses represents the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. These claims will be paid in future years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

District management recomputes the liability annually using available updated claims data. Annually, the District obtains an actuarial study using a variety of statistical techniques to produce current estimates that consider claim frequency and other economic factors. The liability for workers compensation is based on an actuarial study dated May 3, 2021 and September 3, 2020 for the years ended June 30, 2021 and June 30, 2020, respectively.

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

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

(Continued)

NOTE 6 – LONG-TERM LIABILITIES

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

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

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

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

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

(Continued)

NOTE 6 – LONG-TERM LIABILITIES (Continued)

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

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

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

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

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

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

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

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

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

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

(Continued)

NOTE 6 – LONG-TERM LIABILITIES (Continued)

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

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

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

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

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

NOTE 6 – LONG-TERM LIABILITIES (Continued)

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

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

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

(Continued)

NOTE 7 – FUND BALANCES

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

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

(Continued)

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

General Information about the State Teachers' Retirement Plan

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

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

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

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

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

The CalSTRS Funding Plan, which was enacted in June 2014 with the passage of California Assembly Bill (AB) 1469, required that employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation gave the CalSTRS board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

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

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

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

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

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

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

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

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

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

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

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

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ 364,571,000
State's proportionate share of the net pension liability associated with the District	199,236,000
	$ 563,807,000

The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2020, the District's proportion was 0.376 percent, which was a decrease of 0.012 percent from its proportion measured as of June 30, 2019.

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

For the year ended June 30, 2021, the District recognized pension expense of $79,837,146 and revenue of $28,444,509 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 643,000	$ 10,282,000
Changes of assumptions	35,551,000	-
Net differences between projected and actual earnings on investments	8,660,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	25,391,000	24,961,000
Contributions made subsequent to measurement date	34,403,690	-
Total	$ 104,648,690	$ 35,243,000

$34,403,690 reported as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Differences between expected and actual experience and changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2020 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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

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

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

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

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

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

(Continued)

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

The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Public Equity	42%	4.8%
Real Estate Assets	15	3.6
Private Equity	13	6.3
Fixed Income	12	1.3
Risk Mitigating Strategies	10	1.8
Inflation Sensitive	6	3.3
Cash / Liquidity	2	(0.4)

* 20-year geometric average

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.1 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.1 percent) or 1-percentage-point higher (8.1 percent) than the current rate:

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

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

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

For the year ended June 30, 2021, the District recognized pension expense of $22,289,538. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 7,226,000	$ -
Changes of assumptions	534,000	-
Net differences between projected and actual earnings on investments	3,033,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,058,000	11,681,000
Contributions made subsequent to measurement date	13,762,087	-
Total	$ 25,613,087	$ 11,681,000

$13,762,087 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2020 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information - Other Postemployment Benefits Plan (OPEB)

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

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

(Continued)

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

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

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

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

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

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

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

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

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

*Geometric average

(Continued)

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

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

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

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

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

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

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

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

Changes in the Net OPEB Liability:

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

NOTE 11 – JOINT POWERS AGREEMENTS

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

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

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

(Continued)

NOTE 12 – CONTINGENCIES

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

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

At June 30, 2021, the District had approximately $3.3 million in outstanding construction contract commitments.

NOTE 13 – MANAGMENT'S PLANS

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

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

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

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

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

(Continued)

NOTE 13 – MANAGMENT'S PLANS (Continued)

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

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

NOTE 14 – CONTINGENCIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

See accompanying note to required supplementary information.

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

Last 10 Fiscal Years

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

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

See accompanying note to required supplementary information.

Other Postemployment Benefits
Last 10 Fiscal Years

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

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

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

State Teachers' Retirement Plan
Last 10 Fiscal Years

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

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

All years prior to 2015 are not available.

(Continued)

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

Public Employer's Retirement Fund B
Last 10 Fiscal Years

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

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

State Teachers' Retirement Plan
Last 10 Fiscal Years

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

All years prior to 2015 are not available.

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

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

(Continued)

Public Employer's Retirement Fund B
Last 10 Fiscal Years

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

All years prior to 2015 are not available.

NOTE 1 - PURPOSE OF SCHEDULES

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

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

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

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

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

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

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

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

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

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

SUPPLEMENTARY INFORMATION

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

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

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2021

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

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

GOVERNING BOARD

Name	Office	Term Expires
Christina Pritchett	President	December 2024
Lisa Murawski	Vice President	December 2022
Darrel Woo	Second Vice President	December 2022
Leticia Garcia	Member	December 2022
Jamee Villa	Member	December 2024
Chinua Rhodes	Member	December 2024
Lavania Phillips	Member	December 2024
Isa Sheikh*	Student Member	June 2021

ADMINISTRATION

Jorge A. Aguilar
Superintendent

Lisa Allen
Deputy Superintendent

Vacant**
Chief Communications Officer

Vacant***
Chief Continuous Improvement and Accountability Officer

Bob Lyons****
Chief Information Officer

Cancy McArn
Chief Human Resources Officer

Rose F. Ramos
Chief Financial Officer

Christine Baeta
Chief Academic Officer

*Jacqueline Zhang voted into office as the new student member in June 2021 for the 2021-22 fiscal year.
**Vincent Harris resigned August 25, 2021.
***Tara Gallegos resigned September 17, 2021.
**** Bob Lyons hired March 17, 2021.

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

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

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

(Continued)

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

(Continued)

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

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

* District is unable to provide PCA numbers.

See accompanying notes to supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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

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

See accompanying notes to supplementary information.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2021
(UNAUDITED)

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

The General Fund fund balance has increased by $55,405,966 over the past three years. The District has incurred operating deficits in one of the past three years, and anticipates incurring an operating deficit during the 2021-2022 fiscal year. The fiscal year 2021-2022 budget projects a decrease of $28,657,349. For a district this size, the state recommends available reserves of at least 2% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2021, the District has met this requirement.

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

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

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

See accompanying notes to supplementary information.

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

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

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

NOTE 1 - PURPOSE OF SCHEDULES

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

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

C - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements: This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

D - Schedule of Financial Trends and Analysis – Unaudited: This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2021-2022 fiscal year, as required by the State Controller's Office.

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

F - Schedule of First 5 Revenues and Expenditures: This schedule provides information about the First 5 Sacramento County Program.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2021, the District did not adopt this program.

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

Board of Education
Sacramento City Unified School District
Sacramento, California

Report on Compliance with State Laws and Regulations

We have audited Sacramento City Unified School District's compliance with the types of compliance requirements described in the State of California's 2020-21 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2021.

Description	Procedures Performed
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study – Course Based	No, see below
Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	Yes
Charter School Facility Grant Program	No, see below

(Continued)

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

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

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

The District did not offer an Independent Study-Course Based program; therefore, we did not perform any procedures related to this program.

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Sacramento City Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-21 Guide for Annual Audits of K12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Sacramento City Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Sacramento City Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Finding 2021-002 in the accompanying Schedule of Audit Findings and Questioned Costs, Sacramento City Unified School District did not comply with the requirements regarding School Accountability Report Card. Compliance with such requirements is necessary, in our opinion, for Sacramento City Unified School District to comply with the requirements applicable to the state laws and regulations referred to above.

(Continued)

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Sacramento City Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2021.

Other Matter

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

Purpose of this Report

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

Crowe LLP

Crowe LLP

Sacramento, California
January 27, 2022

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Sacramento City Unified School District
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sacramento City Unified School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Sacramento City Unified School District's basic financial statements, and have issued our report thereon dated January 27, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency involving internal control that we communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2021-001.

(Continued)

Compliance and Other Matters

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

Sacramento City Unified School District's Response to Finding

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

Purpose of this Report

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

Crowe LLP

Crowe LLP

Sacramento, California
January 27, 2022

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

Board of Education
Sacramento City Unified School District
Sacramento, California

Report on Compliance on First 5 Sacramento County Program

We have audited Sacramento City Unified School District's compliance with the types of compliance requirements described in the Program Guidelines for the First 5 Sacramento County Program that could have a direct and material effect on the First 5 Sacramento County Program for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for the compliance with the requirements of laws, regulations, contracts and grants applicable to its First 5 Sacramento County Program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance on Sacramento City Unified School District's First 5 Sacramento County Program based on our audit of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on First 5 Sacramento County Program occurred. An audit includes examining, on a test basis, evidence about Sacramento City Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Sacramento City Unified School District's compliance with those requirements.

Opinion on First 5 Sacramento County Program

In our opinion, Sacramento City Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2021.

Purpose of this Report

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

Crowe LLP

Crowe LLP

Sacramento, California
January 27, 2022

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

Board of Education
Sacramento City Unified School District
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited Sacramento City Unified School District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Sacramento City Unified School District's major federal programs for the year ended June 30, 2021. Sacramento City Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Unmodified Opinion on Each of the Major Federal Programs

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

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Crowe LLP

Crowe LLP

Sacramento, California
January 27, 2022

FINDINGS AND RECOMMENDATIONS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

FEDERAL AWARDS

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

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

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	$3,000,000	
Auditee qualified as low-risk auditee?	____ Yes	X No

STATE AWARDS

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

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

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

Criteria:

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

Condition:

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

Effect:

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

Cause:

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

Recommendation:

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

Views of Responsible Officials and Planned Corrective Action:

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

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Criteria:

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

Condition:

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

Context:

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

Effect:

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

Cause:

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

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

Fiscal Impact:

Not applicable.

Recommendation:

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

View of Responsible Officials and Planned Corrective Action:

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

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

2020-001

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

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

Current Status: Implemented.

2020-002

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

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

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

2020-003

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

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

Current Status: Implemented.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Sacramento City Unified School District (the "District") in connection with the issuance of the District's General Obligation Bonds, Election of 2020 (Measure H) 2022 Series A (collectively, the "Bonds"). The Bonds are being issued pursuant to resolutions of the Board of Education of the District adopted on April 7, 2022 and the Board of Supervisors of Sacramento County on May 24, 2022 (collectively, the "Resolutions"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially Dale Scott & Company, Inc., or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Financial Obligation" means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

"Participating Underwriters" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2021-22 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided.

SECTION 4. Content and Form of Annual Reports.

(a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(A) State funding received by the District for the last completed fiscal year;

(B) Average daily attendance of the District for the last completed fiscal year;

(C) Outstanding District indebtedness;

(D) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

(E) Total assessed valuation of taxable property within the District, for the current fiscal year;

(F) Secured tax charges and delinquencies for *ad valorem* property tax levies for the District's outstanding bonded indebtedness, for the most recently completed fiscal year; and

(G) Assessed valuation of taxable property for the top twenty taxpayers within the District for the current fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

10. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the

District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. Bond calls.

4. unless described under Section 5(a)(5) above material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

7. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

8. incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondowners.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or 5(b).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this

Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolutions, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriters, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: __________, 2022

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By ____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

Name of Bond Issue: General Obligation Bonds, Election of 2020 (Measure H) 2022 Series A
2022 General Obligation Refunding Bonds

Date of Issuance:

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated: _______________________

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

By ______[form only; no signature required]_________

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APPENDIX D

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF SACRAMENTO AND SACRAMENTO COUNTY

The following information regarding the City of Sacramento (the "City"), and Sacramento County (the "County") is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the City or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District or Bond Counsel. This Appendix includes information that is generally as of dates and for periods before the economic impacts of the COVID-19 (as defined in the front part of this Official Statement) pandemic and the measures instituted in response thereto. The COVID-19 pandemic is ongoing, and as result the geographic spread or mutation of the virus (notwithstanding the general availability of vaccines to combat the virus), the duration and severity of the outbreak, and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate adverse impact of COVID-19 on the operations and finances of the District is unknown.

General

City of Sacramento. The City, capital of the State of California, was established in 1849. The sixth largest city in California based on population, The City also serves as the seat of The City County government. The State of California Department of Finance estimated the population on January 1, 2021, at 515,673 for the City and 1,561,014 for the County. Encompassing approximately 100 square miles, the City is located in the northern section of California's Central Valley at the confluence of the City and American rivers.

The City is a charter city operating under a Council-Manager form of government. The City provides a full range of municipal services including police, fire, emergency medical response, water, wastewater, storm drainage, solid waste, construction and maintenance of streets and parks, community development, recreational and cultural activities, economic development, and administrative services.

Sacramento County. Sacramento County was incorporated in 1850 as one of the original 27 counties of the State of California. The County's largest city, the City of Sacramento, became the State Capital in 1854, is the seat of government for the State of California and also serves as the County seat. The County encompasses approximately 994 square miles and is bordered by Contra Costa and San Joaquin Counties on the south, Amador and El Dorado Counties on the east, Placer and Sutter Counties on the north, and Yolo and Solano Counties on the west. The County has a charter form of government and is governed by a five-member Board of Supervisors, who are elected to serve four-year terms.

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Population

The following table shows historical population figures for the City, the County and the State of California from 2012 through 2021.

POPULATION ESTIMATES
City of Sacramento, Sacramento County and State of California
2012 through 2021

Year[(1)]	City of Sacramento	Sacramento County	State of California
2012	472,820	1,442,546	37,924,661
2013	477,726	1,453,969	38,269,864
2014	480,648	1,466,176	38,556,731
2015	485,119	1,481,641	38,865,532
2016	489,294	1,495,620	39,103,587
2017	494,785	1,511,390	39,352,398
2018	500,872	1,525,099	39,519,535
2019	507,490	1,538,054	39,605,361
2020	513,626	1,553,157	39,648,938
2021	515,673	1,561,014	39,466,855

(1) As of January 1.
Source: California Department of Finance.

Personal Income

The following table summarizes per capita personal income for the County, the State of California and the United States from 2011 to 2020.

PER CAPITA PERSONAL INCOME
2011 through 2020
Sacramento County, State of California, and United States

Year	Sacramento County	State of California	United States
2011	$39,849	$45,574	$42,783
2012	41,014	48,154	44,614
2013	42,117	48,549	44,894
2014	44,150	51,332	47,017
2015	46,674	54,632	48,891
2016	47,723	56,667	49,812
2017	49,125	58,942	51,811
2018	51,187	61,663	54,098
2019	53,278	64,513	56,047
2020	58,307	70,192	59,510

Note: All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2017 through 2021 for the City, the County and the State of California.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE
City of Sacramento, Sacramento County and the State of California
2017 through 2021

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate (%)
2017	City of Sacramento	230,400	219,400	11,000	4.8
	Sacramento County	696,500	663,700	32,700	4.7
	State of California	19,185,400	18,258,100	927,300	4.8
2018	City of Sacramento	234,500	225,100	9,400	4.0
	Sacramento County	704,200	676,700	27,500	3.9
	State of California	19,289,500	18,468,100	821,400	4.3
2019	City of Sacramento	237,500	228,400	9,100	3.8
	Sacramento County	711,500	684,800	26,700	3.8
	State of California	19,409,400	18,612,600	796,800	4.1
2020	City of Sacramento	236,400	212,900	23,600	10.0
	Sacramento County	709,700	642,000	67,800	9.5
	State of California	18,931,100	16,996,700	1,934,500	10.2
2021	City of Sacramento	237,800	220,300	17,500	7.4
	Sacramento County	714,000	664,400	49,700	7.0
	State of California	18,923,200	17,541,900	1,381,200	7.3

Note: Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2021.

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Industry

The County is included in the Sacramento-Rocklin-Arden Arcade Metropolitan Statistical Area (the "MSA"). The distribution of employment in the MSA is presented in the following table for the last five years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2017 through 2021
Sacramento-Rocklin-Arden Arcade MSA

	2017	2018	2019	2020	2021
Total Farm	9,800	9,100	8,700	8,300	9,000
Mining, Logging and Construction	59,100	65,000	69,900	70,700	74,800
Manufacturing	35,700	36,000	36,800	36,100	37,500
Wholesale Trade	26,500	28,400	28,600	26,500	26,400
Retail Trade	101,400	102,000	100,500	95,200	101,100
Transportation, Warehousing and Util.	27,400	29,500	32,200	34,300	37,100
Information	12,600	12,400	11,900	10,200	10,000
Financial Activities	52,600	53,500	52,500	51,700	51,700
Professional and Business Services	132,400	136,000	137,200	132,500	136,700
Education and Health Services	153,600	159,800	166,600	164,000	168,400
Leisure and Hospitality	103,300	106,200	109,600	83,900	92,800
Other Services	33,000	34,200	35,400	31,000	32,600
Government	235,200	238,000	241,400	235,300	239,300
Total All Industries	982,500	1,009,900	1,031,300	979,700	1,017,200

Source: California Employment Development Department, Labor Market Information Division. March 2019 Benchmark.

Largest Employers

The following table list the largest employers in the City.

LARGEST EMPLOYERS
City of Sacramento
2021

Employer	Employees
State of California	82,076
UC Davis Health System	14,618
Sacramento County	12,585
Kaiser Permanente	12,078
U.S. Government	11,752
Dignity Health	10,888
Sutter Health	10,764
Intel Corporation	5,992
California State University Sacramento	5,283
San Juan Unified School District	4,962
City of Sacramento	4,883

Source: City of Sacramento Comprehensive Annual Financial Report' For Year Ended June 30, 2021.

The following tables list the largest public and private sector employers in the City

LARGEST PUBLIC SECTOR EMPLOYERS
Sacramento County
2021

Employer	Employees
State of California	82,076
UC Davis Health System	12,674
Sacramento County	12,585
U.S. Government	11,752
California State University, Sacramento	5,283
San Juan Unified School District	4,962
City of Sacramento	4,883
Sacramento City Unified School District[(1)]	4,375
Los Rios Community College District	2,752
Sacramento Municipal Utility District	2,099

(1) For updated information regarding the School District's employees, see "SACRAMENTO CITY UNIFIED SCHOOL DISTRICT – Labor Relations" in the front part of this Official Statement.
Source: Sacramento Business Journal, 2021 Book of Lists.

LARGEST PUBLIC SECTOR EMPLOYERS*
Sacramento County
2021

Employer	Employees
Kaiser Permanente	12,078
Dignity Health	10,888
Sutter Health	10,764
Intel Corp.	5,992
Raley's Inc.	3,394
VSP Global	2,834
Siemens Mobility Inc.	2,000
Safeway	1,823
Golden 1 Credit Union	1,558
Wells Fargo & Co.	1,292

* Employers that have dropped off may not have responded to the survey such as Apple and Amazon.
Source: Sacramento Business Journal, 2021 Book of Lists.

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Commercial Activity

Summaries of annual taxable sales for the City and the County from 2016 through 2020 are shown in the following tables.

TAXABLE TRANSACTIONS
City of Sacramento
2016 through 2020
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2016	9,334	$4,484,222	14,068	$6,482,931
2017	9,422	4,679,961	14,258	6,792,197
2018	9,839	4,904,555	15,421	7,157,369
2019	10,006	4,981,350	15,970	7,427,032
2020	11,088	4,364,816	17,722	6,703,585

Source: Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2016-20.

TAXABLE TRANSACTIONS
Sacramento County
2016 through 2020
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2016	24,383	$16,016,856	36,915	$23,184,499
2017	24,501	16,729,885	37,317	24,405,149
2018	24,853	17,593,375	39,066	25,443,669
2019	25,530	18,195,302	40,858	26,836,365
2020	28,055	18,288,243	45,361	26,837,392

(1) Preliminary, subject to change.
Source: Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2016-20.

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Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2016 through 2020 for the City and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
City of Sacramento
2016 through 2020
(Dollars in Thousands)

Valuation ($000):	2016	2017	2018	2019	2020
Residential	$469,400	$704,827	$610,884	$717,752	$894,165
Non-residential	397,868	340,670	450,174	1,106,990	446,299
Total	$867,268	$1,045,497	$1,061,058	$1,824,742	$1,340,464
Residential Units:					
Single family	2,676	1,723	1,608	1,552	956
Multiple family	609	1,076	813	1,487	2,855
Total	3,285	2,799	2,421	3,039	3,811

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
Sacramento County
2016 through 2020
(Dollars in Thousands)

Valuation ($000):	2016	2017	2018	2019	2020
Residential	$950,178	$1,200,257	$1,504,930	$1,666,799	$1,738,674
Non-residential	987,139	679,407	964,946	1,504,675	891,464
Total	$1,937,317	1,879,644	$2,469,876	$3,171,474	$2,630,138
Residential Units:					
Single family	2,676	3,174	3,589	3,981	3,588
Multiple family	609	1,761	1,272	2,008	2,868
Total	3,285	4,935	4,861	5,989	6,456

Source: Construction Industry Research Board.

Transportation

The County's location and transportation network have contributed to the County's economic growth. The County is traversed by the main east-west and north-south freeways serving northern and central California. U.S. Interstate Highway 80 connects Sacramento with the San Francisco Bay Area, Reno, Nevada, and points east. U.S. Highway 50 carries traffic from Sacramento to the Lake Tahoe area. U.S. Interstate Highway 5 is the main north-south route through the interior of California; it runs from Mexico to Canada. State Highway 99 parallels U.S. Interstate Highway 5 through central California and passes through Sacramento.

Transcontinental and intrastate rail service is provided by the Union Pacific Railroad. The Sacramento Northern is a short line owned by Union Pacific; it offers rail service to Sacramento Valley markets. Passenger rail service is provided by Amtrak. Bus lines offering intercity as well as local service include Greyhound and Sacramento Regional Transit.

The Port of Sacramento provides direct ocean freight service to all major United States and world ports through its deep-water ship channel. The Port of Sacramento is located 79 nautical miles northeast of San Francisco. The three major rail links serving Sacramento connect with the Port of Sacramento. U.S. Interstate Highway 80 and U.S. Interstate Highway 5 are immediately adjacent to the Port of Sacramento.

Sacramento Metropolitan Airport is about 12 miles northwest of downtown Sacramento. The airport is served by eight major carriers, two regional carriers, and four commuter carriers. Executive Airport, located in Sacramento, is a full-service, 680-acre facility serving general aviation. In addition to Metropolitan Airport and Executive Airport, there are two other County-operated general airports and numerous private airports.

APPENDIX E

SACRAMENTO COUNTY TREASURY POOL

The following information concerning the Sacramento County Treasury Pool (the "Treasury Pool") has been provided by the Director of Finance, and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriters. The District, the Municipal Advisor and the Underwriters have not made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Director of Finance, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, neither the District, the Municipal Advisor nor the Underwriters make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Treasury Pool may be obtained from the Director of Finance at https://finance.saccounty.gov/Investments/Pages/RptMonthly.aspx, *however, the information presented on such website is not incorporated herein by any reference.*

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Department of Finance

BEN LAMERA, DIRECTOR OF FINANCE

POOLED INVESTMENT FUND

Monthly Review — May 2022

PORTFOLIO COMPLIANCE

Based on the Director of Finance Review Group Month-End Report, the entire portfolio was in ***full compliance*** with the Sacramento County Annual Investment Policy for the Pooled Investment Fund for Calendar Year 2022 and California Government Code.[1]

PORTFOLIO STATISTICS

Portfolio's Month-End Balance	$5,963,652,606
Earned Income Yield for the Month	***1.000%***
Weighted Average Maturity (Days)	292
Estimated Duration (Years)	0.739
Amortized Book Value	$5,960,742,070
Month-End Market Value	$5,908,209,234
Percent of Market to Book Value[2]	99.12%

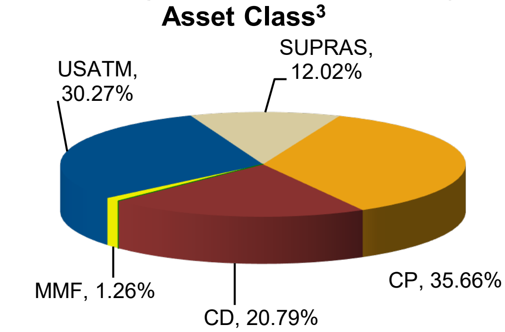
External third party Investment Manager(s) at month end:

Local Agency Investment Fund (LAIF)	$75,000,000

Investment Objectives

- ***Safety of Principal***
- ***Liquidity***
- ***Public Trust***
- ***Maximum Rate of Return***

Percentage Portfolio Structure by Asset Class[3]



PORTFOLIO STRUCTURE[3]

Investment Description	Portfolio at Cost	Yield at Month End
US Agency, Treasury & Municipal Notes (USATM):		
US Agency Notes	*23.97%*	**0.903%**
US Treasury Notes	*5.92%*	**0.193%**
Municipal Notes	*0.37%*	**0.616%**
Total USATM	30.27%	**0.760%**
Supranationals (SUPRAS)	12.02%	**1.777%**
Commercial Paper (CP)	35.66%	**1.051%**
Certificates of Deposit (CD)	20.79%	**1.072%**
LAIF/Money Market Funds (MMF)	1.26%	**0.523%**
Bank Money Market	0.00%	**0.000%**
Repurchase Agreements (REPO)	0.00%	**0.000%**

US Agency Notes Breakdown Percent of Portfolio at Cost[3]	
FFCB Notes/Discount Notes	5.99%
FHLB Notes/Discount Notes	14.49%
FNMA Notes/Discount Notes	2.33%
FHLMC Notes/Discount Notes	1.17%
Total US Agency Notes	**23.97%**

[1] This monthly review complies with all of the elements required by California Government Code §53646(b), with the exception of a detailed listing of each investment. A complete copy of the *Quarterly Pooled Investment Fund Report*, including a detailed listing of each investment, is available on the Department of Finance, Investment Division Web page at https://finance.saccounty.gov/Investments/Pages/RptQuartly.aspx.

[2] Percent of market to book value is calculated using amortized book value. The GASB 31 fair value reported in the County's Annual Financial Report is calculated using the book value at purchase.

[3] Percentages may not add up to totals due to rounding

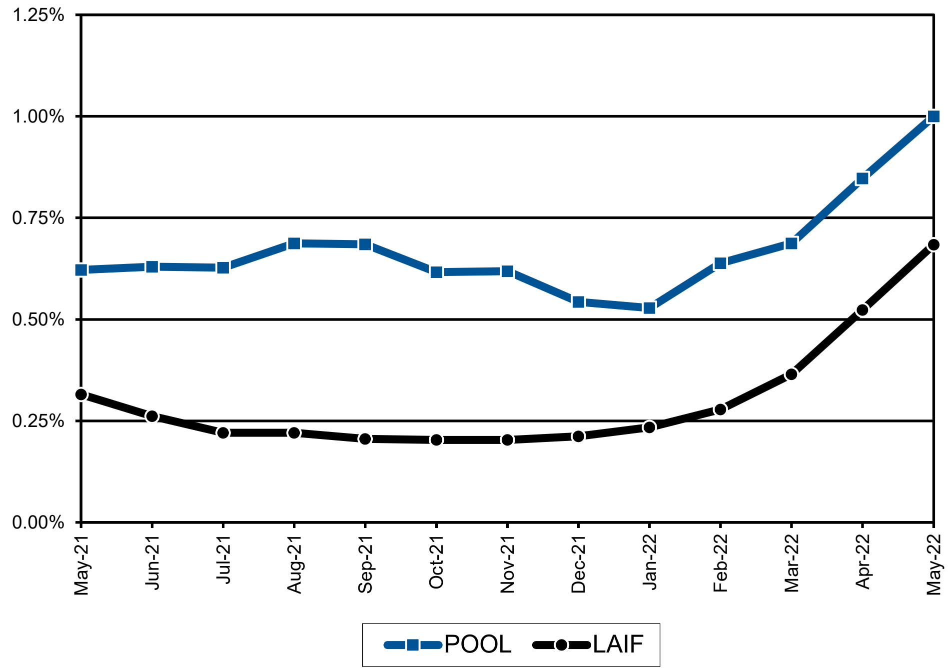
YIELD HISTORY

The earned income yield history represents gross yields; **costs have not been deducted**. The investment management costs in prior years and this year continue to be approximately 8 basis points or 0.08%. The quarterly apportionment of earnings to participating funds will be made on a **cash basis** (as opposed to an accrual basis) for the first three quarters of the fiscal year. Earnings to participating funds will be annualized over the fiscal year based on a fund's cumulative average daily cash balance at each quarter end and fiscal year end. At fiscal year end (fourth quarter), the earnings of the pool will be converted to an accrual basis for the fourth quarter earnings' allocation.

YIELD TRENDS[4]

Earned Income Yield History		
MONTH	**POOL**	**LAIF**
May-21	0.62%	0.32%
Jun-21	0.63%	0.26%
Jul-21	0.63%	0.22%
Aug-21	0.69%	0.22%
Sep-21	0.69%	0.21%
Oct-21	0.62%	0.20%
Nov-21	0.62%	0.20%
Dec-21	0.54%	0.21%
Jan-22	0.53%	0.23%
Feb-22	0.64%	0.28%
Mar-22	0.69%	0.37%
Apr-22	0.85%	0.52%
May-22	1.00%	0.68%

Earned Income Yield Over Last 12 Months



CASH FLOW PROJECTION

The Pooled Investment Fund cash requirements are based on a 14-month historical cash flow model. The model has been adjusted for expected non-reoccurring participant liquidity needs. This projection, updated on June 8, 2022, is sufficient to meet cash flow expenditures for the next six months.

Month	Beginning Bank Balance	Receipts & Maturities	Disbursements	Difference	Less Investments Beyond 1 year	Funds Available to Invest for Future Cash Flow Needs[5]
Dollar amounts represented in millions						
Jun	20.0	$1,471.9	$909.2	$562.7	$25.0	$537.7
Jul	20.0	$1,484.7	$1,164.1	$320.6	$25.0	$295.6
Aug	20.0	$1,526.4	$1,212.9	$313.5	$25.0	$288.5
Sep	20.0	$1,421.7	$982.1	$439.6	$25.0	$414.6
Oct	20.0	$1,285.3	$843.0	$442.3	$25.0	$417.3
Nov	20.0	$1,326.0	$879.4	$446.6	$25.0	$421.6

If you have any questions about the Pooled Investment Fund, please call Chief Investment Officer Bernard Santo Domingo at (916) 874-7320 or Investment Officer Dave Matuskey at (916) 874-4251.

[4] The earned income yield is the total net earnings divided by the average daily portfolio balance multiplied by 365 and then divided by the actual number of days in the month. The reported yield fluctuates based upon the number of days in the month, thus resulting in the anomaly of higher yields being reported for months with fewer days. February's yield is a prime example of such an anomaly.

[5] Any excess net cash flow amounts in this column will be used to fund the negative cash flow positions in later months.

APPENDIX F

DTC AND THE BOOK-ENTRY-ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of principal of, interest on, or premium, if any, on the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC. Capitalized terms used by not otherwise defined in the Appendix shall have the meaning assigned thereto in the front part of this Official Statement.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. However, the information presented on such website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Resolutions. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

CALIFORNIA

ENDORSEMENT TO

MUNICIPAL BOND INSURANCE POLICY

NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

____

Authorized Officer