

**SAN DIEGO UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2016

SAN DIEGO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2016

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## INDEPENDENT AUDITOR'S REPORT

Audit Committee and Board of Education  
San Diego Unified School District  
San Diego, 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 San Diego Unified School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise San Diego 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 San Diego Unified School District, as of June 30, 2016, 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.

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(Continued)

## **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 13 and the General Fund Budgetary Comparison Schedule, the Cafeteria Fund Budgetary Comparison Schedule, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 69 to 75 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 San Diego 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.

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### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016 on our consideration of San Diego Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Diego Unified School District's internal control over financial reporting and compliance.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Sacramento, California  
November 28, 2016

# SAN DIEGO UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

Management's discussion and analysis of San Diego Unified School District's (District) financial performance provides an overview of the District's financial activities for the school year ended June 30, 2016. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- Total net position was (\$167.08) million at June 30, 2016, which was an increase of \$37.57 million from the prior year.
- Overall revenues were \$1,635.33 million which were greater than expenses of \$1,597.76 million.

This annual report consists of the following parts – Management's Discussion and Analysis, the basic financial statements, required supplementary information, supplementary information and findings and recommendations. These sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - **Governmental Funds** 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.
  - **Proprietary Funds** report services for which the District charges customer a fee. Like the government-wide statements, they provide both long- and short-term financial information.
  - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.



## **Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include only governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. LCFF funding and federal and state grants finance most of these activities.

## **FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

### **Net Position**

The District's net position was (\$167.08) million at June 30, 2016, as reflected in the table below. Of this amount, (\$1,284.16) million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

			<b>Governmental Activities</b>		
			<b>2016</b>	<b>2015</b>	<b>Net Change</b>
<b>Assets</b>					
	Current and other assets		\$ 1,642,172,942	\$ 899,931,336	\$ 742,241,606
	Capital assets		2,955,361,772	2,817,315,018	138,046,754
	<b>Total Assets</b>		<b>4,597,534,714</b>	<b>3,717,246,354</b>	<b>880,288,360</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			188,011,757	85,489,033	102,522,724
<b>LIABILITIES</b>					
	Current liabilities		200,938,324	152,216,958	48,721,366
	Long-term liabilities		4,637,443,851	3,594,693,664	1,042,750,187
	<b>Total Liabilities</b>		<b>4,838,382,175</b>	<b>3,746,910,622</b>	<b>1,091,471,553</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			114,244,000	260,478,125	(146,234,125)
<b>NET POSITION</b>					
	Net investment in capital assets		590,393,456	501,154,788	89,238,668
	Restricted		526,692,489	350,662,388	176,030,101
	Unrestricted		(1,284,165,649)	(1,056,470,536)	(227,695,113)
	<b>Total Net Position</b>		<b>\$ (167,079,704)</b>	<b>\$ (204,653,360)</b>	<b>\$ 37,573,656</b>

### Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

		<b>Governmental Activities</b>		
<b>REVENUES</b>		2016	2015	Net Change
Program revenues				
	Charges for services	\$ 2,607,946	\$ 2,587,286	\$ 20,660
	Operating grants and contributions	330,432,614	320,162,485	10,270,129
	Capital grants and contributions	2,902,371	2,318,741	583,630
General revenues				-
	Property taxes	887,994,418	812,869,260	75,125,158
	Unrestricted federal and state aid	351,932,595	361,000,039	(9,067,444)
	Other	59,461,891	73,018,274	(13,556,383)
	<b>Total Revenues</b>	<b>1,635,331,835</b>	<b>1,571,956,085</b>	<b>63,375,750</b>
<b>EXPENSES</b>				
	Instruction	812,683,814	783,196,482	29,487,332
	Instruction-related services	152,866,505	145,765,781	7,100,724
	Pupil services	206,336,082	192,643,085	13,692,997
	General administration	62,134,942	48,356,766	13,778,176
	Plant services	123,317,753	119,410,809	3,906,944
	Ancillary and community services	4,417,774	4,394,766	23,008
	Debt service	114,533,849	107,888,245	6,645,604
	Other outgo	27,659,811	8,494,067	19,165,744
	Depreciation	93,600,572	85,266,659	8,333,913
	Enterprise activities	207,077	43,382,550	(43,175,473)
	<b>Total Expenses</b>	<b>1,597,758,179</b>	<b>1,538,799,210</b>	<b>58,958,969</b>
<b>Change in net position</b>		37,573,656	33,156,875	4,416,781
<b>Net Position - Beginning</b>		(204,653,360)	974,175,524	(1,178,828,884)
<b>Cumulative effect of GASB 68 Implementation</b>		-	(1,107,236,271)	1,107,236,271
<b>Restatement (Note 13)</b>		-	(104,749,488)	104,749,488
<b>Net Position - Ending</b>		<b>\$ (167,079,704)</b>	<b>\$ (204,653,360)</b>	<b>\$ 37,573,656</b>

As reported in the Statement of Activities on page 15, the net cost of all our governmental activities this year was \$1,261.82 million. The amount ultimately that financed these activities through taxes and State Aid was \$1,239.93 million, the cost paid by those who benefitted from the programs was \$2.61 million, the costs from capital grants and contributions are \$2.90 million, the costs paid by other governments and organizations who subsidized certain programs with grants and contributions were \$330.43 million and other revenues contributed \$59.46 million.

	Net Cost of Services	
	2016	2015
Instruction	\$ 636,569,147	\$ 618,131,656
Instruction-related services	118,645,952	119,558,766
Pupil services	114,849,365	97,534,963
General administration	55,348,520	40,960,392
Plant services	96,507,898	88,357,987
Ancillary and community services	4,375,872	4,357,024
Debt service	114,533,849	107,888,245
Other outgo	27,177,170	8,297,270
Depreciation	93,600,572	85,266,659
Enterprise activities	206,903	43,377,736
<b>Total Expenses</b>	<b>\$ 1,261,815,248</b>	<b>\$ 1,213,730,698</b>

## FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed this year, its governmental funds reported a combined fund balance of \$1,394.28 million, which is greater than last year's ending fund balance of \$686.87 million. The District's General Fund had \$3.83 million less in operating revenues than expenditures for the year ended June 30, 2016. The District's Cafeteria Fund has \$0.10 million less in operating revenues than expenditures for the year ended June 30, 2016. The District's Building Fund had \$220.52 million less in operating revenues than expenditures for the year ended June 30, 2016. The District's Bond Interest and Redemption Fund had \$111.71 million more in operating revenues than expenditures for the year ended June 30, 2016. The District's Non-Major Governmental Funds, which includes County School Facilities Fund, had \$10.31 million more in operating revenues than expenditures for the year ended June 30, 2016.

## CURRENT YEAR BUDGET 2015-16

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The following were the major changes between original and final budget:

- Revenues that were received during the year that were not included in the originally adopted budget – Federal grants and special projects of \$13.46 million, State grants and special projects of \$20.19 million, and Local grants and special projects of \$12.15 million.
- Expenditures that were appropriated during the year which were not included in the originally adopted budget – Salaries and Benefits of (\$14.43) million, Books and Supplies of \$25.73 million, Services and Other Operating Expenses of \$14.84 million, and Capital Outlay of \$2.66 million.

With these adjustments, actual revenues available were \$10.97 million above the final budgeted amounts. The most significant variances resulted from:

- Federal revenues were \$42.08 million below final budget amounts. Impact Aid was \$2.76 million above appropriations due to revenue received for prior years, NCLB/IASA grants were \$7.75 million below appropriations and the Magnet School Assistant Program was \$4.01 million below appropriations. Two other Federal grants from the Department of Defense Office of Economic Adjustment had a combined total of \$31.30 million below appropriations which largely represents grant money that has been awarded but not spent by June 30, 2016.
- State and local revenues were \$47.57 million above final budget amounts. Mandated Cost One-Time reimbursement for discretionary purposes was \$21.46 million above appropriations, STRS On-Behalf Pension Contribution was \$36.50 million above appropriations, Special Education programs were \$3.66 million below appropriations, California Career Pathways and Career Technical grants were \$7.78 million below appropriations, Lottery was \$1.15 million above appropriations, and various Local grants were \$1.19 million above appropriations.

Actual expenditures were \$23.91 million below the final budgeted amounts. The most significant variances resulted from:

- Salaries and benefits were \$30.07 million above final budget amounts which reflects the adjustment for STRS On-Behalf Pension Contribution.
- Books and Supplies were \$35.24 million below final budget amounts.
- Contract Services and Operating Expenditures were \$16.21 million below final budget amounts.
- Capital Outlay was \$2.53 million below final budget amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2015-16 the District had invested \$2,955.36 million in capital assets, net of depreciation.

		Governmental Activities		
		2016	2015	Net Change
<b>CAPITAL ASSETS</b>				
Land		\$ 275,891,432	\$ 275,955,889	\$ (64,457)
Construction in progress		1,291,178,008	1,164,133,719	127,044,289.00
Land Improvements		259,285,009	256,409,656	2,875,353.00
Buildings & Improvements		1,965,945,626	1,872,899,114	93,046,512.00
Furniture & Equipment		249,939,768	265,506,862	(15,567,094.00)
Accumulated depreciation		(1,086,878,071)	(1,017,590,222)	(69,287,849.00)
<b>Total Capital Assets</b>		<b>\$ 2,955,361,772</b>	<b>\$ 2,817,315,018</b>	<b>\$ 138,046,754</b>

### Long-Term Debt

At year-end, the District had \$4,637.44 million in long-term debt, an increase from last year – as shown in the table below. (More detailed information about the District’s long-term liabilities is presented in footnotes to the financial statements).

		Governmental Activities		
		2016	2015	Net Change
<b>LONG-TERM LIABILITIES</b>				
Total General Obligation Bonds		\$ 3,404,587,286	\$ 2,532,364,719	\$ 872,222,567
Net Pension Liability		1,094,321,000	924,884,083	169,436,917.00
Compensated Absences		27,299,718	26,386,950	912,768.00
SERP Liability		23,828,481	30,776,786	(6,948,305.00)
Claims Liability		70,441,000	67,614,000	2,827,000.00
Net OPEB obligation		16,966,366	12,667,126	4,299,240.00
<b>Total Long-Term Liabilities</b>		<b>\$ 4,637,443,851</b>	<b>\$ 3,594,693,664</b>	<b>\$ 1,042,750,187</b>

The District issued three Proposition S bonds, series I, J-1, and J-2. The District also issued four Proposition Z bonds, series D, E, F, and G (Green Bond). The District intends to use the proceeds from the sale of the Bonds for construction projects consistent with the ballot language. The District also issued a \$126,135,000 bond refunding various bonds in Proposition MM as well as a \$145,915,000 bond refunding various bonds in

Proposition S. Ratings on all of the issuances are a AAA from Fitch, a AA+ from KBRA, and a Aa2 from Moody's.

The bonds issued in the current year were as follows:

- 2015, Election 2012, Series D \$ 75,400,000
- 2015, Election 2012, Series E \$ 78,955,000
- 2016, Election 2012, Series F \$ 370,645,000
- 2016, Election 2012, Series G \$ 100,000,000
- 2016, Election 2008, Series I \$ 99,999,240
- 2016, Election 2008, Series J-1 \$ 5,605,000
- 2016, Election 2008, Series J-2 \$ 39,395,000
- 2016, Refunding of Proposition MM Bonds \$ 126,135,000
- 2016, Refunding of Proposition S Bonds \$ 145,915,000

Total expenditures by location for Proposition S and Proposition Z for capital outlay including planning, design and construction for various bond related projects are noted in the following table:

	Fiscal Year 2015-2016	
	Proposition S	Proposition Z
Elementary Schools	\$ 5,527,984	\$ 39,180,070
Middle Schools	7,860,021	33,590,710
High Schools	10,302,586	55,106,062
Program Expenditures	8,244,529	35,790,013
Atypical	4,698,077	21,406,160
Other District Sites		534,940
<b>Total Expenditures</b>	<b>\$ 36,633,197</b>	<b>\$ 185,607,955</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES FOR 2016/17**

The annual process to develop the District's budget begins in January, following the Governor's proposed State budget. The majority of the District's revenue comes from the State, therefore, the District formulates assumptions based on the Governor's proposals, guidance from School Services of California, and from the San Diego County Office of Education. The release of the 2016-17 May Revision builds on the conceptual basic framework of the January Budget, however, the Administration is signaling that the economic slowdown is just around the corner. The May Revision warns that the current economic expansion has already exceeded the average postwar expansion by over a year. Slow to no growth in the income tax and the sales tax, which together account for 90% of General Fund revenues, will slow Local Control Funding Formula (LCFF) funding significantly as Proposition 30 revenues fade. The May Revision is built on the assumption that no new

revenues are on the horizon and the extension of Proposition 30 would simply allow the state to eliminate deficit spending, but will not provide new monies for new programs.

The Governor's May Revision projects that the Local Control Funding Formula (LCFF) will be 95.7% implemented in 2016-17. Once fully implemented the supercharged increases are over and local educational agencies (LEAs) will only see a cost-of-living adjustment (COLA). The January Budget estimated the 2016-17 COLA at 0.47%, the May Revision estimates COLA at 0.00%.

The District will continue to focus efforts on enhancing enrollment in the early learning program and in high schools during fiscal year 2016-17. Operational efficiency solutions will be centered on enhancing the revenue opportunities with Federal Impact Aid surveys and LCFF eligibility forms; appropriately align expenses to restricted funding sources; and right-sizing of operations in the Special Education and Early Childhood Education programs.

On June 28, 2016, the District's Board approved an Adopted Budget for Fiscal Year 2016-17 which included a 2% Unrestricted Reserve for Economic Uncertainties. The major assumptions used in developing the budget are as follows:

#### **Revenues**

- LCFF funded ADA – 101,514
- COLA – 0.00%
- Funding Gap – 54.84%
- Federal Impact Aid - \$9.0M
- Mandated Cost Reimbursement - \$3.7M
- Lottery (GFU - \$140; GFR - \$41) - \$181 per ADA
- Local Interest - \$.56%
- Transfers In - \$11.0M

#### **Expenditures**

- Salaries Step and Column – Certificated 1.76%; Classified .92%
- STRS – 12.58%
- PERS – 13.89%
- Health and Welfare Premiums - 7.0%
- Materials and Supplies (CPI) – 2.15%
- Contracted Services (CPI) – 2.15%
- Utilities - \$29.0M
- Implemented Board Solutions/Budget Deficit - \$24.6M (ongoing)
  - \$48.0M prior year reserves is an additional solution
- Transfers Out - \$10.2M
- Contributions:
  - Special Education - \$202.4M
  - Restricted Routine Maintenance (RRM) - \$27.6M



Factors related to LCFF that the District continues to monitor include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADS); and, (4) meeting new compliance and audit requirements.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

On June 27, 2016, the Governor signed the Fiscal Year 2016-17 Budget. The District revised and submitted an adopted budget to the Board of Education (as an information item) and to the San Diego County Office of Education on July 26, 2016. The key changes to the District's July 26, 2016 Amended Budget which resulted in a deficit of \$2.6 million are as follows:

- LCFF gap funding percentage change from 54.84% to 54.182% resulting in a \$.3 million revenue decrease.
- One-time discretionary funds decreased from \$237 per ADA to \$214 per ADA resulting in a \$2.3 million decrease in revenues.

The District's 2015-16 Unaudited Actuals ending fund balance is higher than projected at Estimated Actuals, which balances the deficit of \$2.6 million.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Finance Division.

## **BASIC FINANCIAL STATEMENTS**

SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2016

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 1,535,834,448
Receivables	102,816,389
Prepaid expenses	636,818
Stores inventory	2,885,287
Non-depreciable capital assets (Note 4)	1,567,069,440
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>1,388,292,332</u>
Total assets	<u>4,597,534,714</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - pensions (Notes 8 and 9)	108,384,423
Deferred loss from refunding of debt	<u>79,627,334</u>
Total deferred outflows	<u>188,011,757</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	181,819,727
Unearned revenue	19,118,597
Long-term liabilities:	
Due within one year (Note 6)	168,160,945
Due after one year (Note 6)	4,398,841,906
Self-insurance claims liability (Note 5)	<u>70,441,000</u>
Total liabilities	<u>4,838,382,175</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>114,244,000</u>
<b>NET POSITION</b>	
Net investment in capital assets	590,393,456
Restricted:	
Legally restricted programs	35,430,738
Capital projects	132,817,387
Debt service	334,175,211
Self insurance	24,269,153
Unrestricted	<u>(1,284,165,649)</u>
Total net position	<u>\$ (167,079,704)</u>

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SHOOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

		Program Revenues			Net (Expense) Revenues and Change in Net Position
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
Governmental activities:					
Instruction	\$ 812,683,814	\$ 247,574	\$ 172,964,722	\$ 2,902,371	\$ (636,569,147)
Instruction-related services:					
Instructional supervision and administration	55,916,206	61,054	29,324,044	-	(26,531,108)
Instructional library, media and technology	9,624,771	42	1,008,485	-	(8,616,244)
School site administration	87,325,528	3,713	3,823,215	-	(83,498,600)
Pupil services:					
Home-to-school transportation	35,839,604	-	10,639,284	-	(25,200,320)
Food services	56,305,418	1,264,022	48,989,844	-	(6,051,552)
All other pupil services	114,191,060	24,999	30,568,568	-	(83,597,493)
General administration:					
Centralized data processing	20,417,997	-	14,669	-	(20,403,328)
All other general administration	41,716,945	32,717	6,739,036	-	(34,945,192)
Plant services	123,317,753	959,885	25,849,970	-	(96,507,898)
Ancillary services	3,686,798	-	38,807	-	(3,647,991)
Community services	730,976	-	3,095	-	(727,881)
Enterprise activities	207,077	-	174	-	(206,903)
Interest on long-term liabilities	114,533,849	-	-	-	(114,533,849)
Other outgo	27,659,811	13,940	468,701	-	(27,177,170)
Depreciation (unallocated) (Note 4)	93,600,572	-	-	-	(93,600,572)
Total governmental activities	<u>\$ 1,597,758,179</u>	<u>\$ 2,607,946</u>	<u>\$ 330,432,614</u>	<u>\$ 2,902,371</u>	<u>(1,261,815,248)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					646,133,828
Taxes levied for debt service					218,008,814
Taxes levied for other specific purposes					23,851,776
Federal and state aid not restricted to specific purposes					351,932,595
Interest and investment earnings					6,409,750
Interagency transfers					5,668,814
Miscellaneous					44,656,945
Gain from the sale of building/land					<u>2,726,382</u>
Total general revenues					<u>1,299,388,904</u>
Change in net position					37,573,656
Net position, July 1, 2015					<u>(204,653,360)</u>
Net position, June 30, 2016					<u>\$ (167,079,704)</u>

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments:						
Cash in County Treasury	\$ 154,229,444	\$ 8,008,543	\$ 791,234,424	\$ 334,175,211	\$ 151,770,427	\$ 1,439,418,049
Cash on hand and in banks	-	3,499,216	-	-	-	3,499,216
Cash in revolving fund	54,000	-	-	-	-	54,000
Receivables	81,404,894	15,672,640	1,150,481	-	4,459,452	102,687,467
Prepaid expenditures	630,560	-	3,721	-	2,537	636,818
Due from other funds	43,541,722	408,431	14,689,636	-	8,144,514	66,784,303
Stores inventory	2,175,228	710,059	-	-	-	2,885,287
	<u>282,035,848</u>	<u>28,298,889</u>	<u>807,078,262</u>	<u>334,175,211</u>	<u>164,376,930</u>	<u>1,615,965,140</u>
Total assets	<u>\$ 282,035,848</u>	<u>\$ 28,298,889</u>	<u>\$ 807,078,262</u>	<u>\$ 334,175,211</u>	<u>\$ 164,376,930</u>	<u>\$ 1,615,965,140</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 89,286,095	\$ 951,279	\$ 28,963,429	\$ -	\$ 13,251,797	\$ 132,452,600
Unearned revenue	19,030,597	18,000	-	-	70,000	19,118,597
Due to other funds	9,643,036	26,349,454	17,283,530	-	16,838,148	70,114,168
	<u>117,959,728</u>	<u>27,318,733</u>	<u>46,246,959</u>	<u>-</u>	<u>30,159,945</u>	<u>221,685,365</u>
Total liabilities	<u>117,959,728</u>	<u>27,318,733</u>	<u>46,246,959</u>	<u>-</u>	<u>30,159,945</u>	<u>221,685,365</u>
Fund balances:						
Nonspendable	2,859,788	710,059	3,721	-	2,537	3,576,105
Restricted	33,459,940	270,097	760,827,582	334,175,211	134,214,448	1,262,947,278
Assigned	90,727,969	-	-	-	-	90,727,969
Unassigned	37,028,423	-	-	-	-	37,028,423
	<u>164,076,120</u>	<u>980,156</u>	<u>760,831,303</u>	<u>334,175,211</u>	<u>134,216,985</u>	<u>1,394,279,775</u>
Total fund balances	<u>164,076,120</u>	<u>980,156</u>	<u>760,831,303</u>	<u>334,175,211</u>	<u>134,216,985</u>	<u>1,394,279,775</u>
Total liabilities and fund balances	<u>\$ 282,035,848</u>	<u>\$ 28,298,889</u>	<u>\$ 807,078,262</u>	<u>\$ 334,175,211</u>	<u>\$ 164,376,930</u>	<u>\$ 1,615,965,140</u>

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2016

Total fund balances - Governmental Funds \$ 1,394,279,775

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 \$4,042,239,843 and the accumulated depreciation is \$1,086,878,071 (Note 4). 2,955,361,772

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2016 consisted of (Note 6):

General Obligation Bonds	\$ (2,986,296,724)	
Unamortized premiums	(219,130,229)	
Accreted interest	(199,160,333)	
Net pension liability (Notes 8 and 9)	(1,094,321,000)	
Compensated absences	(27,299,718)	
SERP liability	(23,828,481)	
Other postemployment benefits (Note 10)	<u>(16,966,366)</u>	
		(4,567,002,851)

Internal service funds are included in the government-wide financial statements. 24,269,153

Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt. 79,627,334

In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8 and 9).

Deferred outflows of resources relating to pensions	\$ 108,384,423	
Deferred inflows of resources relating to pensions	<u>(114,244,000)</u>	
		(5,859,577)

Unmatured interest on long-term liabilities is recognized in the period incurred. (47,755,310)

Total net position - governmental activities \$ (167,079,704)

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
<b>Revenues:</b>						
Local Control Funding Formula (LCFF):						
State apportionment	\$ 403,297,131	\$ -	\$ -	\$ -	\$ -	\$ 403,297,131
Local sources	<u>540,550,501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>540,550,501</u>
Total LCFF	<u>943,847,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>943,847,632</u>
Federal sources	101,510,317	49,465,055	-	-	450,454	151,425,826
Other state sources	189,070,296	3,687,998	6,207	1,302,119	18,575,381	212,642,001
Other local sources	<u>39,450,993</u>	<u>6,661,628</u>	<u>3,123,275</u>	<u>218,092,570</u>	<u>52,780,555</u>	<u>320,109,021</u>
Total revenues	<u>1,273,879,238</u>	<u>59,814,681</u>	<u>3,129,482</u>	<u>219,394,689</u>	<u>71,806,390</u>	<u>1,628,024,480</u>
<b>Expenditures:</b>						
Current:						
Certificated salaries	575,629,754	-	-	-	9,023,951	584,653,705
Classified salaries	216,443,286	22,268,385	9,325,987	-	13,697,393	261,735,051
Employee benefits	353,852,280	11,555,153	3,832,266	-	11,270,986	380,510,685
Books and supplies	32,924,873	23,273,170	13,967,374	-	2,510,069	72,675,486
Contract services and operating expenditures	96,775,285	2,360,751	14,747,701	-	7,163,801	121,047,538
Other outgo	937,888	-	1,887,543	-	11,782,786	14,608,217
Capital outlay	1,145,077	455,021	179,891,253	-	6,048,491	187,539,842
Debt service:						
Principal retirement	-	-	-	33,144,271	-	33,144,271
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,537,014</u>	<u>-</u>	<u>74,537,014</u>
Total expenditures	<u>1,277,708,443</u>	<u>59,912,480</u>	<u>223,652,124</u>	<u>107,681,285</u>	<u>61,497,477</u>	<u>1,730,451,809</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(3,829,205)</u>	<u>(97,799)</u>	<u>(220,522,642)</u>	<u>111,713,404</u>	<u>10,308,913</u>	<u>(102,427,329)</u>
<b>Other financing sources (uses):</b>						
Transfers in	15,559,204	406,064	-	-	6,200,997	22,166,265
Transfers out	(11,847,983)	(1,039,347)	-	-	(16,178,935)	(29,066,265)
Payment to refunding escrow	-	-	(319,317,864)	(7,354,595)	-	(326,672,459)
Proceeds from issuance general obligation bonds	-	-	1,042,049,241	-	-	1,042,049,241
Premium on issuance of general obligation bonds	-	-	52,267,361	46,366,665	-	98,634,026
Proceeds from sale of building/land	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,726,382</u>	<u>2,726,382</u>
Total other financing sources (uses)	<u>3,711,221</u>	<u>(633,283)</u>	<u>774,998,738</u>	<u>39,012,070</u>	<u>(7,251,556)</u>	<u>809,837,190</u>
Net change in fund balances	(117,984)	(731,082)	554,476,096	150,725,474	3,057,357	707,409,861
Fund balances, July 1, 2015	<u>164,194,104</u>	<u>1,711,238</u>	<u>206,355,207</u>	<u>183,449,737</u>	<u>131,159,628</u>	<u>686,869,914</u>
Fund balances, June 30, 2016	<u>\$ 164,076,120</u>	<u>\$ 980,156</u>	<u>\$ 760,831,303</u>	<u>\$ 334,175,211</u>	<u>\$ 134,216,985</u>	<u>\$1,394,279,775</u>

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

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Net change in fund balances - Total Governmental Funds	\$ 707,409,861
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).	\$ 232,236,777
In government funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide financial statements, donated capital assets are reported as revenue and as increases to capital assets (Note 4).	115,969
In government funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported (Note 4).	(705,420)
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(93,600,572)
Proceeds from debt are recognized as other financing sources in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 6). (1,042,049,241)	
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).	33,144,271
Payments made to the refunding escrow is an other financing use in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	227,153,837
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements debt issued at a premium is amortized as interest over the life of the debt (Note 6).	(87,146,289)
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).	(3,325,145)
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.	(24,865,822)

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(Continued)



SAN DIEGO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

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Activities of the internal service fund are reported with governmental activities.	8,149,201	
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.	\$ 69,778,052	
In governmental funds, other postemployment benefits are recognized when employers contributions are made. In the government-wide statements, other post-employment benefits are recognized on the accrual basis (Notes 6 and 10).	(4,299,240)	
In governmental funds, public agency retirement system incentives are recognized when employers contributions are made. In the government-wide statements, public agency retirement system incentives are measured on the accrual basis (Notes 6 and 10).	6,948,305	
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was.	9,541,880	
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	<u>(912,768)</u>	<u>\$ (669,836,205)</u>
Change in net position of governmental activities		<u>\$ 37,573,656</u>

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See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES  
June 30, 2016

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**ASSETS**

Current assets:

Cash and investments:

Cash in County Treasury	\$ 92,363,183
Cash with fiscal agent	500,000
Receivables	128,922
Due from other funds	<u>3,493,380</u>

Total current assets 96,485,485

**LIABILITIES**

Current liabilities:

Accounts payable	1,611,817
Due to other funds	<u>163,515</u>

Total current liabilities 1,775,332

Non-current liabilities:

Claims payable	<u>70,441,000</u>
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Total liabilities 72,216,332

**NET POSITION**

Restricted \$ 24,269,153

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See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATEMENT OF CHANGE IN  
NET POSITION - PROPRIETARY FUND  
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES  
For the Year Ended June 30, 2016

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**OPERATING REVENUE**

Self insurance premiums \$ 34,964,897

**OPERATING EXPENSES**

Salaries and benefits 971,418  
Supplies and materials 1,230,550  
Payments for claims 31,965,052

Total operating expense 34,167,020

Operating income 797,877

**NON-OPERATING REVENUES**

Interest income 451,324  
Transfers in 6,900,000

Total non-operating  
revenues 7,351,324

Change in net position 8,149,201

Net position, July 1, 2015 16,119,952

Net position, June 30, 2016 \$ 24,269,153

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See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES  
For the Year Ended June 30, 2016

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Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 53,375,498
Cash received from user charges	638,792
Cash paid for employee salaries and benefits	(971,418)
Cash paid for insurance claims and supplies	<u>(28,798,873)</u>
Net cash provided by operating activities	<u>24,243,999</u>
Cash flows provided by noncapital financing activities:	
Net transfers	<u>6,900,000</u>
Cash flows provided by investing activities:	
Interest income received	<u>380,848</u>
Increase in cash and investments	31,524,847
Cash and investments, July 1, 2015	<u>61,338,336</u>
Cash and investments, June 30, 2016	<u><u>\$ 92,863,183</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 797,877</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in:	
Amount due from other funds	19,026,251
Increase in:	
Accrued liabilities	1,569,729
Amount due to other funds	23,142
Claims payable	<u>2,827,000</u>
Total adjustments	<u>23,446,122</u>
Net cash provided by operating activities	<u><u>\$ 24,243,999</u></u>

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See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
June 30, 2016

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	<u>Agency Fund Student Body</u>
<b>ASSETS</b>	
Cash on hand and in bank (Note 2)	\$ 7,452,835
Receivables	125,279
Prepaid expenditures	8,454
Stores inventory	<u>274,306</u>
Total assets	<u>7,860,874</u>
<b>LIABILITIES</b>	
Accounts payable	11,495
Due to student groups	<u>7,849,379</u>
Total liabilities	<u>\$ 7,860,874</u>

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See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

San Diego Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the 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 (GASB). 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.

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

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 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 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 and interest on general long-term liabilities are considered indirect expenses and are reported separately on the Statement of Activities.

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

A - Major Funds

General Fund:

The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Cafeteria Fund:

The Cafeteria Fund is a special revenue fund used to account for federal, state, and local resources to operate the food service program (*Education Code Sections 38090-38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

Building Fund:

The Building Fund is a capital projects fund used primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

Bond Interest and Redemption Fund:

The Bond Interest and Redemption Fund is a debt service fund used for the repayment of bonds issued for the District (*Education Code Sections 15125-15262*). The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The San Diego County Auditor and Controller maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the San Diego County Treasurer from taxes levied by the San Diego County Treasurer-Tax Collector.

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**B - Other Funds**

Special Revenue Funds:

The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

a - Adult Education Fund - This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Money received from programs other than adult education shall not be expended for adult education (*Education Code Section 52616[b] and 52501.5[a]*)

b - Child Development Fund - This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 83228*).

c - Deferred Maintenance Fund - This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposed (*Education Code Sections 17582-17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

d - Pupil Transportation Equipment Fund - This fund is used to account separately for state and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (*Education Code Section 41852[b]*).

Capital Project Funds:

The capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

a - Capital Facilities Funds - This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620-17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970-65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

b - County School Facilities Fund - The County School Facilities Fund is a capital project fund used to account for the accumulation and expenditure of resources used for the acquisition or construction of major capital facilities and equipment.

c - Special Reserve for Capital Outlay Projects Fund - The Special Reserve for Capital Outlay Projects Fund is a capital project fund used to provide for the accumulation of funds for capital outlay purposes (*Education Code Section 42840*).

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(Continued)



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Proprietary Fund:

Self Insurance Fund:

The Self Insurance Fund is a proprietary fund used to separate moneys received from self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section 17566*).

Fiduciary Funds:

Student Body Fund:

The Student Bond Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections 48930-48938*).

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

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

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

Receivables: Receivables are made up principally of amounts due from the State of California and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2016.

Stores Inventory: Inventories are recorded using the purchase method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets: The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide state of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at acquisition value for the contributed asset. The District maintains a capitalization threshold of \$5,000 for equipment purchased and \$100,000 for improvement of land, modernization of buildings and construction of new buildings. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25 - 50 years
Furniture and Equipment	5 -15 years
Vehicles	6 years

Interfund Activity: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported, which is in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the Statement of Net Position. Amortization for the year ended June 30, 2016 totaled \$48,158,098.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported in the Statement of Net Position. Amortization for the year ended June 30, 2016 totaled \$5,495,000.

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**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. Investments are reported at fair value. The following is a summary of pension amounts in the aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 61,306,467</u>	<u>\$ 47,077,956</u>	<u>\$ 108,384,423</u>
Deferred inflows of resources	<u>\$ 76,825,000</u>	<u>\$ 37,419,000</u>	<u>\$ 114,244,000</u>
Net pension liability	<u>\$ 782,123,000</u>	<u>\$ 312,198,000</u>	<u>\$1,094,321,000</u>
Pension expense	<u>\$ 98,610,372</u>	<u>\$ 26,076,183</u>	<u>\$ 124,686,555</u>

**Compensated Absences:** Compensated absences benefits are recorded as a liability of the District. The liability of \$27,299,718 is for the earned but unused benefits.

**Accumulated Sick Leave:** Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the District since cash payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.

**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 appropriate 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 represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for self insurance represents the portion of net position restricted for the District's self insurance program. It is the District's policy to use restricted net position first when allowable expenditures are incurred.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

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(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**A - Nonspendable Fund Balance:**

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

**B - Restricted Fund Balance:**

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide financial 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, 2016, 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 within the District to assign fund balances. However, as of June 30, 2016 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.

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2016, 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 January 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 San Diego bills and collects taxes for the District. Tax revenues are recognized by the District when received.

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

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

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

**NOTE 2 - CASH AND INVESTMENTS**

District cash and investments at June 30, 2016 consisted of the following:

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Cash in County	\$ 1,439,418,049	\$ 92,363,183	\$ 1,531,781,232	\$ -
Cash on hand and in banks	3,499,216	-	3,499,216	7,452,835
Cash in revolving fund	54,000	-	54,000	-
Cash with fiscal agent	-	500,000	500,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total cash and cash equivalent	<u>\$ 1,442,971,265</u>	<u>\$ 92,863,183</u>	<u>\$ 1,535,834,448</u>	<u>\$ 7,452,835</u>

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing San Diego County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value 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.

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**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, 2016, the carrying amount of the District's accounts was \$11,006,051 and the bank balances were \$10,467,705. The total uninsured bank balance at June 30, 2016 was \$10,217,705.

Cash with Fiscal Agent: Cash with Fiscal Agent represents cash balances held by Wells Fargo Bank for the claims payments. The cash balances are fully collateralized at June 30, 2016.

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

Interest Rate Risk: The District does not have a formal investment policy that limits the cash and investment maturities as a means of managing its exposure to fair value arising from increasing interest rates. At June 30, 2016, the District had no significant interest rate risk related to investments held.

Concentration of Credit Risk: The District does not place limits on the amount they may invest in any one issuer. At June 30, 2016, the District had no concentration of credit risk.

**NOTE 3 - INTERFUND TRANSACTIONS**

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. 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 fund interfund receivable and payable balances at June 30, 2016 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities</u>		
Major Funds:		
General	\$ 43,541,722	\$ 9,643,036
Cafeteria	408,431	26,349,454
Building	14,689,636	17,283,530
Non-Major Funds:		
Adult Education	24,098	63,338
Child Development	7,847,000	12,828,585
Capital Facilities	272,564	3,491,398
County School Facilities	-	20,808
Special Reserve for Capital Outlay Projects	852	434,019
Proprietary Fund:		
Self-Insurance	3,493,380	163,515
Totals	\$ 70,277,683	\$ 70,277,683

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 3 - INTERFUND TRANSACTIONS** (Continued)

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

Transfers for the 2015-2016 fiscal year were as follows:

Transfer from the General Fund to the Child Development Fund to cover required expenditures	\$ 4,532,312
Transfer from the General Fund to the Self-Insurance Fund for Liability insurance for premiums and insurance costs.	3,580,000
Transfer from the General Fund to the Self-Insurance Fund for Property insurance for premiums and insurance costs.	3,320,000
Transfer from the General Fund to the Cafeteria Fund for bad debts for FY 14/15 and FY 15/16.	406,064
Transfer from the General Fund to the Child Development Fund to cover required expenses.	9,607
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	1,039,347
Transfer from the Adult Education Fund to the General Fund for indirect costs.	32,732
Transfer from the Child Development Fund to the General Fund for indirect costs.	1,176,554
Transfer from the Deferred Maintenance Fund to the General Fund for the remaining interest income due to fund closure.	159
Transfer from the Capital Facilities Fund to the General Fund for payroll expenses related to CCDC RDA.	10,300,000
Transfer from the Capital Facilities Fund to the Child Development Fund for payroll expenses related to child care centers in RDA Centre City.	1,659,078
Transfer from the Special Reserve for Capital Projects Fund to the General Fund for payroll expenses-hourly teacher moves due to construction.	284,030
Transfer from the Special Reserve for Capital Projects Fund to the General Fund for for Benchley property sale to cover operating shortfall.	<u>2,726,382</u>
Total	<u><u>\$ 29,066,265</u></u>

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2016 is shown below:

	Balance July 1, <u>2015</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2016</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 275,955,889	\$ -	\$ (64,457)	\$ 275,891,432
Work-in-process	1,164,133,719	232,236,777	(105,192,488)	1,291,178,008
Depreciable:				
Land improvements	256,409,656	2,875,353	-	259,285,009
Buildings and improvements	1,872,899,114	95,116,503	(2,069,991)	1,965,945,626
Furniture and equipment	<u>265,506,862</u>	<u>7,316,601</u>	<u>(22,883,695)</u>	<u>249,939,768</u>
Totals, at cost	<u>3,834,905,240</u>	<u>337,545,234</u>	<u>(130,210,631)</u>	<u>4,042,239,843</u>
Less accumulated depreciation:				
Land improvements	(135,970,400)	(9,529,088)	-	(145,499,488)
Buildings and improvements	(663,809,187)	(75,992,873)	(1,526,288)	(738,275,772)
Furniture and equipment	<u>(217,810,635)</u>	<u>(8,078,611)</u>	<u>(22,786,435)</u>	<u>(203,102,811)</u>
Total accumulated depreciation	<u>(1,017,590,222)</u>	<u>(93,600,572)</u>	<u>(24,312,723)</u>	<u>(1,086,878,071)</u>
Governmental activities capital assets, net	<u>\$ 2,817,315,018</u>	<u>\$ 243,944,662</u>	<u>\$ (105,897,908)</u>	<u>\$ 2,955,361,772</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2016 as follows:

Governmental activities:	
Unallocated	<u>\$ 93,600,572</u>

**NOTE 5 - SELF-INSURANCE**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District has established Internal Service Funds to account for and finance its uninsured risks of loss. Under this program, the Internal Service Funds provide coverage for a maximum of \$500,000 for each worker's compensation claim, \$150,000 for each general liability claim and \$150,000 for each property damage claim. The District purchases commercial insurance for claims in excess of coverage provided by the funds and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Funding of the Internal Service Funds is based on estimates of the amounts needed to pay prior and current year claims. Worker's Compensation claims are charged to the respective funds which generate the liability and the Property and Liability claims are paid by the General Fund.

(Continued)



SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 5 - SELF-INSURANCE** (Continued)

At June 30, 2016, the District accrued the claims liability in accordance with GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liability is estimated at \$70.4 million. Changes in the reported liability are shown below:

	General Liability	Workers' Compensation	Total
Liability balance, June 30, 2014	\$ 2,819,000	\$ 60,080,000	\$ 62,899,000
Incurred claims	3,870,866	15,233,938	19,104,804
Claims payments	<u>(3,837,866)</u>	<u>(10,551,938)</u>	<u>(14,389,804)</u>
Liability balance, June 30, 2015	\$ 2,852,000	\$ 64,762,000	\$ 67,614,000
Incurred claims	5,015,264	21,484,505	26,499,769
Claims payments	<u>(4,846,264)</u>	<u>(18,826,505)</u>	<u>(23,672,769)</u>
Liability balance, June 30, 2016	<u>\$ 3,021,000</u>	<u>\$ 67,420,000</u>	<u>\$ 70,441,000</u>

**NOTE 6 - LONG TERM DEBT**

A schedule of changes in long-term debt, excluding, claims payable on self-insurance activities in Note 5, for the fiscal year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 2,204,545,591	\$ 1,042,049,241	\$ 260,298,108	\$ 2,986,296,724	\$ 133,428,533
Unamortized premium	131,983,940	98,634,026	11,487,737	219,130,229	16,588,118
Accreted interest	<u>195,835,188</u>	<u>46,562,748</u>	<u>43,237,603</u>	<u>199,160,333</u>	<u>10,201,467</u>
Total General Obligation Bonds	<u>2,532,364,719</u>	<u>1,187,246,015</u>	<u>315,023,448</u>	<u>3,404,587,286</u>	<u>160,218,118</u>
Net pension liability (Notes 8 and 9)	924,884,083	169,436,917	-	1,094,321,000	-
Compensated absences	26,386,950	912,768	-	27,299,718	-
SERP liability (Note 10)	30,776,786	994,358	7,942,663	23,828,481	7,942,827
Net OPEB obligation (note 10)	<u>12,667,126</u>	<u>7,294,979</u>	<u>2,995,739</u>	<u>16,966,366</u>	<u>-</u>
Totals	<u>\$ 3,527,079,664</u>	<u>\$ 1,365,885,037</u>	<u>\$ 325,961,850</u>	<u>\$ 4,567,002,851</u>	<u>\$ 168,160,945</u>

(Continued)

**NOTE 6 - LONG TERM DEBT** (Continued)

General Obligation Bonds

*Proposition MM General Obligation Bond Authorization*

On November, 5 1998, voters in San Diego approved the issuance of general obligation bonds not to exceed \$1.51 billion (Proposition MM), for the purpose of repairing deteriorating roofs, drainage, heating, plumbing and electrical systems; upgrading fire security, disabled access, science laboratories, wiring for computers; removing hazardous lead paints; building needed libraries; enabling additional class size reduction, building schools and classrooms; and financing the acquisition and improvement of real property in order to address District needs. The District has issued the entire authorization Series A through G totaling \$1.51 billion.

*Proposition S General Obligation Bond Authorization*

On November 4, 2008, voters in San Diego passed the \$2.1 billion general obligation bond measure, Proposition S. This bond program will provide resources for the District to repair, renovate and revitalize 181 neighborhood schools. Proposition S extends the previously voter approved Proposition MM tax rate of \$66.70 per \$100,000 of assessed property value until the year 2029. Once the Proposition MM bonds are paid, the tax rate will be \$60.00 per \$100,000 of assessed property value beginning 2030. The District issued Series A through J totaling \$761.9 million including Qualified School Construction Bonds.

*Proposition Z General Obligation Bond Authorization*

On November 6, 2012, San Diego voters in San Diego approved Proposition Z, a \$2.8 billion bond proposition that the District will use to maintain safe and productive learning environments for students. The bond is a Proposition 39 bond, which requires approval from at least 55 percent of voters to pass. The tax rate imposed to meet repayment of the proposed bonds will not exceed \$60 per year per \$100,000 of assessed valuation of taxable property. The District issued Series A through G totaling \$1.16 billion.

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 6 - LONG TERM DEBT (Continued)**

The outstanding general obligation bonded debt, not including premium or discount, of the District at June 30, 2016 is summarized in the following:

Proposition MM

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2015	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2016	Amount Due in One Year
1998, Series A	5/27/1999	4.20 - 5.34	2024	\$ 139,995,085	\$ 55,260,802	\$ -	\$ 6,921,036	\$ 48,339,766	\$ 6,786,371
A - Accreted interest		-	-	-	62,857,602	6,306,971	8,693,964	60,470,609	9,453,629
1998, Series B	12/14/2000	4.40 - 5.35	2020	149,999,084	34,157,915	-	1,182,915	32,975,000	6,685,000
B - Accreted interest		-	-	-	543,063	4,719,022	5,262,085	-	-
1998, Series C	11/21/2001	2.95 - 5.00	2027	199,995,712	129,245,000	-	5,250,000	123,995,000	-
1998, Series D	9/12/2002	2.10 - 5.25	2026	274,995,346	140,760,000	-	6,750,000	134,010,000	7,700,000
1998, Series E	8/19/2003	1.90 - 5.25	2028	349,993,599	117,985,000	-	-	117,985,000	-
1998, Series F	9/2/2004	1.95 - 5.00	2029	199,996,373	144,960,000	-	91,335,000	53,625,000	-
1998 Series G	9/8/2005	3.00 - 5.00	2030	<u>195,024,802</u>	<u>122,505,000</u>	<u>-</u>	<u>67,450,000</u>	<u>55,055,000</u>	<u>-</u>
Subtotal of original issue before refunding				<u>1,510,000,001</u>	<u>808,274,382</u>	<u>11,025,993</u>	<u>192,845,000</u>	<u>626,455,375</u>	<u>30,625,000</u>
R-1 Refunding (various)	3/15/2012	2.00 - 5.00	2032	65,434,442	65,434,442	-	-	65,434,442	-
R-1 Refunding - Accreted interest		-	-	-	9,771,905	3,841,920	-	13,613,825	-
R-3 Refunding (various)	4/16/2014	2.00 - 5.00	2030	199,285,000	199,285,000	-	7,155,000	192,130,000	1,830,000
R-4 Refunding (various)	5/27/2015	2.00 - 5.00	2030	172,505,000	172,505,000	-	-	172,505,000	4,535,000
R-5 Refunding (various)	5/4/2016	4.00 - 5.00	2030	<u>126,135,000</u>	<u>-</u>	<u>126,135,000</u>	<u>-</u>	<u>126,135,000</u>	<u>-</u>
Total Proposition MM				<u>\$ 2,073,359,443</u>	<u>\$ 1,255,270,729</u>	<u>\$ 141,002,913</u>	<u>\$ 200,000,000</u>	<u>\$ 1,196,273,642</u>	<u>\$ 36,990,000</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 6 - LONG TERM DEBT (Continued)**

The outstanding general obligation bonded debt, not including premium or discount, of the District June 30, 2016 is summarized in the following:

<u>Proposition S</u>									
Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2015	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2016	Amount Due in One Year
2008, Series A	5/7/2009	2.52 - 6.19	2033	\$ 131,157,581	\$ 127,364,776	\$ -	\$ 74,254,156	\$ 53,110,620	\$ 1,004,269
A - Accreted interest		-	-	-	50,207,237	4,827,714	29,281,555	25,753,396	315,731
2008, Series B QSCB	4/21/2009	-	2023	38,840,000	38,840,000	-	-	38,840,000	-
2008, Series C	8/18/2010	6.1 - 6.625	2050	163,869,783	112,548,275	-	-	112,548,275	-
C - Accreted interest		-	2051	-	37,104,582	10,095,754	-	47,200,336	-
2008, Series D QSCB	8/5/2010	5.26	2028	36,130,000	36,130,000	-	-	36,130,000	-
2008, Series E	5/24/2012	4.89 - 5.48	2052	149,998,825	149,998,825	-	-	149,998,825	-
E - Accreted interest		-	-	-	22,052,253	9,312,718	-	31,364,971	-
2008, Series F	4/16/2014	1.00 - 5.00	2017	15,095,000	11,925,000	-	-	11,925,000	11,925,000
2008, Series G	4/16/2014	5.18 - 5.58	2039	50,000,726	50,000,726	-	-	50,000,726	-
G - Accreted interest		-	-	-	1,937,697	2,864,091	-	4,801,788	-
2008, Series H	6/18/2015	0.50 - 5.00	2025	31,770,000	31,770,000	-	-	31,770,000	910,000
2008, Series I	12/2/2015	3.85 - 8.00	2040	99,999,241	-	99,999,241	-	99,999,241	11,047,893
I - Accreted interest	12/2/2015	-	-	-	-	-	-	-	432,107
2008, Series J	5/5/16	0.52 - 5.00	2028	<u>45,000,000</u>	<u>-</u>	<u>45,000,000</u>	<u>-</u>	<u>45,000,000</u>	<u>5,605,000</u>
Subtotal of original issue before refunding				<u>761,861,156</u>	<u>669,879,371</u>	<u>172,099,518</u>	<u>103,535,711</u>	<u>738,443,178</u>	<u>31,240,000</u>
2008, R-2 Refunding (various)	3/1/2012	6.625	2042	56,869,830	56,869,830	-	-	56,869,830	-
R-2 Refunding - accreted interest		-	-	-	11,360,849	4,594,558	-	15,955,407	-
2008, SR-1 Refunding	4/5/2016	3.00 - 5.00	2034	<u>145,915,000</u>	<u>-</u>	<u>145,915,000</u>	<u>-</u>	<u>145,915,000</u>	<u>-</u>
Total Proposition S				<u>\$ 964,645,986</u>	<u>\$ 738,110,050</u>	<u>\$ 322,609,076</u>	<u>\$ 103,535,711</u>	<u>\$ 957,183,415</u>	<u>\$ 31,240,000</u>
<u>Proposition Z</u>									
Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2015	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2016	Amount Due in One Year
2012, Series C	4/30/2013	4.00 - 5.00	2043	414,000,000	407,000,000	-	-	407,000,000	-
2012, Series D	10/14/15	0.45	2017	75,400,000	-	75,400,000	-	75,400,000	75,400,000
2012, Series E	10/14/15	3.00 - 4.00	2018	78,955,000	-	78,955,000	-	78,955,000	-
2012, Series F	1/5/16	4.285 - 5.00	2046	370,645,000	-	370,645,000	-	370,645,000	-
2012, Series G	1/5/16	3.578 - 5.00	2046	<u>100,000,000</u>	<u>-</u>	<u>100,000,000</u>	<u>-</u>	<u>100,000,000</u>	<u>-</u>
Total Proposition Z				<u>\$ 1,039,000,000</u>	<u>\$ 407,000,000</u>	<u>\$ 625,000,000</u>	<u>\$ -</u>	<u>\$ 1,032,000,000</u>	<u>\$ 75,400,000</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 6 - LONG TERM DEBT (Continued)**

1998 Series A

Capital appreciation bonds were issued as part of the Series A issuance with maturity dates from July 1, 2004 through 2023. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$33,539,626 have not been reflected in the long-term debt balance in the schedule above.

The annual payments required to amortize the Election of 1998, Series A, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total Debt Service</u>
2017	\$ 6,786,371	\$ 9,453,629	\$ 16,240,000
2018	6,647,904	10,242,096	16,890,000
2019	6,272,216	10,662,784	16,935,000
2020	4,849,729	9,025,271	13,875,000
2021	5,515,546	11,214,454	16,730,000
2022-2024	<u>18,268,000</u>	<u>43,412,001</u>	<u>61,680,001</u>
	<u>\$ 48,339,766</u>	<u>\$ 94,010,235</u>	<u>\$142,350,001</u>

1998 Series B

The annual payments required to amortize the Election of 1998, Series B, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 6,685,000	\$ 1,673,328	\$ 8,358,328
2018	7,560,000	1,317,202	8,877,202
2019	8,805,000	861,851	9,666,851
2020	<u>9,925,000</u>	<u>297,750</u>	<u>10,222,750</u>
	<u>\$ 32,975,000</u>	<u>\$ 4,150,131</u>	<u>\$ 37,125,131</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 6 - LONG TERM DEBT (Continued)**

1998 Series C

The annual payments required to amortize the Election of 1998, Series C, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ 6,819,725	\$ 6,819,725
2018	-	6,819,725	6,819,725
2019	-	6,819,725	6,819,725
2020	9,100,000	6,569,475	15,669,475
2021	10,240,000	6,037,625	16,277,625
2022-2026	78,445,000	19,380,213	97,825,213
2027	<u>26,210,000</u>	<u>720,775</u>	<u>26,930,775</u>
	<u>\$123,995,000</u>	<u>\$ 53,167,263</u>	<u>\$177,162,263</u>

1998 Series D

The annual payments required to amortize the Election of 1998, Series D, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 7,700,000	\$ 7,139,550	\$ 14,839,550
2018	7,895,000	6,729,937	14,624,937
2019	8,975,000	6,266,013	15,241,013
2020	10,140,000	5,740,350	15,880,350
2021	11,390,000	5,148,275	16,538,275
2022-2026	<u>87,910,000</u>	<u>13,707,650</u>	<u>101,617,650</u>
	<u>\$134,010,000</u>	<u>\$ 44,731,775</u>	<u>\$178,741,775</u>

1998 Series E

The annual payments required to amortize the Election of 1998, Series E, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ 6,489,175	\$ 6,489,175
2018	-	6,489,175	6,489,175
2019	-	6,489,175	6,489,175
2020	-	6,489,175	6,489,175
2021	-	6,489,175	6,489,175
2022-2026	36,300,000	30,808,525	67,108,525
2027-2028	<u>81,685,000</u>	<u>4,869,563</u>	<u>86,554,563</u>
	<u>\$117,985,000</u>	<u>\$ 68,123,963</u>	<u>\$186,108,963</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 6 - LONG TERM DEBT (Continued)**

1998 Series F

The annual payments required to amortize the Election of 1998, Series F, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ 2,815,312	\$ 2,815,312
2018	-	2,815,312	2,815,312
2019	-	2,815,312	2,815,312
2020	-	2,815,312	2,815,312
2021	-	2,815,312	2,815,312
2022-2026	-	14,076,563	14,076,563
2027-2029	<u>53,625,000</u>	<u>6,241,594</u>	<u>59,866,594</u>
	<u>\$ 53,625,000</u>	<u>\$ 34,394,717</u>	<u>\$ 88,019,717</u>

1998 Series G

The annual payments required to amortize the Election of 1998, Series G, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ 2,890,388	\$ 2,890,388
2018	-	2,890,388	2,890,388
2019	-	2,890,388	2,890,388
2020	-	2,890,388	2,890,388
2021	-	2,890,388	2,890,388
2022-2026	-	14,451,937	14,451,937
2027-2030	<u>55,055,000</u>	<u>6,449,231</u>	<u>61,504,231</u>
	<u>\$ 55,055,000</u>	<u>\$ 35,353,108</u>	<u>\$ 90,408,108</u>

1998 Refunding, Series R-1

The District issued the 1998 Refunding, Series R-1 bonds to refund certain portions of 1998, Series A, B, C, D, E, F and G general obligation bonds. Capital appreciation bonds were issued as part of Series R-1 issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$85,641,733 have not been reflected in the long-term debt balance in the schedule above.

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE 6 - LONG TERM DEBT** (Continued)

The annual payments required to amortize the Election of 1998, Series R-1, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ -	\$ -
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	42,019,255	61,030,745	103,050,000
2032	<u>23,415,187</u>	<u>38,224,813</u>	<u>61,640,000</u>
	<u>\$ 65,434,442</u>	<u>\$ 99,255,558</u>	<u>\$164,690,000</u>

1998 R-3 Refunding

The District issued the 1998 Refunding, Series R-3 bonds to refund certain portions of 1998, Series B, C, E, F and G general obligation bonds. The annual payments required to amortize the Election of 1998, Series R-3, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 1,830,000	\$ 9,378,100	\$ 11,208,100
2018	23,820,000	8,737,250	32,557,250
2019	27,665,000	7,517,625	35,182,625
2020	19,720,000	6,408,125	26,128,125
2021	31,380,000	5,139,000	36,519,000
2022-2026	85,030,000	7,671,250	92,701,250
2027-2030	<u>2,685,000</u>	<u>469,875</u>	<u>3,154,875</u>
	<u>\$192,130,000</u>	<u>\$ 45,321,225</u>	<u>\$237,451,225</u>

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(Continued)



SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 6 - LONG TERM DEBT** (Continued)

1998 R-4 Refunding

The District issued the 1998 Refunding, Series R-4 bonds to refund certain portions of 1998, Series A, B, D, E and G general obligation bonds.

The annual payments required to amortize the Election of 1998, Series R-4, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 4,535,000	\$ 8,138,975	\$ 12,673,975
2018	-	8,093,625	8,093,625
2019	-	8,093,625	8,093,625
2020	-	8,093,625	8,093,625
2021	-	8,093,625	8,093,625
2022-2026	39,155,000	38,583,300	77,738,300
2027-2030	<u>128,815,000</u>	<u>10,230,888</u>	<u>139,045,888</u>
	<u>\$172,505,000</u>	<u>\$ 89,327,663</u>	<u>\$261,832,663</u>

1998 R-5 Refunding

The District issued the 1998 Refunding, Series R-5 bonds to refund certain portions of 1998, Series F-1 Bonds and 1998, Series G-1. On June 30, 2016, \$153,985,000 of bonds outstanding are considered defeased.

Although the advance refundings resulted in the recognition of an accounting loss of \$4,944,063 for the year ended June 30, 2016, the District in effect reduced its aggregate debt service payments by \$35,689,286 over the next 15 years and obtained an economic gain of \$30,630,165.

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

Old debt service cash flows	\$ 236,783,017
New debt service cash flows	<u>201,093,731</u>
Total cash flow difference	<u>\$ 35,689,286</u>
Present value of old debt service cash flows	\$ 196,918,959
Present value of new debt service cash flows	<u>166,288,794</u>
Economic gain	<u>\$ 30,630,165</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 6 - LONG TERM DEBT (Continued)**

The annual payments required to amortize the Election of 1998, Series R-5, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ 3,902,106	\$ 3,902,106
2018	-	5,927,250	5,927,250
2019	-	5,927,250	5,927,250
2020	-	5,927,250	5,927,250
2021	-	5,927,250	5,927,250
2022-2026	1,505,000	29,598,625	31,103,625
2027-2030	<u>124,630,000</u>	<u>17,749,000</u>	<u>142,379,000</u>
	<u>\$126,135,000</u>	<u>\$ 74,958,731</u>	<u>\$201,093,731</u>

2008 Series A

Capital appreciation bonds were issued as part of Series A issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$82,495,984 have not been reflected in the long-term debt balance in the schedule above.

The annual payments required to amortize the Election of 2008, Series A, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total Debt Service</u>
2017	\$ 1,004,269	\$ 315,731	\$ 1,320,000
2018	848,543	336,457	1,185,000
2019	794,801	395,199	1,190,000
2020	4,952,880	3,047,120	8,000,000
2021	-	-	-
2022-2026	10,908,134	15,666,866	26,575,000
2027-2031	32,384,879	82,150,121	114,535,000
2032	<u>2,217,114</u>	<u>6,337,886</u>	<u>8,555,000</u>
	<u>\$ 53,110,620</u>	<u>\$108,249,380</u>	<u>\$161,360,000</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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**NOTE 6 - LONG TERM DEBT** (Continued)

2008 Series B

*Qualified School Construction Bonds*

The QSCBs are tax credit bonds within the meaning of Section 54F of the Internal Revenue Code (the Code), and accordingly the QSCBs do not bear interest to be paid by the District. The owners of the QSCBs will be allowed a credit under the Code against their Federal income tax liability. Proceeds from the sale of QSCBs are restricted to the uses prescribed for bonds designated as QSCBs under Section 54F of the Code.

The District issued \$38,840,000 of Qualified School Construction Bonds (QSCBs) on April 21, 2009, pursuant to an authorization granted by voters of the District on November 4, 2008. The QSCBs were issued simultaneously with the District's 2010 General Obligation Bonds in order to fund projects authorized under Proposition S. The QSCBs are payable from ad valorem taxes upon all property subject to taxation by the District.

The annual payments required to amortize the Election of 2008, Series B, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ -	\$ -
2018	-	-	-
2019	3,840,000	-	3,840,000
2020	4,500,000	-	4,500,000
2021	6,000,000	-	6,000,000
2022-2025	<u>24,500,000</u>	<u>-</u>	<u>24,500,000</u>
	<u>\$ 38,840,000</u>	<u>\$ -</u>	<u>\$ 38,840,000</u>

2008 Series C

Capital appreciation bonds were issued as part of Series C issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$557,101,389 have not been reflected in the long-term debt balance in the schedule above.

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 6 - LONG TERM DEBT** (Continued)

2008 Series C (Continued)

The annual payments required to amortize the Election of 2008, Series C, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ -	\$ -	\$ -
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022-2026	-	-	-	-
2027-2031	9,422,718	2,863,656	21,672,282	33,958,656
2032-2036	18,633,881	28,636,563	62,046,119	109,316,563
2037-2041	29,874,917	28,636,563	148,230,083	206,741,563
2042-2046	27,211,797	28,636,563	223,138,203	278,986,563
2047-2051	<u>27,404,962</u>	<u>12,265,856</u>	<u>149,215,038</u>	<u>188,885,856</u>
	<u>\$112,548,275</u>	<u>\$101,039,201</u>	<u>\$604,301,725</u>	<u>\$817,889,201</u>

2008 Series D

*Qualified School Construction Bonds*

The QSCBs are tax credit bonds within the meaning of Section 54F of the Internal Revenue Code (the Code), and accordingly the QSCBs do not bear interest to be paid by the District. The owners of the QSCBs will be allowed a credit under the Code against their Federal income tax liability. Proceeds from the sale of QSCBs are restricted to the uses prescribed for bonds designated as QSCBs under Section 54F of the Code.

The District issued \$36,130,000 of Qualified School Construction Bonds (QSCBs) on August 5, 2010, pursuant to an authorization granted by voters of the District on November 4, 2008. The QSCBs were issued simultaneously with the District's 2010 General Obligation Bonds in order to fund projects authorized under Proposition S. The QSCBs are payable from ad valorem taxes upon all property subject to taxation by the District.

The annual payments required to amortize the Election of 2008, Series D, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ 136,831	\$ 136,831
2018	-	136,831	136,831
2019	-	136,831	136,831
2020	-	136,831	136,831
2021	-	136,831	136,831
2022-2026	15,000,000	342,079	15,342,079
2027-2029	<u>21,130,000</u>	<u>-</u>	<u>21,130,000</u>
	<u>\$ 36,130,000</u>	<u>\$ 1,026,234</u>	<u>\$ 37,156,234</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 6 - LONG TERM DEBT** (Continued)

2008 Series E

Capital appreciation bonds were issued as part of Series E issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$420,862,895 have not been reflected in the long-term debt balance in the schedule above.

The annual payments required to amortize the Election of 2008, Series E, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ -	\$ -	\$ -
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022-2026	-	-	-	-
2027-2031	-	-	-	-
2032-2036	18,990,136	49,223,956	37,684,864	105,898,956
2037-2041	22,596,977	63,663,069	43,823,023	130,083,069
2042-2046	43,203,456	44,154,063	81,636,545	168,994,064
2047-2051	56,508,822	4,744,512	225,737,868	286,991,202
2052	<u>8,699,434</u>	<u>-</u>	<u>63,345,566</u>	<u>72,045,000</u>
	<u>\$149,998,825</u>	<u>\$161,785,600</u>	<u>\$452,227,866</u>	<u>\$764,012,291</u>

2008 Series F

The annual payments required to amortize the Election of 2008, Series F, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	<u>\$ 11,925,000</u>	<u>\$ 298,125</u>	<u>\$ 12,223,125</u>

2008 Series G

Capital appreciation bonds were issued as part of Series G issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$102,632,486 have not been reflected in the long-term debt balance in the schedule above.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 6 - LONG TERM DEBT (Continued)**

2008 Series G (Continued)

The annual payments required to amortize the Election of 2008, Series G, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ -	\$ -
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
2032-2036	28,590,885	52,549,115	81,140,000
2037-2039	<u>21,409,841</u>	<u>54,885,159</u>	<u>76,295,000</u>
	<u>\$ 50,000,726</u>	<u>\$107,434,274</u>	<u>\$157,435,000</u>

2008 Series H

The annual payments required to amortize the Election of 2008, Series H, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 910,000	\$ 1,327,645	\$ 2,237,645
2018	1,240,000	1,318,860	2,558,860
2019	1,240,000	1,293,750	2,533,750
2020	-	1,275,150	1,275,150
2021	-	1,275,150	1,275,150
2022-2025	<u>28,380,000</u>	<u>2,615,075</u>	<u>30,995,075</u>
	<u>\$ 31,770,000</u>	<u>\$ 9,105,630</u>	<u>\$ 40,875,630</u>

2008 Series I

Capital appreciation bonds were issued as part of Series I issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$108,950,760 have not been reflected in the long-term debt balance in the schedule above.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 6 - LONG TERM DEBT (Continued)**

The annual payments required to amortize the Election of 2008, Series I, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total Debt Service</u>
2017	\$ 11,047,893	\$ 432,107	\$ 11,480,000
2018	4,553,737	311,263	4,865,000
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022-2026	-	-	-
2027-2031	-	-	-
2032-2036	42,414,695	46,060,305	88,475,000
2037-2040	<u>41,982,916</u>	<u>62,147,085</u>	<u>104,130,001</u>
	<u>\$ 99,999,241</u>	<u>\$108,950,760</u>	<u>\$208,950,001</u>

2008 Series J

The annual payments required to amortize the Election of 2008, Series J, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 5,605,000	\$ 1,108,097	\$ 6,713,097
2018	-	1,791,400	1,791,400
2019	-	1,791,400	1,791,400
2020	775,000	1,775,900	2,550,900
2021	1,530,000	1,722,150	3,252,150
2022-2026	33,200,000	5,758,125	38,958,125
2027-2028	<u>3,890,000</u>	<u>174,325</u>	<u>4,064,325</u>
	<u>\$ 45,000,000</u>	<u>\$ 14,121,397</u>	<u>\$ 59,121,397</u>

2008 R-2 Refunding

The District issued the 2008 Refunding, Series R-2 bonds to refund certain portions of 2008, Series C general obligation bonds. Capital appreciation bonds were issued as part of R-2 Refunding issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$114,554,763 have not been reflected in the long-term debt balance in the schedule above.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 6 - LONG TERM DEBT** (Continued)

2008 R-2 Refunding (Continued)

The annual payments required to amortize the Election of 2008, Series R-2, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ -	\$ -	\$ -
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022-2026	-	-	-	-
2027-2031	-	6,206,963	-	6,206,963
2032-2036	-	62,069,625	-	62,069,625
2037-2041	30,316,615	58,760,769	69,573,385	158,650,769
2042	<u>26,553,215</u>	<u>2,898,106</u>	<u>60,936,785</u>	<u>90,388,106</u>
	<u>\$ 56,869,830</u>	<u>\$129,935,463</u>	<u>\$130,510,170</u>	<u>\$317,315,463</u>

2008 SR-1 Refunding

The District issued the 2008 Refunding, Series SR-1 bonds to refund certain portions of 2008, Series A general obligation bonds in the amount of \$73,168,837. On June 30, 2016, \$73,168,837 of bonds outstanding are considered defeased.

Although the advance refundings resulted in the recognition of an accounting loss of \$65,557,684 for the year ended June 30, 2016, the District in effect reduced its aggregate debt service payments by \$18,936,850 over the next 15 years and obtained an economic gain of \$10,704,330.

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

Old debt service cash flows	\$ 238,157,500
New debt service cash flows	<u>219,220,650</u>
Total cash flow difference	<u>\$ 18,936,850</u>
Present value of old debt service cash flows	\$ 169,395,682
Present value of new debt service cash flows	<u>158,691,352</u>
Economic gain	<u>\$ 10,704,330</u>

(Continued)



SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 6 - LONG TERM DEBT (Continued)**

The annual payments required to amortize the Election of 2008, Series SR-1, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ 3,747,628	\$ 3,747,628
2018	-	5,692,600	5,692,600
2019	-	5,692,600	5,692,600
2020	-	5,692,600	5,692,600
2021	-	5,692,600	5,692,600
2022-2026	-	28,463,000	28,463,000
2027-2031	6,760,000	27,989,250	34,749,250
2032-2034	<u>139,155,000</u>	<u>8,314,500</u>	<u>147,469,500</u>
	<u>\$145,915,000</u>	<u>\$ 91,284,778</u>	<u>\$237,199,778</u>

2012 Series C

The annual payments required to amortize the Election of 2012, Series C, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ 17,193,900	\$ 17,193,900
2018	-	17,193,900	17,193,900
2019	-	17,193,900	17,193,900
2020	905,000	17,184,850	18,089,850
2021	1,415,000	17,161,650	18,576,650
2022-2026	15,870,000	84,581,575	100,451,575
2027-2031	34,725,000	78,706,875	113,431,875
2032-2036	66,360,000	66,320,000	132,680,000
2037-2041	167,480,000	43,050,800	210,530,800
2042-2043	<u>120,245,000</u>	<u>4,967,100</u>	<u>125,212,100</u>
	<u>\$407,000,000</u>	<u>\$363,554,550</u>	<u>\$770,554,550</u>

The annual payments required to amortize the Election of 2012, Series D, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	<u>\$ 75,400,000</u>	<u>\$ 242,223</u>	<u>\$ 75,642,223</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 6 - LONG TERM DEBT (Continued)**

The annual payments required to amortize the Election of 2012, Series E, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ 3,205,638	\$ 3,205,638
2018	<u>78,955,000</u>	<u>1,320,400</u>	<u>80,275,400</u>
	<u>\$ 78,955,000</u>	<u>\$ 4,526,038</u>	<u>\$ 83,481,038</u>

The annual payments required to amortize the Election of 2012, Series F, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ 16,436,421	\$ 16,436,421
2018	-	16,621,100	16,621,100
2019	-	16,621,100	16,621,100
2020	-	16,621,100	16,621,100
2021	-	16,621,100	16,621,100
2022-2026	-	83,105,500	83,105,500
2027-2031	16,115,000	81,680,875	97,795,875
2032-2036	51,540,000	74,310,075	125,850,075
2037-2041	96,360,000	57,428,000	153,788,000
2042-2046	<u>206,630,000</u>	<u>24,967,800</u>	<u>231,597,800</u>
	<u>\$370,645,000</u>	<u>\$404,413,071</u>	<u>\$775,058,071</u>

The annual payments required to amortize the Election of 2012, Series G, General Obligation Bonds outstanding as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ -	\$ 4,130,570	\$ 4,130,570
2018	-	4,176,981	4,176,981
2019	-	4,176,981	4,176,981
2020	-	4,176,981	4,176,981
2021	-	4,176,981	4,176,981
2022-2026	-	20,884,906	20,884,906
2027-2031	5,805,000	20,489,138	26,294,138
2032-2036	15,025,000	18,800,297	33,825,297
2037-2041	27,200,000	14,084,500	41,284,500
2042-2046	<u>51,970,000</u>	<u>5,874,400</u>	<u>57,844,400</u>
	<u>\$100,000,000</u>	<u>\$100,971,735</u>	<u>\$200,971,735</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 7 - FUND BALANCES**

Fund balances were composed of the following at June 30, 2016:

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Nonspendable:						
Revolving cash	\$ 54,000	\$ -	\$ -	\$ -	\$ -	\$ 54,000
Prepaid expenditures	630,560	-	3,721	-	2,537	636,818
Stores inventory	<u>2,175,228</u>	<u>710,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,885,287</u>
Total nonspendable	<u>2,859,788</u>	<u>710,059</u>	<u>3,721</u>	<u>-</u>	<u>2,537</u>	<u>3,576,105</u>
Restricted:						
Legally restricted programs	33,459,940	270,097	-	-	1,397,236	35,127,273
Capital projects	-	-	760,827,582	-	132,817,212	893,644,794
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>334,175,211</u>	<u>-</u>	<u>334,175,211</u>
Total restricted	<u>33,459,940</u>	<u>270,097</u>	<u>760,827,582</u>	<u>334,175,211</u>	<u>134,214,448</u>	<u>1,262,947,278</u>
Assigned:						
Reserve for FY 2016-17 deficit	81,064,494	-	-	-	-	81,064,494
School site ending balances	7,500,000	-	-	-	-	7,500,000
Retiree benefits	<u>2,163,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,163,475</u>
Total assigned	<u>90,727,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,727,969</u>
Unassigned:						
Reserve for economic uncertainties	25,759,000	-	-	-	-	25,759,000
Remaining unassigned	<u>11,269,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,269,423</u>
Total unassigned	<u>37,028,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,028,423</u>
Total	<u>\$ 164,076,120</u>	<u>\$ 980,156</u>	<u>\$ 760,831,303</u>	<u>\$ 334,175,211</u>	<u>\$ 134,216,985</u>	<u>\$ 1,394,279,775</u>

(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 plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

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

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

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

*CalSTRS 2% at 60*

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

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

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(Continued)

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

*CalSTRS 2% at 62*

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

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

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

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

*Members* - Under CalSTRS 2% at 60, the member contribution rate was 9.20 percent of applicable member earnings for fiscal year 2015-16. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.56 percent of applicable member earnings for fiscal year 2015-16.

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

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

*Employers* – 10.73 percent of applicable member earnings.

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

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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

The CalSTRS employer contribution rate increases effective for fiscal year 2015-16 through fiscal year 2045-46 are summarized in the table below:

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

The District contributed \$61,306,467 to the plan for the fiscal year ended June 30, 2016.

*State* - 7.391 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

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

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

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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

The CalSTRS state contribution rates effective for fiscal year 2015-16 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.517%*

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

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

At June 30, 2016, 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	\$ 782,123,000
State’s proportionate share of the net pension liability associated with the District	<u>413,656,000</u>
<b>Total</b>	<b><u>\$1,195,779,000</u></b>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. 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, 2015, the District’s proportion was 1.162 percent, which was a decrease of 0.006 percent from its proportion measured as of June 30, 2014.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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

For the year ended June 30, 2016, the District recognized pension expense of \$98,610,372 and revenue of \$42,427,261 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 13,069,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	63,756,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	<u>61,306,467</u>	<u>-</u>
Total	<u>\$ 61,306,467</u>	<u>\$ 76,825,000</u>

\$61,306,467 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2017	\$ (28,564,867)
2018	\$ (28,564,867)
2019	\$ (28,564,866)
2020	\$ 13,226,600
2021	\$ (2,178,000)
2022	\$ (2,179,000)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2015 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.

(Continued)



SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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

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

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

\* 10-year geometric average

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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

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

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District’s proportionate share of the net pension liability	<u>\$1,180,944,000</u>	<u>\$ 782,123,000</u>	<u>\$ 450,670,000</u>

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

**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.

The Plan was established to provide retirement, death and disability benefits to non-teaching and non-certified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2015.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.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B** (Continued)

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2016 were as follows:

*Members* - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2015-16.

*Employers* - The employer contribution rate was 11.847 percent of applicable member earnings.

The District contributed \$30,592,956 to the plan for the fiscal year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$312,198,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as June 30, 2014. 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, 2015, the District’s proportion was 1.986 percent, which was a decrease of 0.063 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$26,076,183. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 16,485,000	\$ -
Changes of assumptions	-	19,123,000
Net differences between projected and actual earnings on investments	-	10,600,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	7,696,000
Contributions made subsequent to measurement date	<u>30,592,956</u>	<u>-</u>
Total	<u>\$ 47,077,956</u>	<u>\$ 37,419,000</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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**NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)**

\$30,592,956 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2017	\$ (5,453,333)
2018	\$ (5,453,333)
2019	\$ (5,453,334)
2020	\$ (4,574,000)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2015 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.

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.65%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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**NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)**

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	51%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	10	6.83
Real Estate	10	4.50
Infrastructure & Forestland	2	4.50
Liquidity	2	(0.55)

\* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.65 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.

The discount rate was 7.50 percent and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively.

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

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B** (Continued)

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 7.65 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease <u>(6.65%)</u>	Current Discount Rate <u>(7.65%)</u>	1% Increase <u>(8.65%)</u>
District’s proportionate share of the net pension liability	<u>\$ 507,658,000</u>	<u>\$ 312,198,000</u>	<u>\$ 149,796,000</u>

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

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS**

In addition to the pension benefits described in Notes 8 and 9, the District provides post employment health care benefits under a single employer defined benefit OPEB plan to eligible retirees and their spouses through an implicit rate subsidy for all retirees who elect to purchase benefits at the District’s negotiated insurance premium rates. The plan does not issue separate financial statements.

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

Annual required contribution	\$ 7,359,426
Interest on net OPEB obligation	538,353
Adjustment to annual required contribution	<u>(602,800)</u>
Annual OPEB cost (expense)	7,294,979
Contributions made	<u>(2,995,739)</u>
Increase in net OPEB obligation	4,299,240
Net OPEB obligation - beginning of year	<u>12,667,126</u>
Net OPEB obligation - end of year	<u>\$ 16,966,366</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS** (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for the year ended June 30, 2016 and preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2014	\$ 5,417,683	51.0%	\$ 9,794,481
June 30, 2015	\$ 5,713,303	49.7%	\$ 12,667,126
June 30, 2016	\$ 7,294,979	41.1%	\$ 16,966,366

As of July 1, 2015, the most recent actuarial valuation date, the plan was not funded. The unfunded actuarial accrued liability for benefits (UAAL) was \$84.6 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$752.3 million, and the ratio of the UAAL to the covered payroll was 11.2 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, included in Required Supplementary Information following this section, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.25 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 5 years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 30 years.

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

Public Agency Retirement Services (PARS): During the fiscal years ended June 30, 2015, the District provided the option of a one-time Supplemental Employee Retirement Plan (SERP) to the District employees. Employees under the SERP will receive monthly annuity benefits.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The District is obligated to pay annual installments for the calculated benefits for employees under the SERP and for the administration of the plan.

The annual requirements to amortize the SERP liability outstanding as of June 30, 2016 are as follows:

Year Ending <u>June 30,</u>	
2017	\$ 7,942,827
2018	7,942,827
2019	<u>7,942,827</u>
Total	<u>\$ 23,828,481</u>

**NOTE 11 - JOINT POWERS AGREEMENT**

CSAC Excess Insurance Authority (CSAC EIA) and School Excess Liability Fund (SELF): The District participates in two joint powers agreements with CSAC EIA and SELF. The relationship between the District and the JPAs is such that the JPAs are not component units of the Authority for financial reporting purposes.

CSAC EIA arranges for and provides excess property coverage up to \$5 million. CSAC EIA also arranges for and provides crime/employee dishonesty and medical malpractice coverage. The District is also a member of SELF for its excess liability exposures from \$5 million to \$55 million. Each JPA board controls the operations of the individual JPA, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the board. Each member agency pays a premium commensurate with the amount of coverage requested. As a member of the JPAs, the Authority is entitled to retrospective premium adjustments for those claim years where costs were less than expected. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage in the prior year.

Condensed audited financial information for CSAC EIA for the year ended June 30, 2015 (the latest information available) is as follows:

Total assets	\$ 642,949,175
Total liabilities	\$ 530,542,530
Total net position	\$ 112,406,645
Total revenues	\$ 620,940,524
Total expenditures	\$ 619,401,493
Change in net position	\$ 1,539,031

Condensed audited financial information for SELF for the year ended June 30, 2015 is as follows:

Total assets	\$ 154,727,271
Deferred outflows of resources	\$ 99,437
Total liabilities	\$ 122,470,926
Deferred inflows of resources	\$ 166,153
Total net position	\$ 32,189,629
Total revenues	\$ 11,968,752
Total expenditures	\$ 23,063,637
Change in net position	\$ (11,094,885)

(Continued)



SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 12 - CONTINGENCIES**

Contingent Liabilities: 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.

Also, the District has received federal and state funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could generate expenditure disallowance's under terms of the grants, it is believed that any required reimbursements will not be material.

Construction Commitments

<u>Capital Projects</u>	<u>Remaining Construction Commitment Less Accruals</u>
Henry HS: Site Modernization	\$ 21,853,830
Hancock ES: Site Modernization	20,598,000
Longfellow K8: Site Modernization	19,385,000
Miller ES: Site Modernization	18,862,458
Crawford HS: Stadium	12,074,411
Clark MS: Site Modernization	10,672,293
Grant ES: Site Modernization	9,969,688
Ocean Discovery	7,681,953
Henry HS: Theater & Production Studio	5,125,070
Misc. Small Projects	3,141,700
University City HS: Athletic, Asphalt, Turf Fields	3,103,728
Pacific Beach MS: Joint Use & Site Improvements	2,817,115
Kearny HS: CTA-Design & Construction Lab	2,679,500
Audubon ES: Site Modernization	2,538,920
DePortola MS: Roof & HVAC Replacement	2,315,423
McKinley ES: Joint Use Field	2,108,722
Correia MS: Retaining Wall	2,015,796
Miramar Ranch ES: Roof & HVAC	2,013,776
I-Middle @ MacDowell: Electrical Upgrade & Interim Housing	1,645,375
Henry HS: Academy of Engineering & Design	1,639,120
University City HS: Fabrication & Design CTE	1,604,000
Pershing MS: Synthetic Turf Field Project	1,443,542
La Jolla HS: Track and Field Project	1,299,232
Bell MS: Prop S Project	1,228,810
Mira Mesa HS: Culinary Arts	1,156,217
Gage ES: HVAC	1,154,364
Bell MS: New Fields	1,046,416
Valencia Park ES: HVAC	1,020,041
Language Academy: HVAC	1,001,887
Pacific Beach MS: Turf Field	811,543
Pershing MS: Site Modernization	626,731
Misc. Closeout of Projects	543,093
Nye ES: HVAC	384,816
Point Loma HS: Athletic Infrastructure Relocation	302,172
Crawford HS: Exterior Paint	300,000
Dana MS: New ST Baseball Field	290,000
I-Middle: Portable Demo & Relocation	285,653
Salk ES: New School Project	165,137
Valencia Park ES: Irrigation and Landscape Project	94,375
Serra HS: Science Bldg HVAC	87,645
Freese ES: Portable Demo	72,550
	<hr/>
Total	\$ <u>167,160,102</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

SAN DIEGO UNIFIED SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2016

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 471,790,290	\$ 418,940,548	\$ 403,297,131	\$ (15,643,417)
Local sources	<u>466,799,421</u>	<u>519,425,449</u>	<u>540,550,501</u>	<u>21,125,052</u>
Total LCFF	<u>938,589,711</u>	<u>938,365,997</u>	<u>943,847,632</u>	<u>5,481,635</u>
Federal sources	130,124,985	143,588,822	101,510,317	(42,078,505)
Other state sources	122,503,963	142,694,755	189,070,296	46,375,541
Other local sources	<u>26,095,164</u>	<u>38,256,131</u>	<u>39,450,993</u>	<u>1,194,862</u>
Total revenues	<u>1,217,313,823</u>	<u>1,262,905,705</u>	<u>1,273,879,238</u>	<u>10,973,533</u>
Expenditures:				
Current:				
Certificated salaries	582,658,557	575,416,739	575,629,754	(213,015)
Classified salaries	216,586,090	217,051,214	216,443,286	607,928
Employee benefits	331,043,442	323,390,595	353,852,280	(30,461,685)
Books and supplies	42,435,165	68,162,114	32,924,873	35,237,241
Contract services and operating expenditures	97,607,774	112,617,260	96,775,285	15,841,975
Other outgo	1,250,000	1,302,435	937,888	364,547
Capital outlay	<u>1,021,116</u>	<u>3,679,511</u>	<u>1,145,077</u>	<u>2,534,434</u>
Total expenditures	<u>1,272,602,144</u>	<u>1,301,619,868</u>	<u>1,277,708,443</u>	<u>23,911,425</u>
(Deficiency) Excess of revenues (under) over expenditures	<u>(55,288,321)</u>	<u>(38,714,163)</u>	<u>(3,829,205)</u>	<u>34,884,958</u>
Other financing sources (uses):				
Transfers in	18,586,326	18,538,981	15,559,204	(2,979,777)
Transfers out	<u>(16,287,736)</u>	<u>(15,856,237)</u>	<u>(11,847,983)</u>	<u>4,008,254</u>
Total other financing sources	<u>2,298,590</u>	<u>2,682,744</u>	<u>3,711,221</u>	<u>1,028,477</u>
Net change in fund balance	(52,989,731)	(36,031,419)	(117,984)	35,913,435
Fund balance, July 1, 2015	<u>164,194,104</u>	<u>164,194,104</u>	<u>164,194,104</u>	<u>-</u>
Fund balance, June 30, 2016	<u>\$ 111,204,373</u>	<u>\$ 128,162,685</u>	<u>\$ 164,076,120</u>	<u>\$ 35,913,435</u>

SAN DIEGO UNIFIED SCHOOL DISTRICT  
CAFETERIA FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance/ Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Federal sources	\$ 51,989,509	\$ 52,009,509	\$ 49,465,055	\$ (2,544,454)
Other state sources	4,590,657	4,596,773	3,687,998	(908,775)
Other local sources	<u>7,752,872</u>	<u>7,936,003</u>	<u>6,661,628</u>	<u>(1,274,375)</u>
Total revenues	<u>64,333,038</u>	<u>64,542,285</u>	<u>59,814,681</u>	<u>(4,727,604)</u>
<b>Expenditures:</b>				
Current:				
Classified salaries	21,832,167	22,495,116	22,268,385	226,731
Employee benefits	14,092,541	12,128,269	11,555,153	573,116
Books and supplies	23,528,451	22,407,807	23,273,170	(865,363)
Contract services and operating expenditures	2,364,400	2,320,153	2,360,751	(40,598)
Capital outlay	<u>700,000</u>	<u>476,009</u>	<u>455,021</u>	<u>20,988</u>
Total expenditures	<u>62,517,559</u>	<u>59,827,354</u>	<u>59,912,480</u>	<u>(85,126)</u>
(Deficiency) Excess of revenues (under) over expenditures	<u>1,815,479</u>	<u>4,714,931</u>	<u>(97,799)</u>	<u>(4,812,730)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	406,064	406,064
Transfers out	<u>(875,289)</u>	<u>(977,385)</u>	<u>(1,039,347)</u>	<u>(61,962)</u>
Total other financing sources	<u>(875,289)</u>	<u>(977,385)</u>	<u>(633,283)</u>	<u>344,102</u>
Net change in fund balance	940,190	3,737,546	(731,082)	(4,468,628)
Fund balance, July 1, 2015	<u>1,711,238</u>	<u>1,711,238</u>	<u>1,711,238</u>	<u>-</u>
Fund balance, June 30, 2016	<u>\$ 2,651,428</u>	<u>\$ 5,448,784</u>	<u>\$ 980,156</u>	<u>\$ (4,468,628)</u>

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 SCHEDULE OF FUNDING PROGRESS  
 For the Year Ended June 30, 2016

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Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2009	\$ -	\$ 43,593,885	\$ 43,593,885	0%	\$ 787,605,484	6%
July 1, 2011	\$ -	\$ 44,363,640	\$ 44,363,640	0%	\$ 740,012,391	6%
July 1, 2013	\$ -	\$ 63,433,214	\$ 63,433,214	0%	\$ 772,445,263	8%
July 1, 2015	\$ -	\$ 84,615,710	\$ 84,615,710	0%	\$ 752,322,560	11%

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SAN DIEGO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2016

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State Teachers' Retirement Plan  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	1.168%	1.162%
District's proportionate share of the net pension liability	\$ 682,566,000	\$ 782,123,000
State's proportionate share of the net pension liability associated with the District	<u>412,166,000</u>	<u>413,656,000</u>
Total net pension liability	<u>\$1,094,732,000</u>	<u>\$1,195,779,000</u>
District's covered-employee payroll	\$ 520,247,000	\$ 539,213,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%	145.05%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%

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.

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Year Ended June 30, 2016

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Public Employer's Retirement Fund B  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	2.049%	1.986%
District's proportionate share of the net pension liability	\$ 242,318,083	\$ 312,198,000
District's covered-employee payroll	\$ 218,874,000	\$ 235,814,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	110.71%	132.39%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%

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.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
For the Year Ended June 30, 2016

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State Teachers' Retirement Plan  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 47,882,108	\$ 61,306,467
Contributions in relation to the contractually required contribution	\$ 47,882,108	\$ 61,306,467
District's covered-employee payroll	\$ 539,213,000	\$ 571,356,000
Contributions as a percentage of covered-employee payroll	8.88%	10.73%

All years prior to 2015 are not available.

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(Continued)



SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
For the Year Ended June 30, 2016

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Public Employer's Retirement Fund B  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 27,757,643	\$ 30,592,956
Contributions in relation to the contractually required contribution	\$ 27,757,643	\$ 30,592,956
District's covered-employee payroll	\$ 235,814,000	\$ 258,234,000
Contributions as a percentage of covered-employee payroll	11.77%	11.85%

All years prior to 2015 are not available.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2016

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**NOTE 1 - PURPOSE OF SCHEDULES**

A - Budgetary Comparison Schedule

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

Excess of expenditure over appropriation in the General Fund for the year ended June 30, 2016 was as follows:

Certificated Salaries	\$	213,015
Employee benefits	\$	30,461,685

Excess of expenditure over appropriation in the Cafeteria Fund for the year ended June 30, 2016 was as follows:

Books and supplies	\$	865,363
Contract Services and Operating Expenditures	\$	40,598

These excess expenditures are not in accordance with Education Code Section 42600.

B - Schedule of Other Postemployment Benefits Funding Progress

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

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

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

D - Schedule of the District's Contributions

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

E - Changes of Benefit Terms

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

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B was 7.50 percent and 7.65 percent in the June 30, 2013 and June 30, 2014 actuarial reports, respectively. There were no changes in assumptions reported for the State Teachers' Retirement Plan.

**SUPPLEMENTARY INFORMATION**

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 ALL NON-MAJOR FUNDS  
 June 30, 2016

	Adult Education <u>Fund</u>	Child Develop- ment <u>Fund</u>	Deferred Maintenance <u>Fund</u>	Pupil Transportation Equipment <u>Fund</u>	Capital Facilities <u>Fund</u>	County School Facilities <u>Fund</u>	Special Reserve for Capital Outlay Projects <u>Fund</u>	Non-Major Governmental <u>Total</u>
<b>ASSETS</b>								
Cash in County Treasury	\$ 1,036,163	\$ 1,928,680	\$ -	\$ 408,195	\$ 58,119,697	\$ 83,244,912	\$ 7,032,780	\$ 151,770,427
Receivables	1,390	3,100,928	-	761	1,223,105	118,691	14,577	4,459,452
Due from other funds	24,098	7,847,000	-	-	272,564	-	852	8,144,514
Prepaid expenditures	<u>-</u>	<u>2,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175</u>	<u>2,537</u>
Total assets	<u>\$ 1,061,651</u>	<u>\$ 12,878,970</u>	<u>\$ -</u>	<u>\$ 408,956</u>	<u>\$ 59,615,366</u>	<u>\$ 83,363,603</u>	<u>\$ 7,048,384</u>	<u>\$ 164,376,930</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ 10,033	\$ 48,023	\$ -	\$ -	\$ 322,553	\$ 12,776,796	\$ 94,392	\$ 13,251,797
Unearned revenue	-	-	-	-	-	-	70,000	70,000
Due to other funds	<u>63,338</u>	<u>12,828,585</u>	<u>-</u>	<u>-</u>	<u>3,491,398</u>	<u>20,808</u>	<u>434,019</u>	<u>16,838,148</u>
Total liabilities	<u>73,371</u>	<u>12,876,608</u>	<u>-</u>	<u>-</u>	<u>3,813,951</u>	<u>12,797,604</u>	<u>598,411</u>	<u>30,159,945</u>
Fund balances:								
Nonspendable	-	2,362	-	-	-	-	175	2,537
Restricted	<u>988,280</u>	<u>-</u>	<u>-</u>	<u>408,956</u>	<u>55,801,415</u>	<u>70,565,999</u>	<u>6,449,798</u>	<u>134,214,448</u>
Total fund balance	<u>988,280</u>	<u>2,362</u>	<u>-</u>	<u>408,956</u>	<u>55,801,415</u>	<u>70,565,999</u>	<u>6,449,973</u>	<u>134,216,985</u>
Total liabilities and fund balances	<u>\$ 1,061,651</u>	<u>\$ 12,878,970</u>	<u>\$ -</u>	<u>\$ 408,956</u>	<u>\$ 59,615,366</u>	<u>\$ 83,363,603</u>	<u>\$ 7,048,384</u>	<u>\$ 164,376,930</u>

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
 ALL NON-MAJOR FUNDS  
 For the Year Ended June 30, 2016

	Adult Education Fund	Child Develop- ment Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Non-Major Governmental Total
Federal sources	\$ -	\$ 450,454	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 450,454
Other state sources	1,756,370	14,401,223	-	-	-	2,417,657	131	18,575,381
Other local sources	<u>31,182</u>	<u>6,515,842</u>	<u>-</u>	<u>4,055</u>	<u>42,458,337</u>	<u>494,988</u>	<u>3,276,151</u>	<u>52,780,555</u>
Total revenues	<u>1,787,552</u>	<u>21,367,519</u>	<u>-</u>	<u>4,055</u>	<u>42,458,337</u>	<u>2,912,645</u>	<u>3,276,282</u>	<u>71,806,390</u>
Expenditures:								
Current:								
Certificated salaries	406,135	8,617,816	-	-	-	-	-	9,023,951
Classified salaries	45,919	7,790,411	-	-	4,740,233	191,243	929,587	13,697,393
Employee benefits	167,881	7,916,138	-	-	2,787,822	68,483	330,662	11,270,986
Books and supplies	73,550	1,372,874	-	-	44,615	1,000,667	18,363	2,510,069
Contract services and operating expenditures	135,579	760,967	-	457,086	3,981,509	1,109,101	719,559	7,163,801
Other outgo	-	-	-	-	-	11,782,786	-	11,782,786
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,011</u>	<u>3,021,925</u>	<u>2,865,852</u>	<u>29,703</u>	<u>6,048,491</u>
Total expenditures	<u>829,064</u>	<u>26,458,206</u>	<u>-</u>	<u>588,097</u>	<u>14,576,104</u>	<u>17,018,132</u>	<u>2,027,874</u>	<u>61,497,477</u>
Excess (deficiency) of revenues over (under) expenditures	<u>958,488</u>	<u>(5,090,687)</u>	<u>-</u>	<u>(584,042)</u>	<u>27,882,233</u>	<u>(14,105,487)</u>	<u>1,248,408</u>	<u>10,308,913</u>
Other financing sources (uses):								
Transfers in	-	6,200,997	-	-	-	-	-	6,200,997
Transfers out	(32,732)	(1,176,554)	(159)	-	(11,959,078)	-	(3,010,412)	(16,178,935)
Proceeds from sale of building/land	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,726,382</u>	<u>2,726,382</u>
Total other financing sources (uses)	<u>(32,732)</u>	<u>5,024,443</u>	<u>(159)</u>	<u>-</u>	<u>(11,959,078)</u>	<u>-</u>	<u>(284,030)</u>	<u>(7,251,556)</u>
Net change in fund balances	925,756	(66,244)	(159)	(584,042)	15,923,155	(14,105,487)	964,378	3,057,357
Fund balances, July 1, 2015	<u>62,524</u>	<u>68,606</u>	<u>159</u>	<u>992,998</u>	<u>39,878,260</u>	<u>84,671,486</u>	<u>5,485,595</u>	<u>131,159,628</u>
Fund balances, June 30, 2016	<u>\$ 988,280</u>	<u>\$ 2,362</u>	<u>\$ -</u>	<u>\$ 408,956</u>	<u>\$ 55,801,415</u>	<u>\$ 70,565,999</u>	<u>\$ 6,449,973</u>	<u>\$ 134,216,985</u>

SAN DIEGO UNIFIED SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2016

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San Diego Unified School District (the "District") began operations in 1854 under the laws of the State of California. The San Diego Unified School District serves nearly 130,000 students in kindergarten through grade 12, which includes students in Charter School. The District's educational facilities include 108 elementary schools, 9 K-8 schools, 25 middle/junior high schools, 24 senior high schools, 11 atypical/alternative schools, and 51 charter schools.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Michael McQuary	President	December 2018
Richard Barrera	Vice President	December 2016
Dr. John Lee Evans	Member	December 2016
Kevin Beiser	Member	December 2018
Sharon Whitehurst-Payne	Member	December 2016

DISTRICT ADMINISTRATORS

Cindy Marten  
*Superintendent of Public Education*

Staci Monreal  
*Chief of Staff*

Tim Asfazadour  
*Chief Human Resources Officer*

W. Drew Rowlands  
*Chief Operations Officer*

Jenny Salkeld  
*Chief Financial Officer*

Andra Donovan  
*General Counsel*

Lee Dulgeroff  
*Chief Facilities, Planning and Construction Officer*

Dan Stoneman  
*Chief Innovation Officer*

Andrew Sharp  
*Chief Public Information Officer*

Jim Solo  
*Executive Director, Leadership and Learning*

Cheryl Hibbeln  
*Executive Director, Office of Secondary Schools*

Lorelei Olsen  
*Acting Executive Director, Special Education*

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2016

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DISTRICT ADMINISTRATORS (Continued)

Linda Trousdale  
*Executive Director, Student Services*

Stanley Ajhan  
*Executive Director, Family and Community Engagement*

Carmina Duran  
*Executive Director, Quality Assurance*

Jessica Michelli-Falk  
*Executive Director, Labor Relations*

Bruce Bivins  
*Area 1 Superintendent*

Lamont Jackson  
*Area 2 Superintendent*

Kimie Lochtefeld  
*Area 3 Superintendent*

Sofia Freire  
*Area 4 Superintendent*

Mitzi Merino  
*Area 5 Superintendent*

Fabiola Bagula  
*Area 6 Superintendent*

Cherly Ward  
*Director Board Services*

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 For the Year Ended June 30, 2016

	<u>Second Period Report</u>	<u>Annual Report</u>
Transitional Kindergarten through Third		
Regular ADA	35,700	35,585
Special Education	<u>66</u>	<u>67</u>
Total Transitional Kindergarten through Third	<u>35,766</u>	<u>35,652</u>
Fourth through Sixth		
Regular ADA	24,032	23,962
Special Education	95	97
Community Day School	<u>1</u>	<u>1</u>
Total Fourth through Sixth	<u>24,128</u>	<u>24,060</u>
Seventh through Eighth		
Regular ADA	14,044	14,010
Special Education	70	74
Community Day School	<u>13</u>	<u>17</u>
Total Seventh through Eighth	<u>14,127</u>	<u>14,101</u>
Ninth through Twelfth		
Regular ADA	27,972	27,658
Special Education	231	253
Community Day School	<u>13</u>	<u>17</u>
Total Ninth through Twelfth	<u>28,216</u>	<u>27,928</u>
District Total	<u><u>102,237</u></u>	<u><u>101,741</u></u>



SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
For the Year Ended June 30, 2016

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<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2015-2016 Actual Minutes</u>	<u>Number of Days</u>	<u>Status</u>
<b><u>District:</u></b>				
Kindergarten	36,000	54,460	180	In compliance
Grade 1	50,400	54,035	180	In compliance
Grade 2	50,400	54,035	180	In compliance
Grade 3	50,400	54,035	180	In compliance
Grade 4	54,000	54,035	180	In compliance
Grade 5	54,000	54,035	180	In compliance
Grade 6	54,000	54,200	180	In compliance
Grade 7	54,000	64,811	180	In compliance
Grade 8	54,000	64,811	180	In compliance
Grade 9	64,800	64,859	180	In compliance
Grade 10	64,800	64,859	180	In compliance
Grade 11	64,800	64,859	180	In compliance
Grade 12	64,800	64,859	180	In compliance

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2016

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
84.010	NCLB: Title I, Part A Basic Grants, Low Income and Neglected	14329	\$ 35,954,968
Special Education Cluster:			
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	19,977,025
84.027A	IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	1,131,790
84.027	IDEA Local Assistance, Part B, Sec. 619 Private School ISPs	10115	211,913
84.173A	IDEA Preschool Staff Development, Part B, Sec. 619	13431	799,609
84.027A	IDEA Mental Health Allocation Plan, Part B, Sec. 611	14468	<u>1,175,276</u>
Subtotal Special Education Cluster			<u>23,295,613</u>
NCLB: Title III Program:			
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Programs	14346	3,875,674
84.365	NCLB: Title III, Immigrant Education Program	15146	<u>250,224</u>
Subtotal NCLB: Title III Program			<u>4,125,898</u>
Federal Impact Aid Program:			
84.041	Federal Impact Aid	10015	7,710,265
84.041	Federal Impact Aid - Special Ed	14792	<u>1,843,323</u>
Subtotal Federal Impact Aid Program			<u>9,553,588</u>
Magnet School Assistance Program:			
84.165	Magnet School Assistance Program	*	2,234,681
84.165	Magnet School Assistance Program - Positions	*	<u>1,399,258</u>
Subtotal Magnet School Assistance Program			<u>3,633,939</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2016

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	\$ 1,103,013
84.060	Indian Education	10011	66,513
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	297,054
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	8,278,865
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14681	3,831,845
84.184E	California Ed Leadership Program	-	345,079
84.196	Education for Homeless Children	*	172,694
84.UNKNOWN*	JROTC	*	1,114,324
84.UNKNOWN*	IB EXAM	*	332,469
84.334(A)	California State Gear Up Program	10088	17,556
84.330C	Advanced Placement Program	*	726,819
84.158	Department of Rehab: Workability II, Transition Partnership	10006	<u>1,132,759</u>
	Total U.S. Department of Education		<u>93,982,996</u>
<u>U.S. Department of Defense - Passed through California Department of Education</u>			
12.556	Thrive and Learn	*	630,820
	Invitational Grants for Military-Connected Schools Program:		
12.557	Op Special Ed Achievement	*	197,194
12.557	Operation Aim High	*	<u>182,082</u>
	Subtotal Invitational Grants for Military-Connected Schools Program		<u>379,276</u>
	Community Investment Program:		
12.600	Department of Defense Off Econ Adj Grant Hancock	*	59,726
12.600	Department of Defense Off Econ Adj Grant Miller	*	<u>53,217</u>
	Subtotal Community Investment Program		<u>112,943</u>
	Total U.S. Department of Defense		<u>1,123,039</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2016

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.575	Child Development: Federal General and Preschool, Family Child Care Home	15136	\$ 450,454
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	*	353,487
93.576	Refugee and Entrant Assistance Discretionary Grant	*	132,777
93.778	Department of Health Services: Medi-Cal Billing Option	10013	<u>2,353,485</u>
Total U.S. Department of Health and Human Services			<u>3,290,203</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.553	Child Nutrition: National School Lunch Program	13526	<u>49,465,055</u>
Total U.S. Department of Agriculture			<u>49,465,055</u>
Total Federal Programs			<u>\$ 147,861,293</u>

\* - PCS or CFDA Number not available for not applicable.

See accompanying notes to required supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2016

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

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See accompanying notes to required supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
For the Year Ended June 30, 2016  
(UNAUDITED)

	(Adopted Budget) <u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>General Fund</u>				
Revenues and other financing sources	<u>\$1,304,908,708</u>	<u>\$1,289,438,442</u>	<u>\$1,248,513,384</u>	<u>\$1,178,534,344</u>
Expenditures	1,336,895,858	1,277,708,443	1,201,763,670	1,116,177,090
Other uses and transfers out	<u>10,150,129</u>	<u>11,847,983</u>	<u>10,795,268</u>	<u>10,216,324</u>
Total outgo	<u>1,347,045,987</u>	<u>1,289,556,426</u>	<u>1,212,558,938</u>	<u>1,126,393,414</u>
Change in fund balance	<u>\$ (42,137,279)</u>	<u>\$ (117,984)</u>	<u>\$ 35,954,446</u>	<u>\$ 52,140,930</u>
Ending fund balance	<u>\$ 121,938,841</u>	<u>\$ 164,076,120</u>	<u>\$ 164,194,104</u>	<u>\$ 128,239,658</u>
Available reserves	<u>\$ 49,759,473</u>	<u>\$ 37,028,423</u>	<u>\$ 39,023,314</u>	<u>\$ 50,707,518</u>
Designated for economic uncertainties	<u>\$ 26,941,000</u>	<u>\$ 25,759,000</u>	<u>\$ 24,236,000</u>	<u>\$ 22,483,000</u>
Undesignated fund balance	<u>\$ 22,818,473</u>	<u>\$ 11,269,423</u>	<u>\$ 14,787,314</u>	<u>\$ 28,224,518</u>
Available reserves as percentages of total outgo	<u>3.69%</u>	<u>2.87%</u>	<u>3.22%</u>	<u>4.51%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$4,515,083,557</u>	<u>\$4,567,002,851</u>	<u>\$3,527,079,664</u>	<u>\$3,761,921,741</u>
Average daily attendance at P-2	<u>101,514</u>	<u>102,237</u>	<u>103,963</u>	<u>106,099</u>

The General Fund fund balance has increased by \$87,977,392 over the past three years. The fiscal year 2016-2017 budget projects a decrease of \$42,137,279. For a district this size, the State of California recommends available reserves of at least 2% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2016, the District has met this requirement.

The District has incurred operating surpluses in two of the past three years, and anticipates an operating deficit in fiscal year 2016-2017.

Total long-term liabilities have increased by \$805,081,110 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance has decreased by 3,862 over the past two years. A decrease of 723 ADA is projected for the 2016-2017 fiscal year.

See accompanying notes to required supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF CHARTER SCHOOLS  
 For the Year Ended June 30, 2016

<u>Charter School</u>	<u>Status</u>	<u>Included in District Report</u>
Albert Einstein Middle Charter School	Active	No
American's Finest Charter School	Active	No
Arroyo Paseo Charter High School	Active	No
Audeo Charteran - an Altus School	Active	No
Charter School of San Diego - an Altus School	Active	No
City Heights Preparatory Charter	Active	No
Coleman Tech High	Active	No
Darnall Charter	Active	No
e3 Civic High	Active	No
Einstein Academy	Active	No
Elevate Charter	Active	No
Empower Charter	Active	No
Epiphany Prep charter	Active	No
Evangeline Roberts Institute of Learning	Active	No
Gompers Preparatory Academy	Active	No
Harriet Tubman Village Charter	Active	No
Health Sciences High	Active	No
Health Sciences Middle	Active	No
High Tech High	Active	No
High Tech International	Active	No
High Tech Media Arts	Active	No
High Tech Middle	Active	No
High Tech Middle Media Arts	Active	No
Holly Drive Leadership Academy	Active	No
Iftin Charter School	Active	No
Ingenuity Charter - an O'Farrell School	Active	No
Innovations Academy	Active	No
Kavod Elementary Charter	Active	No
Keiller Leadership Academy	Active	No
King-Chavez Academy of Excellence	Active	No
King-Chavez Arts Academy	Active	No
King-Chavez Athletics Academy	Active	No
King-Chavez Community High	Active	No
King-Chavez Preparatory Academy	Active	No
King -Chavez Primary Academy	Active	No
Kipp Adelante Preparatory Academy	Active	No
Laurel Preparatory Academy - an Altus School	Active	No
Learning Choice Academy	Active	No
Magnolia Science Academy San Diego	Active	No
McGill School of Success	Active	No
Museum	Active	No
Old Town Academy K-8 Charter	Active	No
Preuss School UCSD	Active	No
Evangeline Roberts Institute of Learning	Active	No
San Diego Cooperative Charter	Active	No
San Diego Cooperative Charter School 2	Active	No
San Diego Global Vision Academy	Active	No
San Diego Global Vision Academy Middle	Active	No
The O'Farrell Charter	Active	No
Urban Discovery Academy	Active	No

See accompanying notes to required supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 June 30, 2016

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**NOTE 1 - PURPOSE OF SCHEDULES**

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of [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, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Education Institutions or 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 not elected to use the 10-percent de minimis indirect cost rate allowed in the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2016.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 151,425,826
Less: Funds received in excess of expenditures		
Federal Impact Aid	84.041	(4,047,255)
Medi-Cal Billing Option	93.778	(342,099)
Add: Funds expended in excess of revenues		
Advanced Placement Incentive Program Grant	84.330C	535,472
IB Exam	*	<u>289,349</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 147,861,293</u>

\* CFDA number not available.

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(Continued)



**NOTE 1 - PURPOSE OF SCHEDULES** (Continued)

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

This schedule provides the information necessary to reconcile the fund balances of all funds and the total long-term liabilities as reported on the Unaudited Actual Financial Report to the audited financial statements.

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2016-2017 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

**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 Section 22714 and 44929. For the fiscal year ended June 30, 2016, the District did not adopt such a program.

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

Audit Committee and Board of Education  
 San Diego Unified School District  
 San Diego, California

**Report on Compliance with State Laws and Regulations**

We have audited San Diego Unified School District's compliance with the types of compliance requirements described in the State of California *2015-16 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, 2016.

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

(Continued)

We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer this program in the current year.

We did not perform any procedures related to Juvenile Court Schools because the District did not operate this program in the current year.

The District did not offer an Independent Study-Course Based program, therefore, we did not perform any procedures related to this program.

The District submitted all required immunization assessment reports to the California Department of Public Health; therefore, we did not perform any procedures related to this requirement.

We did not perform any procedures related to charter schools because the District does not include any charter schools in this report.

### **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 San Diego 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 *2015-16 Guide for Annual Audits of K-12 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 San Diego Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about San Diego Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

As described in Findings 2016-002 and 2016-003 in the accompanying Schedule of Audit Findings and Questioned Costs, San Diego Unified School District did not comply with requirements regarding Attendance and Kindergarten Continuance, respectively. Compliance with such requirements is necessary, in our opinion, for San Diego Unified School District to comply with the requirements applicable to the state laws and regulations applicable to Attendance and Kindergarten Continuance.

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, San Diego 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, 2016.

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(Continued)

**Other Matter**

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

**Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Sacramento, California  
November 28, 2016

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

Audit Committee and Board of Education  
San Diego Unified School District  
San Diego, 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 San Diego Unified School District as of and for the year ended June 30, 2016, and the related notes to the basic financial statements, which collectively comprise San Diego Unified School District's basic financial statements, and have issued our report thereon dated November 28, 2016.

#### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a deficiency in internal control that was communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2016-001.

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(Continued)

## Compliance and Other Matters

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

### San Diego Unified School District Response to Finding

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

### Purpose of this Report

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

*Crowe Horwath LLP*  
Crowe Horwath LLP

Sacramento, California  
November 28, 2016

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

Audit Committee and Board of Education  
San Diego Unified School District  
San Diego, California

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

We have audited San Diego 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 San Diego Unified School District's major federal programs for the year ended June 30, 2016. San Diego 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 statutes, 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 San Diego 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; 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 San Diego 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 San Diego Unified School District's compliance.

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

In our opinion, San Diego Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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(Continued)

## **Report on Internal Control Over Compliance**

Management of San Diego 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 San Diego 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 San Diego 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 Horwath LLP*  
Crowe Horwath LLP

Sacramento, California  
November 28, 2016



## **FINDINGS AND RECOMMENDATIONS**

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified not considered  
to be material weakness(es)? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements  
noted? \_\_\_\_\_ Yes   X   No

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified not considered  
to be material weakness(es)? \_\_\_\_\_ Yes   X   None reported

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

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	NCLB: Title I, Part A Basic Grants, Low Income and Neglected.
84.041	Federal Impact Aid Program
84.365	Title III Program

Dollar threshold used to distinguish between Type A  
and Type B programs: \$ 3,000,000

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

**STATE AWARDS**

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

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016

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SECTION II - FINANCIAL STATEMENT FINDINGS

**2016-001 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)**

Criteria

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

Condition

Hamilton Elementary School

A dual count is not being performed when funds are turned into the office.

Sandberg Elementary School

A dual count is not being performed when funds are turned into the office.

Encanto Elementary School

- A dual count is not being performed when funds are turned into the office.
- Purchases are not formally approved before a check is prepared.

I-High Independent Study

- A dual count is not being performed when funds are turned into the office.
- Fundraiser forms are not being approved by the site Principal.

Jerabek Elementary School

- A dual count is not being performed when funds are turned into the office.
- Purchases are not formally approved before a check is prepared.

Sunset View Elementary School

- Fundraiser forms are not being approved by the site Principal.
- Purchases are not formally approved before a check is prepared.

Pacific Beach Elementary School

- Purchases are not approved before a check is prepared.

Clay Elementary School

- Fundraiser forms are not being approved by the site Principal.
- Purchases are not formally approved before a check is prepared.

Wegeforth Elementary School

- Fundraiser forms are not being approved by the site Principal.

Mission Bay High School

- Fundraiser forms are not being approved by the site Principal.

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016

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SECTION II - FINANCIAL STATEMENT FINDINGS

**2016-001 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000) (Continued)**

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

Based on the deficiencies identified above, we recommend the following:

- Cash count forms should be performed evidencing dual count of funds for receipt of funds.
- Approval of expenditures should be formally documented by the proper individuals before an item is purchased.
- All revenue generating activities should be approved and formally documented by the site Principal.

Corrective Action Plan

The District provides training and on-site visits on the Associated Student Body Handbook, which outlines the issues noted by the auditor's recommendations, some at a greater level than what has been suggested. The District will provide additional training focused on the noted findings.

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

**2016-002 STATE COMPLIANCE - ATTENDANCE REPORTING (10000)**

Criteria

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

Condition

- At Miramar Elementary, one student was improperly claimed for apportionment, resulting in an overstatement of one day of attendance or 0.008 ADA.
- At Golden Hills Elementary, one student was improperly claimed for apportionment, resulting in an overstatement of one day of attendance or 0.008 ADA.
- At Crawford High School, one student was improperly claimed for apportionment, resulting in an overstatement of one day of attendance or 0.008 ADA.

Effect

The effect of this finding is an overstatement of 0.024 ADA.

Cause

The errors were the result of clerical errors in accounting for attendance.

Fiscal Impact

The error is below 0.50 ADA, therefore there is no fiscal impact.

Recommendation

The District should enforce controls to ensure accurate accounting for attendance.

Corrective Action Plan

The District will continue to provide staff training with school site personnel. The attendance finding noted was corrected at the school site by attendance personnel. No corrections were necessary for the P-2 or Annual reports.

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

**2016-003 STATE COMPLIANCE - KINDERGARTEN CONTINUATION (40000)**

Criteria

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

Condition

At Clay Elementary we noted one student attended Kindergarten from September 2, 2014 to June, 16, 2015. The student re-enrolled in Kindergarten for the 15-16 school year; however, a continuation form for the student was not filled out and signed for him.

Effect

The effect of this finding is an overstatement of 0.94 ADA.

Cause

Adequate control procedures have not be designed and implemented..

Fiscal Impact

Based on an overstatement of 0.94 ADA, the estimated fiscal impact is \$7,400 in Local Control Funding Formula revenue.

Recommendation

The District should enforce controls to ensure kindergarten continuation agreements are completed, signed and on file for each pupil attending kindergarten for more than one school year. Additionally, the District should revise the Second and Annual Report of Attendance to properly reflect the disallowed ADA.

Corrective Action Plan

The District concurs with the audit recommendation. Training was conducted at the site and the necessary corrections will be made to the Second and Annual Report of Attendance.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**



SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2016

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<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p><b>2015-001</b></p> <p><u>Condition:</u> The District's financial statements prepared for the year ended June 30, 2014 did not include the accrual for accreted interest or the accrual for accrued interest.</p> <p><u>Recommendation:</u> We recommend that the District prepare a schedule of annual accruals for accreted interest and accrued interest as of the end of the reporting period. This schedule should be maintained on an ongoing basis and reviewed annually prior to the recording of the top-side conversion entries for the government-wide financial statements.</p>	Implemented.	
<p><b>2015-002</b></p> <p><u>Conditions Standley Middle School:</u></p> <ul style="list-style-type: none"> <li>• Receipts or records are not maintained when funds are turned into the ASB advisors.</li> <li>• A dual count is not being performed when funds are turned into the office.</li> </ul> <p><u>Condition San Diego High School, School of International Studies:</u></p> <ul style="list-style-type: none"> <li>• A dual count is not being performed when funds are turned into the office.</li> </ul> <p><u>Condition Hawthorne Elementary:</u></p> <ul style="list-style-type: none"> <li>• A dual count is not being performed when funds are turned into the office.</li> </ul> <p><u>Condition Morse High School:</u></p> <ul style="list-style-type: none"> <li>• Monthly reconciliations are not performed in a timely manner.</li> </ul> <p><u>Condition Rodriguez Elementary:</u></p> <ul style="list-style-type: none"> <li>• The school site is not retaining documentation to support cash receipt totals. Nor are detailed records of cash received from sales maintained.</li> </ul>	Partially implemented.	See current year finding 2016-001.

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2016

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<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<b>2015-002 (Continued)</b>		
<u>Condition Point Loma High School:</u>		
<ul style="list-style-type: none"><li>• Fundraiser forms are not being approved by the site Principal.</li></ul>		
<u>Condition Mark Twain High School:</u>		
<ul style="list-style-type: none"><li>• Student store inventories are not being reviewed periodically to determine propriety as to character and quantities.</li><li>• Records of sales are not maintained</li><li>• Profit and loss statements are not created for the student store.</li></ul>		
<u>Condition Robert E. Lee Elementary:</u>		
<ul style="list-style-type: none"><li>• The school site is not retaining documentation to support cash receipt totals. Nor are detailed records of cash received from sales maintained.</li></ul>		
<u>Condition Dana Middle School:</u>		
<ul style="list-style-type: none"><li>• The school site is not retaining documentation to support cash receipt totals. Nor are detailed records of cash received from sales maintained.</li></ul>		
<u>Condition Eugene Field Elementary:</u>		
<ul style="list-style-type: none"><li>• Documentation to support cash receipt totals and records of number and type of sales are not maintained.</li><li>• A dual count is not being performed when funds are turned into the office.</li><li>• Equipment was purchased by the student body that was inconsistent with District practices.</li></ul>		
<u>Condition Pacific Beach Middle School:</u>		
<ul style="list-style-type: none"><li>• Fundraiser forms are not being approved by the site Principal.</li></ul>		
<u>Condition Florence Elementary School:</u>		
<ul style="list-style-type: none"><li>• Fundraiser forms are not being approved by the site Principal.</li></ul>		

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(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2016

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<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p><b>2015-002</b> (Continued)</p> <p><u>Recommendations:</u></p> <ul style="list-style-type: none"><li>• Fundraiser's should be approved prior to the date of the fundraiser.</li><li>• Student store inventories should be reviewed periodically to determine propriety as to character and quantities.</li><li>• Records of sales should be reconciled to money received on a daily basis.</li><li>• Profit/loss statements should be completed for the student store.</li><li>• Cash count forms should be performed evidencing dual count of funds for receipt of funds.</li><li>• Cash receipts should be provided and maintained when money is turned into the office.</li><li>• Monthly reconciliation's should be done in a timely manner.</li></ul>		
<p><b>2015-003</b></p> <p><u>Condition:</u> Curie Elementary School had an absence note for a student that was not reflected properly in the attendance accounting system.</p> <p><u>Recommendation:</u> The District should enforce controls to ensure accurate accounting for attendance.</p>	Not implemented.	See current year finding 2016-002.