SAN DIEGO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2018

SAN DIEGO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

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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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting for Financial Reporting for Postemployment Benefits Other than Pensions". This Statement replaces the requirements of GASB Statements No. 45, "Accounting and Reporting for Employers Post Employment Benefits Other than Pensions", as amended, and GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 12 and the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 74 to 79 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.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018 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 LLP

Sacramento, California
November 27, 2018

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, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position for the year ending June 30, 2018 was ($397.82) million, compared to ($295.26) million for the year ending June 30, 2017. The significant change in total net position is due to the new accounting pronouncement, GASB Statement No. 75, Accounting for Financial Reporting for Postemployment Benefits Other than Pensions. Implementation of GASB 75 generated a restatement of the governmental wide financial statements net position for fiscal year ending June 30, 2017, by $116,698,425.

- Overall revenues were $1,752.24 million which were greater than expenses of $1,738.11 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 ($397.82) million at June 30, 2018, as reflected in the table below. Of this amount, ($1,715.47) 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 new position for day-to-day operations.

	Governmental Activities		
	2018	2017	Net Change
Assets			
Current and other assets	$ 1,850,844,940	$ 1,315,467,344	$ 535,377,596
Capital assets	3,425,228,671	3,161,722,348	263,506,323
Total Assets	5,276,073,611	4,477,189,692	798,883,919
DEFERRED OUTFLOWS OF RESOURCES	498,059,632	346,464,841	151,594,791
LIABILITIES			
Current liabilities	226,042,012	211,950,715	14,091,297
Long-term liabilities	5,851,855,834	4,855,410,294	996,445,540
Total Liabilities	6,077,897,846	5,067,361,009	1,010,536,837
DEFERRED INFLOWS OF RESOURCES	94,054,919	51,549,000	42,505,919
NET POSITION			
Net investment in capital assets	746,070,742	672,294,323	73,776,419
Restricted	571,575,548	535,718,294	35,857,254
Unrestricted	(1,715,465,812)	(1,503,268,093)	(212,197,719)
Total Net Position	$ (397,819,522)	$ (295,255,476)	$ (102,564,046)

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.

	Governmental Activities		
REVENUES	2018	2017	Net Change
Program revenues			
Charges for services	$ 5,949,752	$ 6,353,235	$ (403,483)
Operating grants and contributions	385,881,218	365,666,667	20,214,551
Capital grants and contributions	976,549	1,258,243	(281,694)
General revenues			-
Property taxes	1,032,729,941	979,363,662	53,366,279
Unrestricted federal and state aid	274,089,783	280,626,437	(6,536,654)
Other	52,614,426	44,121,579	8,492,847
Total Revenues	1,752,241,669	1,677,389,823	74,851,846
EXPENSES			
Instruction	872,264,519	959,205,400	(86,940,881)
Instruction-related services	153,702,089	171,710,252	(18,008,163)
Pupil services	233,241,886	239,218,196	(5,976,310)
General administration	58,783,313	61,704,362	(2,921,049)
Plant services	128,912,706	131,955,411	(3,042,705)
Ancillary and community services	5,252,462	5,032,762	219,700
Debt service	141,652,704	131,551,747	10,100,957
Other outgo	9,902,173	5,452,981	4,449,192
Loss on defeassance	24,336,882	-	24,336,882
Depreciation	107,691,677	98,693,729	8,997,948
Enterprise activities	2,366,879	1,040,755	1,326,124
Total Expenses	1,738,107,290	1,805,565,595	(67,458,305)
Change in net position	14,134,379	(128,175,772)	142,310,151
Net Position - Beginning	(295,255,476)	(167,079,704)	(128,175,772)
GASB 75 implementation	(116,698,425)	-	(116,698,425)
Net Position - Restated	(411,953,901)	(167,079,704)	(244,874,197)
Net Position - Ending	$ (397,819,522)	$ (295,255,476)	$ (102,564,046)

As reported in the Statement of Activities on page 14, the net cost of all our governmental activities this year was $1,345.30 million. The amount ultimately that financed these activities through taxes and State Aid was $1,306.82 million, the cost paid by those who benefitted from the programs was $5.95 million, the costs from capital grants and contributions are $0.98 million, the costs paid by other governments and organizations who subsidized certain programs with grants and contributions were $385.88 million and other revenues contributed $52.61 million.

	Net Cost of Services	
	2018	**2017**
Instruction	$ 690,390,782	$ 782,447,768
Instruction-related services	126,666,677	136,635,010
Pupil services	124,072,097	137,696,799
General administration	54,991,061	35,249,941
Plant services	60,200,181	99,307,436
Ancillary and community services	5,139,916	4,945,107
Debt service	141,652,704	131,551,747
Other outgo	8,303,369	5,296,258
Loss on defeasance	24,336,882	-
Depreciation	107,691,677	98,693,729
Enterprise activities	1,854,425	463,655
Total Expenses	$ 1,345,299,771	$ 1,432,287,450

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 $1,571.67 million, which is greater than last year's ending fund balance of $1,047.36 million. The District's General Fund had $10.11 million more in operating revenues than expenditures for the year ended June 30, 2018. The District's Building Fund had $327.89 million less in operating revenues than expenditures for the year ended June 30, 2018. The District's Bond Interest and Redemption Fund had $69.13 million less in operating revenues than expenditures for the year ended June 30, 2018. The District's Non-Major Governmental Funds, which includes County School Facilities Fund, had $32.80 million more in operating revenues than expenditures for the year ended June 30, 2018.

CURRENT YEAR BUDGET 2017-18

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 $43.28 million, State grants and special projects of $39.62 million, and Local grants and special projects of $15.40 million.

- Expenditures that were appropriated during the year which were not included in the originally adopted budget – Salaries and Benefits of ($8.42) million, Books and Supplies of $34.59 million, Services and Other Operating Expenses of $22.76 million, and Capital Outlay of $38.75 million.

With these adjustments, actual revenues available were $45.91 million above the final budgeted amounts. The most significant variances resulted from:

- Federal revenues were $33.84 million below final budget amounts. Impact Aid was $1.25 million below appropriations due to a delay in the release of funds pending the finalization of an audit for a prior fiscal year, NCLB/IASA grants were $10.52 million below appropriations and the Magnet School Assistant Program was $2.92 million below appropriations. Two other Federal grants from the Department of Defense Office of Economic Adjustment had a combined total of $13.48 million below appropriations which largely represents grant money that has been awarded but not spent by June 30, 2018.

- State and local revenues were $15.47 million below final budget amounts. STRS On-Behalf Pension Contribution was $1.05 million above appropriations, Career Technical grants were $6.27 million below appropriations, After School Education Safety program was $1.70 million below appropriations, and various Local grants were $7.05 million below appropriations.

Actual expenditures were $97.05 million below the final budgeted amounts. The most significant variances resulted from:

- Salaries and benefits were $20.29 million below final budget amounts which includes the adjustment for STRS On-Behalf Pension Contribution.

- Books and Supplies were $35.73 million below final budget amounts.

- Contract Services and Operating Expenditures and Other outgo were $19.76 million below final budget amounts.

- Capital Outlay was $21.27 million below final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-18 the District had invested $3,425.23 million in capital assets, net of depreciation.

	Governmental Activities		
	2018	**2017**	**Net Change**
CAPITAL ASSETS			
Land	$ 275,891,432	$ 275,891,432	$ -
Construction in progress	1,500,026,956	1,490,982,157	9,044,799.00
Land Improvements	326,846,560	278,186,193	48,660,367.00
Buildings & Improvements	2,331,282,447	2,038,287,310	292,995,137.00
Furniture & Equipment	273,448,377	258,252,267	15,196,110.00
Accumulated depreciation	(1,282,267,101)	(1,179,877,011)	(102,390,090.00)
Total Capital Assets	$ 3,425,228,671	$ 3,161,722,348	$ 263,506,323

Long-Term Debt

At year-end, the District had $5,851.86 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		
	2018	**2017**	**Net Change**
LONG-TERM LIABILITIES			
Total General Obligation Bonds	$ 4,011,220,333	$ 3,291,710,889	$ 719,509,444
Net Pension Liability	1,539,630,000	1,348,137,000	191,493,000.00
Compensated Absences	29,644,037	26,293,758	3,350,279.00
SERP Liability	71,583,001	95,326,779	(23,743,778.00)
Claims Liability	72,450,000	72,511,000	(61,000.00)
Net OPEB obligation*	127,328,463	21,430,868	105,897,595.00
Total Long-Term Liabilities	$ 5,851,855,834	$ 4,855,410,294	$ 996,445,540

* The District's July 1, 2017 governmental activities net position was restated by $116,698,425 because of the implementation of GASB Statement No. 75. For more information, please refer *to new accounting pronouncement* discussed in Note 1 of the financial statements.

On November 4, 2008, San Diego voters authorized $2.1 billion in general obligation bonds (Proposition S) to improve every neighborhood school. The bond is a Proposition 39 bond, which required approval from at least 55 percent of the voters to pass. Some of the improvements outlined in the bond are to repair outdated student restrooms, deteriorated plumbing and roofs, upgrading career/vocational classrooms and labs, providing up-to-date classroom technology, improving school safety/security, replacing dilapidated portable classrooms, upgrading fire alarms, and removing hazardous substances. The District issued Series A through K totaling $862 million. As of June 30, 2018, the principal balance, including outstanding accreted interest and refunding bonds, on the Proposition S Bonds was $1.095 billion.

On November 6, 2012, San Diego voters 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 required 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 J totaling $1.683 billion. As of June 30, 2018, the principal balance on the Proposition Z Bonds was $1.553 billion.

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 2017-2018	
	Proposition S	**Proposition Z**
Elementary Schools	$ 24,868,085	$ 90,561,182
Middle Schools	8,528,021	48,283,230
High Schools	26,782,146	65,112,869
Program Expenditures	7,533,783	43,736,507
Atypical	10,300,919	19,377,445
Other District Sites		207,464
Total Expenditures	$ 78,012,954	$ 267,278,697

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES FOR 2018/19

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 2018-19 May Revision builds on the conceptual basic framework of the January Budget. The May Revision assumes continued economic growth, however, the Governor cautions that even a modest recession could drop state revenues drastically. The Governor remains focused on building reserves and limiting new ongoing obligations. The May Revision proposes $3.2 billion for funding beyond full implementation of the Local Control Funding Formula (LCFF), which is $320 million above the January proposal. This new funding closes the gap from the 2017-18 funding levels to 100% gap closure two years ahead of the estimated time frame for implementation. Over the six years of LCFF implementation, the state has dedicated nearly $21 billion of increased Prop 98 resources to the LCFF. Original estimates projected state costs of approximately $18 billion and eight years to fully phase in the new funding formula. The 2018-19 May Revision includes the statutory cost-of-living adjustment (COLA) of 2.71% along with the additional LCFF funding for a total increase of 3.00% COLA also referred to as a "Super COLA". The increase is applied to the base, supplemental, and concentration grants for LCFF. Along with funding 100% of the remaining "gap" in fiscal year 2018-19 the budget provides for the continuous appropriation of LCFF in future years, including the annual COLA. Expenditures continue to rise, employer contribution rates to the California State Teacher' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) have increased each year to address the unfunded liability for these pension systems. Employer rates will continue to increase beyond full implementation of the LCFF so educational agencies must look for other solutions to control expenditures. Accurate position control and staffing formulas, avoiding excessive settlements at the bargaining table, commitments to maintain existing programs before adding new ones, and the use of capital expenditures to make facilities more efficient and reduce operating costs are just a few of the solutions the District has implemented.

The District continues to focus efforts on enhancing enrollment for fiscal year 2018-19, paying careful attention to student outcomes and equity. The District maintains fiscal and operational models to ensure the organization is financially healthy while remaining responsible fiscal stewards of taxpayer funds. The District has established the following guiding principles to create meaningful learning experiences for all students and to maintain long-term fiscal stability. The guiding principles are:

- To ensure each financial decision is rooted in district supports, structures, and capacity development that accomplish Vision 2020 and future plans to improve outcomes for students.
- Develop, maintain and communicate long-term strategies that ensure strong fiscal health for the District.
- Use a disciplined approach to make financial decisions and to hold ourselves accountable for each transactions as it relates to student outcomes and sound economic strategies aligned with Vision 2020 (i.e. decisions made with consideration to projected revenue and long-term obligations).
- Regularly and openly have conversations with the public about fiscal projections, activities, accomplishments and engage key groups and stakeholders in an input process (i.e. board meetings, LCAP input process, yearly school site budgeting process, yearly review of the organization, etc.).

On June 26, 2018, the District's Board approved an Adopted Budget for Fiscal Year 2018-19 which included a 2% Unrestricted Reserve for Economic Uncertainties. The major assumptions used in developing the budget are as follows:

Revenues

- LCFF funded ADA – 99,012
- COLA – 3.00%
- Federal Impact Aid - $8.0M
- Mandated Block Grant - $3.9M
- Lottery (GFU - $146; GFR - $48) - $194 per ADA
- Transfers In - $21.0M

Expenditures

- Salaries Step and Column – Certificated 1.96%; Classified 0.86%
- Salary Increase – 2% (1% effective 7/1/2018 and 1% effective 1/1/2019)
- STRS – 16.28%
- PERS – 18.06%
- Health and Welfare Premiums - 6.0%
- Utilities - $26.1M
- Transfers Out - $17.7M
- Contributions:
  - Special Education - $213.1M
  - 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, 2018, the Governor signed the Fiscal Year 2018-19 Budget. There were no major changes affecting the District's adopted budget, therefore a revision was not submitted to the Board of Education. The District's 2017-18 Unaudited Actuals ending fund balance is higher than projected at Estimated Actuals, which will be used to offset the 2018-19 deficit.

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, 2018

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 1,789,778,537
Receivables	57,155,698
Prepaid expenses	476,622
Stores inventory	3,434,083
Non-depreciable capital assets (Note 4)	1,775,918,388
Depreciable capital assets, net of accumulated depreciation (Note 4)	1,649,310,283
Total assets	5,276,073,611
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	428,835,024
Deferred loss from refunding of debt	69,224,608
Total deferred outflows	498,059,632
LIABILITIES	
Accounts payable and other current liabilities	205,602,776
Unearned revenue	20,439,236
Long-term liabilities:	
Due within one year (Note 6)	155,829,101
Due after one year (Note 6)	5,623,576,733
Self-insurance claims liability (Note 5)	72,450,000
Total liabilities	6,077,897,846
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	87,444,000
Deferred inflows of resources - OPEB (Note 10)	6,610,919
Total deferred inflows of resources	94,054,919
NET POSITION	
Net investment in capital assets	746,070,742
Restricted:	
Legally restricted programs	51,357,881
Capital projects	154,748,637
Debt service	324,870,919
Self-insurance	40,598,111
Unrestricted	(1,715,465,812)
Total net position	$ (397,819,522)

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

		Program Revenues			Net (Expense) Revenues and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	$ 872,264,519	$ 146,678	$ 180,750,510	$ 976,549	$ (690,390,782)
Instruction-related services:					
Instructional supervision and administration	55,035,716	24,176	21,669,099	-	(33,342,441)
Instructional library, media and technology	7,943,195	91	672,377	-	(7,270,727)
School site administration	90,723,178	5,936	4,663,733	-	(86,053,509)
Pupil services:					
Home-to-school transportation	39,341,806	251	11,161,825	-	(28,179,730)
Food services	64,261,578	4,586,785	62,102,599	-	2,427,806
All other pupil services	129,638,502	17,468	31,300,861	-	(98,320,173)
General administration:					
Centralized data processing	17,911,721	-	14,301	-	(17,897,420)
All other general administration	40,871,592	(91,830)	3,869,781	-	(37,093,641)
Plant services	128,912,706	1,213,466	67,499,059	-	(60,200,181)
Ancillary services	4,054,917	816	105,039	-	(3,949,062)
Community services	1,197,545	-	6,691	-	(1,190,854)
Enterprise activities	2,366,879	38,648	473,806	-	(1,854,425)
Interest on long-term liabilities	141,652,704	-	-	-	(141,652,704)
Other outgo	9,902,173	7,267	1,591,537	-	(8,303,369)
Loss on defeasance	24,336,882	-	-	-	(24,336,882)
Depreciation (unallocated) (Note 4)	107,691,677	-	-	-	(107,691,677)
Total governmental activities	$ 1,738,107,290	$ 5,949,752	$ 385,881,218	$ 976,549	(1,345,299,771)

General revenues:	
Taxes and subventions:	
Taxes levied for general purposes	757,796,457
Taxes levied for debt service	246,320,675
Taxes levied for other specific purposes	28,612,809
Federal and state aid not restricted to specific purposes	274,089,783
Interest and investment earnings	12,320,376
Interagency transfers	4,669,025
Miscellaneous	35,625,025
Total general revenues	1,359,434,150
Change in net position	14,134,379
Net position, July 1, 2017	(295,255,476)
Cumulative effect of GASB 75 implementation	(116,698,425)
Net position, July 1, 2017, as restated	(411,953,901)
Net position, June 30, 2018	$ (397,819,522)

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	$ 146,788,904	$ 1,034,157,332	$ 324,870,919	$ 170,535,538	$ 1,676,352,693
Cash on hand and in banks	-	-	-	3,097,373	3,097,373
Cash in revolving fund	54,000	-	-	-	54,000
Receivables	30,976,143	6,297,615	-	19,376,535	56,650,293
Prepaid expenditures	468,753	-	-	7,869	476,622
Due from other funds	33,542,501	1,016,138	-	14,056,270	48,614,909
Stores inventory	2,747,871	-	-	686,212	3,434,083
Total assets	$ 214,578,172	$ 1,041,471,085	$ 324,870,919	$ 207,759,797	$ 1,788,679,973
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 90,543,793	$ 47,008,862	$ -	$ 7,322,160	$ 144,874,815
Unearned revenue	13,723,143	-	-	6,716,093	20,439,236
Due to other funds	17,604,898	5,647,289	-	28,441,782	51,693,969
Total liabilities	121,871,834	52,656,151	-	42,480,035	217,008,020
Fund balances:					
Nonspendable	3,270,624	-	-	694,081	3,964,705
Restricted	40,857,441	988,814,934	324,870,919	164,585,681	1,519,128,975
Assigned	21,927,273	-	-	-	21,927,273
Unassigned	26,651,000	-	-	-	26,651,000
Total fund balances	92,706,338	988,814,934	324,870,919	165,279,762	1,571,671,953
Total liabilities and fund balances	$ 214,578,172	$ 1,041,471,085	$ 324,870,919	$ 207,759,797	$ 1,788,679,973

See accompanying notes to financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2018

Total fund balances - Governmental Funds		$ 1,571,671,953
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 $4,707,495,772 and the accumulated depreciation is $1,282,267,101 (Note 4).		3,425,228,671
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, 2018 consisted of (Note 6):		
General Obligation Bonds	$ (3,486,781,892)	
Unamortized premiums	(250,415,579)	
Accreted interest	(274,022,862)	
Net pension liability (Notes 8 and 9)	(1,539,630,000)	
Compensated absences	(29,644,037)	
SERP liability	(71,583,001)	
Total OPEB liability (Note 10)	(127,328,463)	
		(5,779,405,834)
Internal service funds are included in the government-wide financial statements.		40,598,111
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.		69,224,608
In government funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8, 9 and 10).		
Deferred outflows of resources relating to pensions	$ 428,835,024	
Deferred inflows of resources relating to pensions	(87,444,000)	
Deferred inflows of resources relating to OPEB	(6,610,919)	
		334,780,105
Unmatured interest on long-term liabilities is recognized in the period incurred.		(59,917,136)
Total net position - governmental activities		$ (397,819,522)

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, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	$ 355,366,281	$ -	$ -	$ -	$ 355,366,281
Local sources	631,281,015	-	-	-	631,281,015
Total LCFF	986,647,296	-	-	-	986,647,296
Federal sources	103,294,042	-	-	55,038,525	158,332,567
Other state sources	194,485,172	8,851	1,286,829	21,506,956	217,287,808
Other local sources	39,513,016	17,388,489	247,874,531	73,932,902	378,708,938
Total revenues	1,323,939,526	17,397,340	249,161,360	150,478,383	1,740,976,609
Expenditures:					
Current:					
Certificated salaries	571,177,516	-	-	8,750,812	579,928,328
Classified salaries	197,038,529	9,908,685	-	37,945,309	244,892,523
Employee benefits	401,635,052	4,369,020	-	25,268,588	431,272,660
Books and supplies	33,747,227	19,311,065	-	24,681,816	77,740,108
Contract services and operating expenditures	90,515,089	17,181,107	-	15,110,800	122,806,996
Other outgo	1,358,189	1,791,601	-	-	3,149,790
Capital outlay	18,356,597	292,730,173	-	5,923,385	317,010,155
Debt service:					
Principal retirement	-	-	186,085,184	-	186,085,184
Payment to refunding escrow	-	-	24,336,882	-	24,336,882
Interest	-	-	107,865,974	-	107,865,974
Total expenditures	1,313,828,199	345,291,651	318,288,040	117,680,710	2,095,088,600
Excess (deficiency) of revenues over (under) expenditures	10,111,327	(327,894,311)	(69,126,680)	32,797,673	(354,111,991)
Other financing sources (uses):					
Transfers in	15,615,845	2,237,882	-	9,840,793	27,694,520
Transfers out	(18,045,589)	-	-	(18,018,931)	(36,064,520)
Proceeds from issuance of bonds	-	756,119,359	63,879,526	-	819,998,885
Premium on issuance of bonds	-	66,795,697	-	-	66,795,697
Total other financing sources (uses)	(2,429,744)	825,152,938	63,879,526	(8,178,138)	878,424,582
Net change in fund balances	7,681,583	497,258,627	(5,247,154)	24,619,535	524,312,591
Fund balances, July 1, 2017	85,024,755	491,556,307	330,118,073	140,660,227	1,047,359,362
Fund balances, June 30, 2018	$ 92,706,338	$ 988,814,934	$ 324,870,919	$ 165,279,762	$ 1,571,671,953

See accompanying notes to financial statements.

Net change in fund balances - Total Governmental Funds		$ 524,312,591
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).	$ 371,378,617	
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).	(180,617)	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(107,691,677)	
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. (Note 6).	(819,998,885)	
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).	186,085,184	
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).	(47,873,467)	
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).	(37,722,276)	
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.	(9,785,321)	
Activities of the internal service fund are reported with governmental activities.	6,820,030	
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.	(5,201,363)	

(Continued)

In governmental funds, total OPEB liability are recognized when employers contributions are made. In the government-wide statements, total OPEB liability are recognized on the accrual basis (Notes 6 and 10).	$ 4,189,911	
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).	23,743,778	
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.	(70,591,847)	
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).	(3,350,279)	$ (510,178,212)
Change in net position of governmental activities		$ 14,134,379

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
June 30, 2018

ASSETS	
Current assets:	
Cash and investments:	
Cash in County Treasury	$ 109,774,471
Cash with fiscal agent	500,000
Receivables	505,405
Due from other funds	3,233,667
Total current assets	114,013,543
LIABILITIES	
Current liabilities:	
Accounts payable	810,825
Due to other funds	154,607
Total current liabilities	965,432
Non-current liabilities:	
Claims payable	72,450,000
Total liabilities	73,415,432
NET POSITION	
Restricted for insurance activities	$ 40,598,111

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, 2018

OPERATING REVENUE	
Self insurance premiums	$ 38,606,222
OPERATING EXPENSES	
Salaries and benefits	1,261,038
Supplies and materials	573,407
Payments for claims	39,938,250
Total operating expense	41,772,695
Operating loss	(3,166,473)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	1,616,503
Transfers in	9,170,000
Transfers out	(800,000)
Total non-operating revenues (expenses)	9,986,503
Change in net position	6,820,030
Net position restricted for insurance activities, July 1, 2017	33,778,081
Net position restricted for insurance activities, June 30, 2018	$ 40,598,111

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, 2018

Cash flows from operating activities:	
Cash received from self-insurance premiums	$ 36,377,029
Cash received from user charges	2,417,282
Cash paid for employee salaries and benefits	(1,261,038)
Cash paid for insurance claims and supplies	(40,506,438)
Net cash used in operating activities	(2,973,165)
Cash flows provided by noncapital financing activities:	
Net transfers	8,370,000
Cash flows provided by investing activities:	
Interest income received	1,416,126
Increase in cash and investments	6,812,961
Cash and investments, July 1, 2017	103,461,510
Cash and investments, June 30, 2018	$ 110,274,471
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (3,166,473)
Adjustments to reconcile operating income to net cash used in operating activities:	
Decrease in:	
Amount due from other funds	197,764
(Decrease) increase in:	
Accrued liabilities	66,219
Amount due to other funds	(9,675)
Claims payable	(61,000)
Total adjustments	193,308
Net cash used in operating activities	$ (2,973,165)

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2018

	Agency Fund Student Body
ASSETS	
Cash on hand and in bank (Note 2)	$ 6,462,562
Receivables	98,611
Prepaid expenditures	5,234
Stores inventory	323,017
Total assets	$ 6,889,424
LIABILITIES	
Accounts payable	$ 14,657
Due to student groups	6,874,767
Total liabilities	$ 6,889,424

See accompanying notes to financial statements.

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.

(Continued)

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.

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.

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]*)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 hall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 83228*).

c - Cafeteria Fund - This fund is 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*).

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 Fund - 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*).

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*).

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018.

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.

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:

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 shorter 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.

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 and OPEB liability reported in the Statement of Net Position.

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

	STRP	PERF B	Total
Deferred outflows of resources	$ 280,857,171	$ 147,977,853	$ 428,835,024
Deferred inflows of resources	$ 68,073,000	$ 19,371,000	$ 87,444,000
Net pension liability	$1,042,490,000	$ 497,140,000	$1,539,630,000
Pension expense	$ 161,123,468	$ 86,218,240	$ 247,341,708

Compensated Absences: Compensated absences benefits are recorded as a liability of the District. The liability of $29,644,037 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position: Net position is displayed in three components:

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

2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for debt service 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".

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, 2018, 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, 2018 no such designation has occurred.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2018, 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.

New Accounting Pronouncement: In June 2015, the Government Accounting Standards Board (GASB) issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on the implementation of Statement No. 75, the District's July 1, 2017 governmental activities net position was restated by $116,698,425 because of the recognition of the total OPEB and related deferred outflows of resources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishments Issues. This statement increases consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The District extinguished debt during June 30, 2018, see Note 6 for the impact to the District's financial statements.

NOTE 2 - CASH AND INVESTMENTS

District cash and investments at June 30, 2018 consisted of the following:

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Cash in County	$1,676,352,693	$109,774,471	$1,786,127,164	$ -
Cash on hand and in banks	3,097,373	-	3,097,373	6,462,562
Cash in revolving fund	54,000	-	54,000	-
Cash with fiscal agent	-	500,000	500,000	-
Total cash and cash equivalent	$1,679,504,066	$110,274,471	$1,789,778,537	$ 6,462,562

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.

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, 2018, the carrying amount of the District's accounts was $9,613,935 and the bank balances were $9,693,231. The total uninsured bank balance at June 30, 2018 was $9,443,231.

Cash with Fiscal Agent: Cash with Fiscal Agent represents cash balances held by Chase Bank for the claims payments. The cash balances are fully collateralized at June 30, 2018.

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, 2018, 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, 2018, the District had no concentration of credit risk.

(Continued)

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, 2018 were as follows:

	Interfund Receivables	Interfund Payables
Governmental Activities		
Major Funds:		
General	$ 33,542,501	$ 17,604,898
Building	1,016,138	5,647,289
Non-Major Funds:		
Adult Education	-	130,756
Child Development	4,871,173	11,655,301
Cafeteria	184,865	11,642,447
Capital Facilities	5,000,000	4,369,393
County School Facilities	-	10,322
Special Reserve for Capital Outlay Projects	4,000,232	633,563
Proprietary Fund:		
Self-Insurance	3,233,667	154,607
Totals	$ 51,848,576	$ 51,848,576

(Continued)

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 2017-2018 fiscal year were as follows:

Transfer from the General Fund to the Capital Facilities Fund for reduction in expenditures related to CCDC RDA.	$ 5,000,000
Transfer from the General Fund to the Child Development Fund to cover required expenditures	3,490,427
Transfer from the General Fund to the Child Development Fund for payroll expenditures.	1,636
Transfer from the General Fund to the Cafeteria Fund for bad debt expenses for FY 2017/18.	152,187
Transfer from the General Fund to the Self-Insurance Fund for the annual approved funding.	9,170,000
Transfer from the General Fund to the Cafeteria Fund for indirect costs.	231,339
Transfer from the Adult Education Fund to the Cafeteria Fund for indirect costs.	53,809
Transfer from the County School Facilities Fund to the Building Fund for 15/16 Hamilton Elementary School matching (matching was paid by the Building Fund).	2,237,882
Transfer from the Child Development Fund to the Cafeteria Fund for indirect costs.	911,395
Transfer from the Capital Facilities Fund to the General Fund for payroll expenses related to CCDC RDA.	14,300,000
Transfer from the Special Reserve for Capital Outlay Projects Fund to the General Fund for for payroll expenditures related to teacher moves.	515,845
Transfer from the Self-Insurance Fund to the General Fund for unused benefits.	800,000
Total	$ 36,864,520

(Continued)

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2018 is shown below:

Governmental Activities	Balance July 1, 2017	Transfers and Additions	Transfers and Deletions	Balance June 30, 2018
Non-depreciable:				
Land	$ 275,891,432	$ -	$ -	$ 275,891,432
Work-in-process	1,490,982,157	371,378,617	362,333,818	1,500,026,956
Depreciable:				
Land improvements	278,186,193	48,660,367	-	326,846,560
Buildings and improvements	2,038,287,310	294,189,237	1,194,100	2,331,282,447
Furniture and equipment	258,252,267	19,484,214	4,288,104	273,448,377
Totals, at cost	4,341,599,359	733,712,435	367,816,022	4,707,495,772
Less accumulated depreciation:				
Land improvements	(155,472,706)	(11,484,667)	-	(166,957,373)
Buildings and improvements	(816,723,479)	(87,112,510)	(1,081,718)	(902,754,271)
Furniture and equipment	(207,680,826)	(9,094,500)	(4,219,869)	(212,555,457)
Total accumulated depreciation	(1,179,877,011)	(107,691,677)	(5,301,587)	(1,282,267,101)
Governmental activities capital assets, net	$ 3,161,722,348	$ 626,020,758	$ 362,514,435	$ 3,425,228,671

Depreciation expense was charged to governmental activities for the year ended June 30, 2018 as follows:

Governmental activities:	
Unallocated	$ 107,691,677

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)

NOTE 5 - SELF-INSURANCE (Continued)

At June 30, 2018, 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 $72.5 million. Changes in the reported liability are shown below:

	General Liability	Workers' Compensation	Total
Liability balance, June 30, 2016	$ 3,021,000	$ 67,420,000	$ 70,441,000
Incurred claims	4,089,320	21,345,884	25,435,204
Claims payments	(4,391,320)	(18,973,884)	(23,365,204)
Liability balance, June 30, 2017	$ 2,719,000	$ 69,792,000	$ 72,511,000
Incurred claims	7,355,378	18,163,538	25,518,916
Claims payments	(7,282,378)	(18,297,538)	(25,579,916)
Liability balance, June 30, 2018	$ 2,792,000	$ 69,658,000	$ 72,450,000

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, 2018 is as follows:

	Balance July 1, 2017 as restated	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Governmental Activities					
General Obligation Bonds	$ 2,852,868,191	$ 819,998,885	$ 186,085,184	$ 3,486,781,892	$ 99,727,017
Unamortized premium	202,542,112	66,795,697	18,922,230	250,415,579	21,295,775
Accreted interest	236,300,586	48,612,092	10,889,816	274,022,862	11,057,983
Total General Obligation Bonds	3,291,710,889	935,406,674	215,897,230	4,011,220,333	132,080,775
Net pension liability (Notes 8 and 9)	1,348,137,000	191,493,000	-	1,539,630,000	-
Compensated absences	26,293,758	3,350,279	-	29,644,037	-
SERP liability (Note 11)	95,326,779	-	23,743,778	71,583,001	23,748,326
Total OPEB liability (Note 10)	130,917,381	-	3,588,918	127,328,463	-
Totals	$ 4,892,385,807	$ 1,130,249,953	$ 243,229,926	$ 5,779,405,834	$ 155,829,101

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.

On September 5, 2017 the District placed $10,870,745 from existing resources into an irrevocable escrow trust account to refund certain portions of Election of 2000, Series B. At June 30, 2018, $9,925,000 of bonds outstanding are considered defeased. Although the refundings resulted in the recognition of an accounting loss of $945,745 for the year ended June 30, 2018, the District in effect reduced its aggregate debt service payments by $245,255 over the next two years. Substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited by the District's policies.

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 K totaling $861.9 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 J totaling $1.88 billion.

On September 5, 2017 the District placed $24,296,137 from existing resources into an irrevocable escrow trust account to refund certain portions of Election of 2012, Series C, Series G and Series F. At June 30, 2018, $905,000 of bonds outstanding are considered defeased. Although the refundings resulted in the recognition of an accounting loss of $23,391,136 for the year ended June 30, 2018, the District in effect reduced its aggregate debt service payments by $510,864 over the next two years. Substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited by the District's policies.

(Continued)

NOTE 6 - LONG TERM DEBT (Continued)

The outstanding general obligation bonded debt, not including premium or discount, of the District at June 30, 2018 is summarized in the following:

Proposition MM

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2017	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2018	Amount Due in One Year
1998, Series A	5/27/1999	4.20 - 5.34	2024	$ 139,995,085	$ 41,553,394	$ -	$ 6,647,904	$ 34,905,490	$ 6,272,216
A - Accreted interest		-	-	-	56,811,220	5,212,559	10,242,096	51,781,683	10,662,784
1998, Series B	12/14/2000	4.40 - 5.35	2019	149,999,084	26,290,000	-	17,485,000	8,805,000	8,805,000
1998, Series C	11/21/2001	2.95 - 5.00	2027	199,995,712	123,995,000	-	-	123,995,000	-
1998, Series D	9/12/2002	2.10 - 5.25	2026	274,995,346	126,310,000	-	7,895,000	118,415,000	8,975,000
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	53,625,000	-	-	53,625,000	-
1998 Series G	9/8/2005	3.00 - 5.00	2030	195,024,802	55,055,000	-	-	55,055,000	-
Subtotal of original issue before refunding				1,510,000,001	601,624,614	5,212,559	42,270,000	564,567,173	34,715,000
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		-	-	-	17,650,993	4,243,275	-	21,894,268	-
R-3 Refunding (various)	4/16/2014	2.00 - 5.00	2030	199,285,000	190,300,000	-	23,820,000	166,480,000	27,665,000
R-4 Refunding (various)	5/27/2015	2.00 - 5.00	2030	172,505,000	167,970,000	-	-	167,970,000	-
R-5 Refunding (various)	5/4/2016	4.00 - 5.00	2030	126,135,000	126,135,000	-	-	126,135,000	-
Total Proposition MM				$ 2,073,359,443	$ 1,169,115,049	$ 9,455,834	$ 66,090,000	$ 1,112,480,883	$ 62,380,000

(Continued)

NOTE 6 - LONG TERM DEBT (Continued)

The outstanding general obligation bonded debt, not including premium or discount, of the District June 30, 2018 is summarized in the following:

Proposition S

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2017	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2018	Amount Due in One Year
2008, Series A	5/7/2009	2.52 - 6.19	2033	$ 131,157,581	$ 52,106,351	$ -	$ 848,543	$ 51,257,808	$ 794,801
A - Accreted interest		-	-	-	30,270,205	5,088,017	336,457	35,021,765	395,199
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	2051	163,869,783	112,548,275	-	-	112,548,275	-
C - Accreted interest		-	2051	-	57,983,846	11,517,285	-	69,501,131	-
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		-	-	-	41,178,019	10,347,108	-	51,525,127	-
2008, Series F	4/16/2014	1.00 - 5.00	2017	15,095,000	-	-	-	-	-
2008, Series G	4/16/2014	5.18 - 5.58	2039	50,000,726	50,000,726	-	-	50,000,726	-
G - Accreted interest		-	-	-	7,824,702	3,188,541	-	11,013,243	-
2008, Series H	6/18/2015	0.50 - 5.00	2025	31,770,000	30,860,000	-	1,240,000	29,620,000	1,240,000
2008, Series I	12/2/2015	3.85 - 8.00	2040	99,999,241	88,951,348	-	4,553,737	84,397,611	-
I - Accreted interest	12/2/2015	-	-	-	3,720,587	3,629,677	311,263	7,039,001	-
2008, Series J	5/5/16	0.52 - 5.00	2028	45,000,000	39,395,000	-	-	39,395,000	-
2008, Series K-1	12/12/17	3.00 - 5.00	2020	23,460,000	-	23,460,000	-	23,460,000	13,445,000
2008, Series K-2	12/12/17	3.28 - 3.97	2043	76,538,885	-	76,538,885	-	76,538,885	-
K - Accreted Interest	12/12/17	-	-	-	-	150,232	-	150,232	-
Subtotal of original issue before refunding				861,860,041	739,807,884	133,919,745	7,290,000	866,437,629	15,875,000
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		-	-	-	20,861,015	5,235,397	-	26,096,412	-
2008, SR-1 Refunding	4/5/2016	3.00 - 5.00	2034	145,915,000	145,915,000	-	-	145,915,000	-
Total Proposition S				$ 1,064,644,871	$ 963,453,729	$ 139,155,142	$ 7,290,000	$ 1,095,318,871	$ 15,875,000

(Continued)

NOTE 6 - LONG TERM DEBT (Continued)

The outstanding general obligation bonded debt, not including premium or discount, of the District June 30, 2018 is summarized in the following:

Proposition Z

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2017	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2018	Amount Due in One Year
2012, Series C	4/30/2013	4.00 - 5.00	2043	$ 414,000,000	$ 407,000,000	$ -	$ 905,000	$ 406,095,000	$ -
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	100,000,000	100,000,000	-	-	100,000,000	-
2012, Series H-1	11/1/17	1.25 - 5.00	2018	43,735,000	-	43,735,000	43,735,000	-	-
2012, Series H-2	11/1/17	1.25 - 5.00	2021	176,265,000	-	176,265,000	-	176,265,000	32,530,000
2012, Series I	11/1/17	3.846 - 5.00	2047	441,000,000	-	441,000,000	-	441,000,000	-
2012, Series J	11/1/17	3.125 - 4.653	2041	59,000,000	-	59,000,000	-	59,000,000	-
Total Proposition Z				$ 1,683,600,000	$ 956,600,000	$ 720,000,000	$ 123,595,000	$ 1,553,005,000	$ 32,530,000

(Continued)

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 $22,532,827 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, 2018, are as follows:

Year Ending June 30,	Principal	Accreted Interest	Total Debt Service
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	6,180,730	13,579,270	19,760,000
2023	6,084,650	14,465,350	20,550,000
2024	6,002,619	15,367,381	21,370,000
	$ 34,905,490	$ 74,314,510	$109,220,000

1998 Series B

The annual payments required to amortize the Election of 1998, Series B, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ 8,805,000	$ 266,351	$ 9,071,351

(Continued)

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, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
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	11,470,000	5,440,600	16,910,600
2023	12,790,000	4,773,450	17,563,450
2024-2027	80,395,000	9,886,937	90,281,937
	$123,995,000	$ 39,527,812	$163,522,812

1998 Series D

The annual payments required to amortize the Election of 1998, Series D, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
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	12,725,000	4,485,112	17,210,112
2023	14,160,000	3,745,775	17,905,775
2024-2026	61,025,000	5,476,763	66,501,763
	$118,415,000	$ 30,862,288	$149,277,288

1998 Series E

The annual payments required to amortize the Election of 1998, Series E, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ -	$ 6,489,175	$ 6,489,175
2020	-	6,489,175	6,489,175
2021	-	6,489,175	6,489,175
2022	-	6,489,175	6,489,175
2023	-	6,489,175	6,489,175
2024-2028	117,985,000	22,699,737	140,684,737
	$117,985,000	$ 55,145,612	$173,130,612

(Continued)

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, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ -	$ 2,815,312	$ 2,815,312
2020	-	2,815,312	2,815,312
2021	-	2,815,312	2,815,312
2022	-	2,815,312	2,815,312
2023	-	2,815,312	2,815,312
2024-2028	15,175,000	13,678,219	28,853,219
2029	38,450,000	1,009,313	39,459,313
	$ 53,625,000	$ 28,764,092	$ 82,389,092

1998 Series G

The annual payments required to amortize the Election of 1998, Series G, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ -	$ 2,890,388	$ 2,890,388
2020	-	2,890,388	2,890,388
2021	-	2,890,388	2,890,388
2022	-	2,890,388	2,890,388
2023	-	2,890,388	2,890,388
2024-2028	14,795,000	14,063,569	28,858,569
2029-2030	40,260,000	1,056,825	41,316,825
	$ 55,055,000	$ 29,572,334	$ 84,627,334

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 $77,361,290 have not been reflected in the long-term debt balance in the schedule above.

(Continued)

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, 2018, are as follows:

Year Ending June 30,	Principal	Accreted Interest	Total Debt Service
2019	$ -	$ -	$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	-	-	-
2029-2032	65,434,442	99,255,558	164,690,000
	$ 65,434,442	$ 99,255,558	$164,690,000

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, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
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	33,425,000	3,534,875	36,959,875
2023	18,930,000	2,241,250	21,171,250
2024-2028	32,675,000	2,163,625	34,838,625
2029-2031	2,685,000	201,375	2,886,375
	$166,480,000	$ 27,205,875	$193,685,875

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, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ -	$ 8,093,625	$ 8,093,625
2020	-	8,093,625	8,093,625
2021	-	8,093,625	8,093,625
2022	-	8,093,625	8,093,625
2023	-	8,093,625	8,093,625
2024-2028	114,395,000	31,298,200	145,693,200
2029-2030	53,575,000	1,328,738	54,903,738
	$167,970,000	$ 73,095,063	$241,065,063

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.

The annual payments required to amortize the Election of 1998, Series R-5, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ -	$ 5,927,250	$ 5,927,250
2020	-	5,927,250	5,927,250
2021	-	5,927,250	5,927,250
2022	-	5,927,250	5,927,250
2023	-	5,927,250	5,927,250
2024-2028	19,725,000	28,081,625	47,806,625
2029-2030	106,410,000	7,411,500	113,821,500
	$126,135,000	$ 65,129,375	$191,264,375

NOTE 6 - LONG TERM DEBT (Continued)

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 $72,575,427 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, 2018, are as follows:

Year Ending June 30,	Principal	Accreted Interest	Total Debt Service
2019	$ 794,801	$ 395,199	$ 1,190,000
2020	4,952,880	3,047,120	8,000,000
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	22,853,991	36,971,009	59,825,000
2029-2033	22,656,136	67,183,864	89,840,000
	$ 51,257,808	$107,597,192	$158,855,000

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, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ -	$ -	$ -
2020	-	-	-
2021	-	-	-
2022	-	-	
2023	38,840,000	-	38,840,000
	$ 38,840,000	$ -	$ 38,840,000

(Continued)

NOTE 6 - LONG TERM DEBT (Continued)

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 accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of $534,800,594 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 C, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2019	$ -	$ -	$ -	$ -
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024-2028	-	-	-	-
2029-2033	15,463,959	14,318,281	38,266,041	68,048,281
2034-2038	24,443,911	28,636,563	97,261,089	150,341,563
2039-2043	29,777,963	28,636,562	175,127,037	233,541,562
2044-2048	28,631,118	27,494,081	255,918,882	312,044,081
2049-2051	14,231,324	1,953,713	37,728,676	53,913,713
	$112,548,275	$101,039,200	$604,301,725	$817,889,200

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.

NOTE 6 - LONG TERM DEBT (Continued)

The annual payments required to amortize the Election of 2008, Series D, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ -	$ 136,832	$ 136,832
2020	-	136,832	136,832
2021	-	136,832	136,832
2022	-	136,832	136,832
2023	-	136,832	136,832
2024-2028	36,130,000	68,416	36,198,416
	$ 36,130,000	$ 752,576	$ 36,882,576

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 accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of $400,702,738 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, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2019	$ -	$ -	$ -	$ -
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024-2028	-	-	-	-
2029-2033	7,798,224	7,031,994	15,141,776	29,971,994
2034-2038	20,595,186	69,920,675	42,164,814	132,680,675
2039-2043	22,388,193	57,854,731	41,066,807	121,309,731
2044-2048	63,631,678	26,978,200	121,188,322	211,798,200
2049-2052	35,585,544	-	232,666,146	268,251,690
	$149,998,825	$161,785,600	$452,227,865	$764,012,290

NOTE 6 - LONG TERM DEBT (Continued)

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 accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of $96,421,031 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 G, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Accreted Interest	Total Debt Service
2019	$ -	$ -	$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	-	-	-
2029-2033	7,978,939	12,136,061	20,115,000
2034-2038	34,978,045	75,646,955	110,625,000
2039	7,043,742	19,651,258	26,695,000
	$ 50,000,726	$107,434,274	$157,435,000

2008 Series H

The annual payments required to amortize the Election of 2008, Series H, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
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	-	1,275,150	1,275,150
2023	13,330,000	979,850	14,309,850
2024-2025	15,050,000	360,075	15,410,075
	$ 29,620,000	$ 6,459,125	$ 36,079,125

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 accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of $101,168,388 have not been reflected in the long-term debt balance in the schedule above.

(Continued)

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, 2018, are as follows:

Year Ending June 30,	Principal	Accreted Interest	Total Debt Service
2019	$ -	$ -	$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	-	-	-
2029-2033	4,313,831	3,776,169	8,090,000
2034-2038	58,790,893	70,104,107	128,895,000
2039-2040	21,292,887	34,327,113	55,620,000
	$ 84,397,611	$108,207,389	$192,605,000

2008 Series J

The annual payments required to amortize the Election of 2008, Series J, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
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	1,605,000	1,643,775	3,248,775
2023	4,925,000	1,505,150	6,430,150
2024-2028	30,560,000	2,783,525	33,343,525
	$ 39,395,000	$ 11,221,900	$ 50,616,900

NOTE 6 - LONG TERM DEBT (Continued)

2008 Series K-1

The annual payments required to amortize the Election of 2008, Series K-1, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ 13,445,000	$ 750,141	$ 14,195,141
2020	10,015,000	250,375	10,265,375
	$ 23,460,000	$ 1,000,516	$ 24,460,516

2008 Series K-2

Capital appreciation bonds were issued as part of Series K-2 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 $74,515,883 have not been reflected in the long-term debt balance in the schedule above.

Year Ending June 30,	Principal	Accreted Interest	Total Debt Service
2019	$ -	$ -	$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	-	-	-
2029-2033	23,065,349	13,609,651	36,675,000
2034-2038	30,739,998	28,770,002	59,510,000
2039-2043	22,733,538	32,286,462	55,020,000
	$ 76,538,885	$ 74,666,115	$151,205,000

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 $104,413,758 have not been reflected in the long-term debt balance in the schedule above.

NOTE 6 - LONG TERM DEBT (Continued)

The annual payments required to amortize the Election of 2008, Series R-2, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2019	$ -	$ -	$ -	$ -
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024-2028	-	-	-	-
2029-2033	-	31,034,813	-	31,034,813
2034-2038		62,069,625	-	62,069,625
2039-2042	56,869,830	36,831,025	130,510,170	224,211,025
	$ 56,869,830	$129,935,463	$130,510,170	$317,315,463

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, 2018, $73,168,837 of bonds outstanding are considered defeased.

The annual payments required to amortize the Election of 2008, Series SR-1, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ -	$ 5,692,600	$ 5,692,600
2020	-	5,692,600	5,692,600
2021	-	5,692,600	5,692,600
2022	-	5,692,600	5,692,600
2023	-	5,692,600	5,692,600
2024-2028	-	28,463,000	28,463,000
2029-2033	94,755,000	24,001,150	118,756,150
2034	51,160,000	917,400	52,077,400
	$145,915,000	$ 81,844,550	$227,759,550

NOTE 6 - LONG TERM DEBT (Continued)

2012 Series C

The annual payments required to amortize the Election of 2012, Series C, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ -	$ 8,587,900	$ 8,587,900
2020	-	8,587,900	8,587,900
2021	1,415,000	17,161,650	18,576,650
2022	1,945,000	17,128,050	19,073,050
2023	2,500,000	17,058,600	19,558,600
2024-2028	22,915,000	82,850,525	105,765,525
2029-2033	47,280,000	74,794,150	122,074,150
2034-2038	93,695,000	58,822,325	152,517,325
2039-2043	236,345,000	26,972,700	263,317,700
	$406,095,000	$311,963,800	$718,058,800

The annual payments required to amortize the Election of 2012, Series F, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ -	$ 16,621,100	$ 16,621,100
2020	-	14,108,081	14,108,081
2021	-	16,621,100	16,621,100
2022	-	16,621,100	16,621,100
2023	-	16,621,100	16,621,100
2024-2028	2,990,000	82,981,000	85,971,000
2029-2033	28,475,000	79,498,850	107,973,850
2034-2038	68,330,000	69,183,800	137,513,800
2039-2043	125,675,000	46,865,900	172,540,900
2044-2046	145,175,000	9,720,500	154,895,500
	$370,645,000	$368,842,531	$739,487,531

(Continued)

NOTE 6 - LONG TERM DEBT (Continued)

The annual payments required to amortize the Election of 2012, Series G, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ -	$ 2,088,491	$ 2,088,491
2020	-	2,088,491	2,088,491
2021	-	4,176,981	4,176,981
2022	-	4,176,981	4,176,981
2023	-	4,176,981	4,176,981
2024-2028	1,390,000	20,834,906	22,224,906
2029-2033	9,040,000	20,013,106	29,053,106
2034-2038	19,520,000	17,407,716	36,927,716
2039-2043	33,120,000	11,218,350	44,338,350
2044-2046	36,930,000	2,305,200	39,235,200
	$100,000,000	$ 88,487,203	$188,487,203

The annual payments required to amortize the Election of 2012, Series H-2, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ 32,530,000	$ 7,837,350	$ 40,367,350
2020	87,895,000	4,989,375	92,884,375
2021	55,840,000	1,396,000	57,236,000
	$176,265,000	$ 14,222,725	$190,487,725

The annual payments required to amortize the Election of 2012, Series I, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ -	$ 18,744,450	$ 18,744,450
2020	-	18,744,450	18,744,450
2021	-	18,744,450	18,744,450
2022	-	18,744,450	18,744,450
2023	-	18,744,450	18,744,450
2024-2028	-	93,722,250	93,722,250
2029-2033	22,440,000	92,627,250	115,067,250
2034-2038	85,830,000	79,795,275	165,625,275
2039-2043	85,935,000	62,656,750	148,591,750
2044-2047	246,795,000	29,772,650	276,567,650
	$441,000,000	$452,296,425	$893,296,425

NOTE 6 - LONG TERM DEBT (Continued)

The annual payments required to amortize the Election of 2012, Series J, General Obligation Bonds outstanding as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2019	$ -	$ 2,304,200	$ 2,304,200
2020	-	2,304,200	2,304,200
2021	-	2,304,200	2,304,200
2022	-	2,304,200	2,304,200
2023	-	2,304,200	2,304,200
2024-2028	11,015,000	10,998,200	22,013,200
2029-2033	20,985,000	5,931,125	26,916,125
2034-2038	-	4,218,750	4,218,750
2039-2041	27,000,000	1,265,625	28,265,625
	$ 59,000,000	$ 33,934,700	$ 92,934,700

NOTE 7 - FUND BALANCES

Fund balances were composed of the following at June 30, 2018:

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Nonspendable:					
Revolving cash	$ 54,000	$ -	$ -	$ -	$ 54,000
Prepaid expenditures	468,753	-	-	7,869	476,622
Stores inventory	2,747,871	-	-	686,212	3,434,083
Total nonspendable	3,270,624	-	-	694,081	3,964,705
Restricted:					
Legally restricted programs	40,857,441	-	-	9,837,319	50,694,760
Capital projects	-	988,814,934	-	154,748,362	1,143,563,296
Debt service	-	-	324,870,919	-	324,870,919
Total restricted	40,857,441	988,814,934	324,870,919	164,585,681	1,519,128,975
Assigned:					
Reserve for FY 2018-19 deficit	16,685,402	-	-	-	16,685,402
School site ending balances	2,717,369	-	-	-	2,717,369
Retiree benefits	2,524,502	-	-	-	2,524,502
Total assigned	21,927,273	-	-	-	21,927,273
Unassigned:					
Reserve for economic uncertainties	26,651,000	-	-	-	26,651,000
Total	$ 92,706,338	$ 988,814,934	$ 324,870,919	$ 165,279,762	$1,571,671,953

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

CalSTRS 2% at 60

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

(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 10.25 percent of applicable member earnings for fiscal year 2017-2018. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2017-2018.

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.

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

Employers – 14.43 percent of applicable member earnings.

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

(Continued)

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

The CalSTRS employer contribution rate increases effective for fiscal year 2017-2018 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
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, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

* The Teachers' Retirement Board (the "board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

The District contributed $80,930,171 to the plan for the fiscal year ended June 30, 2018.

State - 9.328 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2017-2018 and beyond are summarized in the table below.

As shown in the subsequent table, the state rate will increase to 5.311 percent on July 1, 2018, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding	Total State Appropriation to DB Program
July 01, 2018	2.017%	5.311%(2)	2.50%	9.828%
July 2019 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(4)	2.50%	4.517%(3)

(1)This rate does not include $72 million reduction with Education Code 22954
(2)In May 2018 meeting, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.
(3)The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 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 would be reduced to 0 percent.
(4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary to address any remaining 1990 unfunded actuarial obligation.

(Continued)

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

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

At June 30, 2018, 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	$1,042,490,000
State's proportionate share of the net pension liability associated with the District	616,731,000
Total	$1,659,221,000

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2017, the District's proportion was 1.127 percent, which was a decrease of 0.005 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $161,123,468 and revenue of $61,290,197 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 3,855,000	$ 18,183,000
Changes of assumptions	193,133,000	-
Net differences between projected and actual earnings on investments	-	27,764,000
Changes in proportion and differences between District contributions and proportionate share of contributions	2,939,000	22,126,000
Contributions made subsequent to measurement date	80,930,171	-
Total	$ 280,857,171	$ 68,073,000

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

$80,930,171 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, 2019. 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,	
2019	$ 2,105,400
2020	$ 42,659,400
2021	$ 27,711,400
2022	$ 524,067
2023	$ 26,568,567
2024	$ 32,285,166

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, 2017 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 STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

(Continued)

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

During the 2016-17 measurement period, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the STRP changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

	Measurement Period	
Assumption	As of June 30, 2017	As of June 30, 2016
Consumer price inflation	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

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. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12	0.30
Real Estate	13	5.20
Private Equity	13	9.30
Absolute Return / Risk Mitigating Strategies	9	2.90
Inflation Sensitive	4	3.80
Cash / Liquidity	2	(1.00)

* 20-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.10 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 AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (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 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$1,530,706,000	$1,042,490,000	$ 646,269,000

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

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

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

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-2017.pdf

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

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

(Continued)

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

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, 2018 were as follows:

Members - The member contribution rate was 6.5 or 7.5 percent of applicable member earnings for fiscal year 2017-2018.

Employers - The employer contribution rate was 15.531 percent of applicable member earnings.

The District contributed $36,433,853 to the plan for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $497,140,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as June 30, 2016. 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, 2017, the District's proportion was 2.026 percent, which was an decrease of 0.034 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $86,218,240. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 17,467,000	$ 38,000
Changes of assumptions	72,712,000	5,853,000
Net differences between projected and actual earnings on investments	17,181,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	4,184,000	13,480,000
Contributions made subsequent to measurement date	36,433,853	-
Total	$ 147,977,853	$ 19,371,000

(Continued)

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

$36,433,853 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, 2019. 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,	
2019	$ 21,878,983
2020	$ 46,860,977
2021	$ 32,859,443
2022	$ (9,426,404)

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, 2017 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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
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, 2016 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.

During the 2016-17 measurement period, the financial reporting discount rate for the Plan was lowered from 7.65 percent to 7.15 percent.

(Continued)

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.

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return Years 1-10 (1)	Expected Real Rate of Return Years 11+(2)
Global Equity	47%	4.90%	5.38%
Fixed Income	19	0.80	2.27
Inflation Assets	6	0.60	1.39
Private Equity	12	6.60	6.63
Real Estate	11	2.80	5.21
Infrastructure & Forestland	3	3.90	5.36
Liquidity	2	(0.40)	(0.90)

* 10-year geometric average
(1) An expected inflation rate of 2.50% used for this period
(2) An expected inflation rate of 3.00% used for this period

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 731,912,000	$ 497,140,000	$ 302,438,000

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

General Information Other Postemployment Benefits Plan (OPEB)

Plan Description: 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 San Diego Unified School District's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under one of the District's retirement plans to continue medical, dental and life insurance coverage as a participant in the District's plan. The District's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2018, the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2018:

	Number of Participants
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	1,483
Active employees	10,539
Total	12,022

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits Provided*:* The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All salaried employees of the District are eligible to receive postemployment health care benefits. Hourly employees (i.e. non-salaried with variable work hours) are not eligible to receive postemployment health care benefits.

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. Retirees participating in the group insurance plans offered by the District are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. The District's premium rates being charged to these retirees are lower than the expected cost for a retiree population under age 65. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost.

The District did not make any contributions to the plan for the year ended June 30, 2018.

Total OPEB Liability

Actuarial Assumptions: The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 30, 2017
Fiscal Year End	June 30
Pre-Retirement Mortality Rate	PERS - Non-work related rated developed in 2014 California PERS experience study.
	STRS - Match rates developed in 2010 experience study.
	Male - RP 2000 Healthy Male White Collar, projected to 2025; 4 year setback to age 70 and smoothed to 1 year setback at age 90.
	Female - RP 2000 Healthy Female White Collar, projected to 2025; 6 year setback to age 70 and smoothed to 0 year setback at age 90.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Post-Retirement Mortality Rate	PERS - Healthy post retirement rates developed in 2014 California PERS experience study. STRS - Match rates developed in 2010 experience study. Male - RP 2000 Healthy Male White Collar, projected to 2025; 2 year setback to age 70 and smoothed to 1 year setback at age 90. Female - RP 2000 Healthy Female White Collar, projected to 2025; 4 year setback to age 70 and smoothed to 0 year setback at age 90.
Discount Rate as of 6/30/2017	3.58%. Based on the June 29, 2017 Bond Buyer 20-Bond Index, as published by the Federal Reserve.
Assumed Investment Return	Not applicable since the plan is unfunded.
Retirement Rate	Retirement rates march rates developed in the most recent experience studies for California PERS (2014) and California STRS (2010).
Inflation Rate	2.5% per year
Salary Increases	2.5% per year
Administrative Expenses	$25,000 annually
Dependent Coverage	Future retirees are assumed to elect dependent coverage at the following rates: SDEA 45% OSS 30% OTBS 40% POA 33% Paraeducators 35% Administrators 55% Female spouses are assumed to be three years younger than male spouses. 100% of retirees are assumed to be married. Current retirees are valued based on elected coverage.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Health Plan Participation	Future retirees are assumed to elect retiree medical coverage at the following rates:

	Retire With Less than 17 Years	Retire With More than 17 years
SDEA	40%	60%
OSS	20%	50%
OTBS	35%	50%
POA	20%	35%
Paraeducators	25%	35%
Administrators	66%	70%

Medicare Coverage	All current and future participating retirees and spouses will qualify for Medicare coverage and enroll in Parts A and B upon age 65.
Health Care Inflation	Initial rate of 8.5% in fiscal 2018, then 8.0% in fiscal 2019, grading down to the ultimate trend rate of 4.0% in fiscal 2073.
Termination Rate	Termination rates match rates developed in the most recent experience studies for California PERS (2014) and California STRS (2010).
Disability Rate	None
Medical Aging Factors	3.5% per year prior to age 65.
Health Claims	Using the 2017 premium rates, an age-adjusted average per capita cost for each plan reflecting enrollments for the current active and per-65 retiree population.
Funding Method	Entry Age Cost Method (Level Percentage of Pay).

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate: Given the District's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 3.58%. The municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 130,917,381
Changes for the year:	
Service cost	6,647,630
Interest	3,823,699
Changes in assumptions	(7,211,912)
Benefit payments	(6,848,335)
Net change	(3,588,918)
Balance at June 30, 2018	$ 127,328,463

The District's Total OPEB Liability (TOL) was measured as of June 30, 2017. The District's TOL was measured as of June 30, 2016 using a discount rate of 2.85%. The changes in assumptions includes a change in the discount rate from 2.85% at the June 30, 2016 measurement date to 3.58% at the June 30, 2017 measurement date.

There were no changes between the measurement date and the year ended June 30, 2018 which had a significant effect on the District's total OPEB liability.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	$ 133,266,814	$ 127,328,463	$ 117,883,261

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3.0 - 7.5%)	Healthcare Cost Trend Rates Rate (4.0 - 8.5%)	1% Increase (5.0 - 9.5%)
Total OPEB liability	$ 113,420,883	$ 127,328,463	$ 143,681,604

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $9,895,336. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	6,610,919
Net differences between projected and actual earnings on investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Benefits paid subsequent to measurement date	-	-
Total	$ -	$ 6,610,919

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended June 30,	
2019	$ (600,993)
2020	$ (600,993)
2021	$ (600,993)
2022	$ (600,993)
2023	$ (600,993)
Thereafter	$ (3,605,954)

Changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 12 years as of the June 30, 2017 measurement date.

(Continued)

NOTE 11 - EARLY RETIREMENT INCENTIVE

Public Agency Retirement Services (PARS): During the fiscal years ended June 30, 2015 and 2017, the District provided the option of a one-time Supplemental Employee Retirement Plan (SERP) to the District employees. The benefits offered under the SERP includes non-elective employer contributions to the participant's 403(b) annuity contract or alternative monthly forms of payment equivalent to the present value to the basic benefit, which is paid in the form of a lifetime annuity, which shall include: a) joint-and-survivor payments, lifetime with ten year guarantee and fixed term monthly payments from five to fifteen years. A total of 1,128 employees elected to enroll in the early retirement incentive program.

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, 2018 are as follows:

Year Ending June 30,	
2019	$ 23,748,326
2020	16,058,225
2021	15,888,225
2022	15,888,225
Total	$ 71,583,001

NOTE 12 - 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 since the prior year.

(Continued)

NOTE 12 - JOINT POWERS AGREEMENT (Continued)

Condensed audited financial information for CSAC EIA for the year ended June 30, 2017 (the latest information available) is as follows:

Total assets	$ 791,363,353
Deferred outflows of resources	$ 1,537,233
Total liabilities	$ 650,912,971
Deferred inflows of resources	$ 1,466,353
Total net position	$ 140,521,262
Total revenues	$ 771,379,563
Total expenditures	$ 768,530,918
Change in net position	$ 2,848,645

Condensed audited financial information for SELF for the year ended June 30, 2018 (the latest information available) is as follows:

Total assets	$ 118,692,006
Total deferred outflows of resources	$ 497,939
Total liabilities	$ 101,064,545
Total deferred inflows of resources	$ 28,087
Total net position	$ 18,097,313
Total revenues	$ 15,139,473
Total expenditures	$ 19,471,187
Change in net position	$ (4,331,714)

NOTE 13 - 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: As of June 30, 2018, the District has $729.9 million in outstanding commitments on construction contracts.

NOTE 14 - SUBSEQUENT EVENTS

In November of 2018, Proposition YY was passed by the voters within the District’s boundaries authorizing the sale of up to $3.5 billion in bonds of the District to finance school facilities as described in the proposition. The District expects to issue the bonds in multiple series over time. An annual tax is to be levied upon the taxable properties within the District. The purpose of this tax is to generate sufficient revenue to pay interest on the bonds as it becomes due and to provide a fund for payment of the principal on or before maturity.

REQUIRED SUPPLEMENTARY INFORMATION

SAN DIEGO UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2018

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 422,228,581	$ 399,590,954	$ 355,366,281	$ (44,224,673)
Local sources	569,248,318	583,652,084	631,281,015	47,628,931
Total LCFF	991,476,899	983,243,038	986,647,296	3,404,258
Federal sources	93,859,716	137,134,902	103,294,042	(33,840,860)
Other state sources	162,323,189	201,939,894	194,485,172	(7,454,722)
Other local sources	32,130,078	47,531,969	39,513,016	(8,018,953)
Total revenues	1,279,789,882	1,369,849,803	1,323,939,526	(45,910,277)
Expenditures:				
Current:				
Certificated salaries	562,557,942	563,886,045	571,177,516	(7,291,471)
Classified salaries	200,775,561	195,858,432	197,038,529	(1,180,097)
Employee benefits	418,384,727	430,394,122	401,635,052	28,759,070
Books and supplies	34,893,125	69,481,179	33,747,227	35,733,952
Contract services and operating expenditures	87,580,681	109,874,096	90,515,089	19,359,007
Other outgo	1,291,948	1,757,492	1,358,189	399,303
Capital outlay	878,986	39,630,678	18,356,597	21,274,081
Total expenditures	1,306,362,970	1,410,882,044	1,313,828,199	97,053,845
(Deficiency)/excess of revenues (under) over expenditures	(26,573,088)	(41,032,241)	10,111,327	51,143,568
Other financing sources (uses):				
Transfers in	26,168,765	26,160,477	15,615,845	(10,544,632)
Transfers out	(14,817,324)	(19,840,676)	(18,045,589)	1,795,087
Total other financing sources (uses)	11,351,441	6,319,801	(2,429,744)	(8,749,545)
Net change in fund balance	(15,221,647)	(34,712,440)	7,681,583	42,394,023
Fund balance, July 1, 2017	85,024,755	85,024,755	85,024,755	-
Fund balance, June 30, 2018	$ 69,803,108	$ 50,312,315	$ 92,706,338	$ 42,394,023

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
For the Year Ended June 30, 2018

Last 10 Fiscal Years

Total OPEB liability	
Service cost	$ 6,647,630
Interest	3,823,699
Change in assumptions	(7,211,912)
Benefit payments	(6,848,335)
Net change in total OPEB liability	(3,588,918)
Total OPEB liability, beginning of year	130,917,381
Total OPEB liability, end of year	$ 127,328,463
Covered employee payroll	$ 714,548,355
Total OPEB liability as a percentage of covered-employee payroll	17.82%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior. All years prior to 2018 are not available.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018
District's proportion of the net pension liability	1.168%	1.162%	1.132%	1.127%
District's proportionate share of the net pension liability	$ 682,566,000	$ 782,123,000	$ 927,256,000	$1,042,490,000
State's proportionate share of the net pension liability associated with the District	412,166,000	413,656,000	527,920,000	616,731,000
Total net pension liability	$1,094,732,000	$1,195,779,000	$1,455,176,000	$1,659,221,000
District's covered payroll	$ 520,247,000	$ 539,213,000	$ 571,356,000	$ 597,440,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	174.49%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

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

All years prior to 2015 are not available.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2018

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018
District's proportion of the net pension liability	2.049%	1.986%	2.060%	2.026%
District's proportionate share of the net pension liability	$ 242,318,083	$ 312,198,000	$ 420,881,000	$ 497,140,000
District's covered payroll	$ 218,874,000	$ 235,814,000	$ 243,244,000	$ 258,254,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	110.71%	132.39%	173.03%	192.50%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018
Contractually required contribution	$ 47,882,108	$ 61,306,467	$ 75,157,977	$ 80,930,171
Contributions in relation to the contractually required contribution	(47,882,108)	(61,306,467)	(75,157,977)	(80,930,171)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$539,213,000	$571,356,000	$597,440,000	$560,847,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

All years prior to 2015 are not available.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2018

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018
Contractually required contribution	$ 27,757,643	$ 28,817,068	$ 35,871,548	$ 36,433,853
Contributions in relation to the contractually required contribution	(27,757,643)	(28,817,068)	(35,871,548)	(36,433,853)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$235,814,000	$243,244,000	$258,254,000	$222,326,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	16.39%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability

The Schedule of Changes in Total OPEB liability is presented to illustrate the elements of the District's Total OPEB 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. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

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 District's Total OPEB Liability was measured as of June 30, 2016 using a discount rate of 2.85%. The Total OPEB Liability determined by the actuarial valuation as of June 30, 2017 used a discount rate of 3.58%.

The discount rate for Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65 and 7.15 percent in the June 30, 2013, 2014, 2015 and 2016 actuarial reports, respectively.

The following are the assumptions for State Teachers' Retirement Plan:

	Measurement Period		
Assumption	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Consumer price inflation	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.60%	7.60%
Wage growth	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

SAN DIEGO UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2018

	Adult Education Fund	Child Develop-ment Fund	Cafeteria Fund	Pupil Transportation Equipment Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Non-Major Governmental Total
ASSETS								
Cash in County Treasury	$ 2,199,521	$ 4,977,056	$ 5,615,908	$ 293,635	$ 81,493,059	$ 63,381,683	$ 12,574,676	$ 170,535,538
Cash on hand and in banks	-	-	3,097,373	-	-	-	-	3,097,373
Cash in revolving fund	-	-	-	-	-	-	-	-
Receivables	11,115	2,147,301	16,448,947	-	435,775	292,311	41,086	19,376,535
Due from other funds	-	4,871,173	184,865	-	5,000,000	-	4,000,232	14,056,270
Prepaid expenditures	4,685	2,487	422	-	-	-	275	7,869
Stores inventory	-	-	686,212	-	-	-	-	686,212
Total assets	$ 2,215,321	$ 11,998,017	$ 26,033,727	$ 293,635	$ 86,928,834	$ 63,673,994	$ 16,616,269	$ 207,759,797
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 284,831	$ 339,995	$ 5,854,738	$ 13,049	$ 365,878	$ 360,662	$ 103,007	$ 7,322,160
Unearned revenue	-	-	88,458	-	-	-	6,627,635	6,716,093
Due to other funds	130,756	11,655,301	11,642,447	-	4,369,393	10,322	633,563	28,441,782
Total liabilities	415,587	11,995,296	17,585,643	13,049	4,735,271	370,984	7,364,205	42,480,035
Fund balances:								
Nonspendable	4,685	2,487	686,634	-	-	-	275	694,081
Restricted	1,795,049	234	7,761,450	280,586	82,193,563	63,303,010	9,251,789	164,585,681
Total fund balance	1,799,734	2,721	8,448,084	280,586	82,193,563	63,303,010	9,252,064	165,279,762
Total liabilities and fund balances	$ 2,215,321	$ 11,998,017	$ 26,033,727	$ 293,635	$ 86,928,834	$ 63,673,994	$ 16,616,269	$ 207,759,797

	Adult Education Fund	Child Develop-ment Fund	Cafeteria Fund	Pupil Transportation Equipment Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Non-Major Governmental Total
Revenues:								
Federal sources	$ -	$ 49,961	$ 54,988,564	$ -	$ -	$ -	$ -	$ 55,038,525
Other state sources	1,670,893	15,944,124	3,891,820	-	30	89	-	21,506,956
Other local sources	29,914	5,142,891	11,654,372	4,365	49,981,784	3,215,598	3,903,978	73,932,902
Total revenues	1,700,807	21,136,976	70,534,756	4,365	49,981,814	3,215,687	3,903,978	150,478,383
Expenditures:								
Current:								
Certificated salaries	593,575	8,157,237	-	-	-	-	-	8,750,812
Classified salaries	128,780	6,801,740	22,758,664	-	7,328,703	79,208	848,214	37,945,309
Employee benefits	310,510	8,081,855	12,077,612	-	4,427,963	32,729	337,919	25,268,588
Books and supplies	343,962	558,706	23,233,227	-	-	529,250	16,671	24,681,816
Contract services and operating expenditures	47,071	118,107	7,815,714	136,937	5,652,166	756,479	584,326	15,110,800
Other outgo	-	-	-	-	-	-	-	-
Capital outlay	-	-	500,386	-	4,111,329	1,300,872	10,798	5,923,385
Total expenditures	1,423,898	23,717,645	66,385,603	136,937	21,520,161	2,698,538	1,797,928	117,680,710
Excess (deficiency) of revenues over (under) expenditures	276,909	(2,580,669)	4,149,153	(132,572)	28,461,653	517,149	2,106,050	32,797,673
Other financing sources (uses):								
Transfers in	-	3,492,063	1,348,730	-	5,000,000	-	-	9,840,793
Transfers out	(53,809)	(911,395)	-	-	(14,300,000)	(2,237,882)	(515,845)	(18,018,931)
Total other financing sources (uses)	(53,809)	2,580,668	1,348,730	-	(9,300,000)	(2,237,882)	(515,845)	(8,178,138)
Net change in fund balances	223,100	(1)	5,497,883	(132,572)	19,161,653	(1,720,733)	1,590,205	24,619,535
Fund balances, July 1, 2017	1,576,634	2,722	2,950,201	413,158	63,031,910	65,023,743	7,661,859	140,660,227
Fund balances, June 30, 2018	$ 1,799,734	$ 2,721	$ 8,448,084	$ 280,586	$ 82,193,563	$ 63,303,010	$ 9,252,064	$ 165,279,762

San Diego Unified School District ("District") began operations in 1854 under the laws of the State of California. The San Diego Unified School District serves more than 130,000 students in preschool through grade 12, which includes students in Charter Schools. The District's educational facilities include 108 elementary schools, 9 K-8 schools, 25 middle/junior schools, 23 senior high schools, 12 atypical/alternative schools, 46 State preschools sites, 8 child development centers, 4 special education centers and is the sponsoring agency for 48 charter schools

GOVERNING BOARD

Name	Office	Term Expires
Kevin Beiser	President	December 2018
Sharon Whitehurst-Payne	Vice President	December 2020
Dr. John Lee Evans	Member	December 2020
Michael McQuary	Member	December 2018
Richard Barrera	Member	December 2020

DISTRICT ADMINISTRATORS

Cindy Marten
Superintendent of Public Education

Staci Monreal
Chief of Staff

Gregory K. Ottinger Ed.D
Chief Business Officer

Acacia Thede
Chief Human Resources Officer

W. Drew Rowlands
Chief Operations Officer

Lee Dulgeroff
Chief Facilities Planning and Construction Officer

Andrew Sharp
Chief Public Information Officer

Andra M. Greene
General Counsel

Debbie Foster
Executive Director, Financial Planning and Development

Jessica Falk-Michelli
Executive Director, Labor Relations and Assistant General Counsel

Carmina Duran
Executive Director, Quality Assurance

Cheryl Ward
Director Board Services

(Continued)

DISTRICT ADMINISTRATORS (Continued)

Jim Solo
Executive Director, Leadership & Learning

Cheryl Hibbeln
Executive Director, Secondary School

Toren Allen
Executive Director, Integrated Technology

Deann Ragsdale
Executive Director, Special Education

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

Monika Hazel
Area 6 Superintendent

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2018

Certificate #:	F41933AC Second Period Report	Audited Second Period Report	13342492 Annual Report
Transitional Kindergarten through Third			
Regular ADA	34,134	34,132	34,106
Special Education	74	74	75
Total Transitional Kindergarten through Third	34,208	34,206	34,181
Fourth through Sixth			
Regular ADA	23,059	23,059	23,023
Special Education	96	96	95
Community Day School	1	1	
Total Fourth through Sixth	23,156	23,156	23,118
Seventh through Eighth			
Regular ADA	13,847	13,847	13,811
Special Education	79	79	80
Community Day School	11	11	12
Total Seventh through Eighth	13,937	13,937	13,903
Ninth through Twelfth			
Regular ADA	27,935	27,935	27,628
Special Education	251	251	253
Community Day School	21	21	22
Total Ninth through Twelfth	28,207	28,207	27,903
District Total	99,508	99,506	99,105

Grade Level	Minutes Require-ment	2017-2018 Actual Minutes	Number of Days	Status
District:				
Kindergarten	36,000	36,000	180	In compliance
Grade 1	50,400	54,000	180	In compliance
Grade 2	50,400	54,000	180	In compliance
Grade 3	50,400	54,000	180	In compliance
Grade 4	54,000	54,000	180	In compliance
Grade 5	54,000	54,000	180	In compliance
Grade 6	54,000	54,079	180	In compliance
Grade 7	54,000	63,228	180	In compliance
Grade 8	54,000	63,228	180	In compliance
Grade 9	64,800	64,800	180	In compliance
Grade 10	64,800	64,800	180	In compliance
Grade 11	64,800	64,800	180	In compliance
Grade 12	64,800	64,800	180	In compliance

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Education - Passed through California Department of Education			
	Special Education Cluster:		
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	$ 19,612,898
84.027A	IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	2,073,917
84.027	IDEA Local Assistance, Part B, Sec. 619 Private School ISPs	10115	212,556
84.173	PI 99-457 Preschool Grant Programs	13430	826,682
84.173A	Alternative Dispute Resolution Program, Part B	13007	6,785
84.173A	IDEA Preschool Staff Development, Part B, Sec. 619	13431	1,395
84.027A	IDEA Mental Health ADA	15197	1,193,187
	Subtotal Special Education Cluster		23,927,420
	ESEA: Title III Program:		
84.365	ESEA: Title III, Limited English Proficient (LEP) Student Programs	14346	333,568
84.365	ESEA: Title III, Immigrant Education Program	15146	231,316
	Subtotal ESEA: Title III Program		564,884
	Federal Impact Aid Program:		
84.041	Federal Impact Aid	10015	5,562,834
84.041	Federal Impact Aid - Special Ed	14792	1,262,370
	Subtotal Federal Impact Aid Program		6,825,204
	Magnet School Assistance Program:		
84.165A	Magnet School Assistance Program	*	1,599,442
84.165A	Magnet School Assistance Program - Positions	*	1,376,475
	Subtotal Magnet School Assistance Program		2,975,917

(Continued)

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Education - Passed through California Department of Education (Continued)			
84.010	ESEA: Title I, Part A Basic Grants, Low Income and Neglected	14329	$ 34,719,599
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	963,033
84.060	Indian Education	10011	68,428
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	297,052
84.367	ESEA: Title II, Part A, Improving Teacher Quality Local Grants	14341	2,689,621
84.287	ESEA: Title IV, Part B, 21st Century Community Learning Centers Program	14681	4,178,721
84.196	Education for Homeless Children	*	173,660
84.UNKNOWN*	JROTC	*	1,423,495
84.UNKNOWN*	IB EXAM	*	98
84.330C	Advanced Placement Program	*	46,696
84.126	Department of Rehab: Workability II, Transition Partnership	10006	1,097,894
	Total U.S. Department of Education		79,951,722
U.S. Department of Defense - Passed through California Department of Education			
12.556	Thrive and Learn	*	123,188
	Invitational Grants for Military-Connected Schools Program:		
12.557	Op Special Ed Achievement	*	259,890
12.557	OpCollege and Career Readiness	*	70,561
12.557	Operation Aim High	*	351,557
	Subtotal Invitational Grants for Military-Connected Schools Program		682,008
	Community Investment Program:		
12.600	Department of Defense Off Econ Adj Grant Hancok	*	6,752,130
12.600	Department of Defense Off Econ Adj Grant Miller	*	8,441,159
	Subtotal Community Investment Program		15,193,289
	Total U.S. Department of Defense		15,998,485

(Continued)

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Health and Human Services - Passed through California Department of Education			
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	*	$ 382,015
93.558	Sandapp Cal-Learn - TANF Cluster	*	979,786
93.575	Child Development: Federal General and Preschool, Family Child Care Home - CCDF Cluster	15136	49,961
93.576	Refugee and Entrant Assistance Discretionary Grant	*	100,622
93.778	Department of Health Services: Medi-Cal Billing Option - Medicaid Cluster	10013	1,856,430
	Total U.S. Department of Health and Human Services		3,368,814
U.S. Department of Agriculture - Passed through California Department of Education			
10.558	Child Nutrition: CACFP Claims Centers and Family Day Care Homes	13394	5,857,194
10.553	Child Nutrition: School Programs - Child Nutrition Cluster	13526	49,131,370
	Total U.S. Department of Agriculture		54,988,564
	Total Federal Programs		$ 154,307,585

* PCS or CFDA Number not available for not applicable.

See accompanying notes to supplementary information.

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

	(Adopted Budget) 2019	2018	2017	2016
General Fund				
Revenues and other financing sources	$1,352,159,296	$1,339,555,371	$1,305,552,339	$1,289,438,442
Expenditures	1,331,324,683	1,313,828,199	1,371,405,594	1,277,708,443
Other uses and transfers out	17,738,688	18,045,589	13,198,110	11,847,983
Total outgo	1,349,063,371	1,331,873,788	1,384,603,704	1,289,556,426
Change in fund balance	$ 3,095,925	$ 7,681,583	$ (79,051,365)	$ (117,984)
Ending fund balance	$ 95,802,263	$ 92,706,338	$ 85,024,755	$ 164,076,120
Available reserves	$ 44,875,794	$ 26,651,000	$ 27,675,000	$ 37,028,423
Designated for economic uncertainties	$ 26,982,000	$ 26,651,000	$ 27,675,000	$ 25,759,000
Undesignated fund balance	$ 17,893,794	$ -	$ -	$ 11,269,423
Available reserves as percentages of total outgo	3.3%	2.0%	2.0%	2.9%
All Funds				
Total long-term liabilities	$5,623,576,733	$5,779,405,834	$4,782,899,894	$4,567,002,851
Average daily attendance at P-2	99,019	99,506	100,983	102,237

The General Fund fund balance has decreased by $71,487,766 over the past three years. The fiscal year 2018-2019 budget projects an increase of $3,095,925. 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, 2018, the District has met this requirement.

The District has incurred operating deficits in two of the past three years, and anticipates an operating surplus in fiscal year 2018-2019.

Total long-term liabilities have increased by $1,212,402,983 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance has decreased by 2,731 over the past two years. A decrease of 487 ADA is projected for the 2018-2019 fiscal year.

Charter School	Status	Included in District Report
Albert Einstein Middle Charter School	Active	No
American's Finest Charter 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
Darnall Charter	Active	No
e3 Civic High	Active	No
Einstein Academy	Active	No
Elevate Elementary	Active	No
Empower Charter	Active	No
Epiphany Prep charter	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 Elementary	Active	No
High Tech Elementary Explorer	Active	No
High Tech High	Active	No
High Tech International	Active	No
High Tech High 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
National University Academy	Active	No
Old Town Academy K-8 Charter	Active	No
Preuss School UCSD	Active	No
San Diego Cooperative Charter	Active	No
San Diego Cooperative Charter School 2	Active	No
San Diego Global Vision Academy	Active	No
School for Entrepreneurship and Technology	Active	No
The O'Farrell Charter	Active	No
Urban Discovery Academy	Active	No

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 the District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has 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, 2018.

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		$ 158,332,567
Less: Funds received in excess of expenditures		
Federal Impact Aid	84.041	(3,192,120)
Medi-Cal Billing Option	93.778	(831,285)
Sandapp Cal-Learn - TANF Cluster	93.558	(1,577)
Total Schedule of Expenditure of Federal Awards		$ 154,307,585

* CFDA number not available.

(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 2018-2019 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, 2018, 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 *2017-18 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, 2018.

Description	Procedures Performed
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
Apprenticeship: Related and Supplemental Instruction	No, see below
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before 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
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.

We did not perform any procedures related to Apprenticeship: Related and Supplemental Instruction 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.

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 *2017-18 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 2018-003, 2018-004, 2018-005 and 2018-006 in the accompanying Schedule of Audit Findings and Questioned Costs, San Diego Unified School District did not comply with requirements regarding Attendance Reporting, After/Before School Education and Safety Program Attendance, Instructional Materials, and Kindergarten Continuation, 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 Reporting, After/Before School Education and Safety Program Attendance, Instructional Materials, and Kindergarten Continuation.

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, 2018.

(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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
November 27, 2018

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, 2018, 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 27, 2018.

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 2018-001.

(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 LLP

Crowe LLP

Sacramento, California
November 27, 2018

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, 2018. San Diego Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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, 2018.

(Continued)

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of audit findings and questioned costs as item 2018-002. Our opinion on each major federal program is not modified with respect to this matter.

San Diego Unified School District's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

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 LLP

Crowe LLP

Sacramento, California
November 27, 2018

FINDINGS AND RECOMMENDATIONS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

FEDERAL AWARDS

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

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

CFDA Number(s)	Name of Federal Program or Cluster	Type of Opinion
84.287	ESEA: Title IV, Part B, 21st Century Community Learning Centers Program	Unmodified
10.553	Child Nutrition: School Programs - Child Nutrition Cluster	Unmodified

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.287	ESEA: Title IV, Part B, 21st Century Community Learning Centers Program
10.553	Child Nutrition: School Programs - Child Nutrition Cluster

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)

SECTION II - FINANCIAL STATEMENT FINDINGS

2018-001 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)

Criteria or Specific Requirement

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

Penn Elementary School

- Faculty Social Committee funds are being kept within the overall ASB account and commingled in the Chase bank account with student body funds.

Adams Elementary School

- Faculty Social Committee funds are being kept within the overall ASB account and commingled in the Chase bank account with student body funds.
- Deposits are not being turned in on a timely basis.
- Vending machine proceeds are being credited to the Staff Social Committee account instead of the ASB account.

Nye Elementary School

- A dual count is not being documented when funds are turned into the office.
- There is no evidence that expenditures are approved prior to purchase.
- Faculty Social Committee funds are being kept within the overall ASB account and commingled in the Chase bank account with student body funds.

Spreckels Elementary School

- Faculty Social Committee funds are being kept within the overall ASB account and commingled in the Chase bank account with student body funds.
- Cash receipts are not being recorded or deposited promptly from when funds are turned into the office.

Crown Point Elementary School

- There is no fundraiser approval form being used to approve sales.
- The school Principal does not review the monthly financial transactions, bank reconciliation, or bank statement to be aware of funds available in ASB.

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

2018-001 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000) (Continued)

Hoover High

- Cash count forms that are dual counted are not being accurately utilized as amounts do not agree between amount of tickets sold and amount of funds received.

Whitman Elementary

- There is no fundraiser approval form being used to approve sales.

Longfellows Elementary School

- A dual count is not being documented when funds are turned into the office.
- Detailed cash count forms are not being used to track sales that occur before being turned into the office.
- There is no evidence that disbursements are also approved by the Club advisor in addition to the principal prior to purchase.
- There is no fundraiser approval form being used to approve sales.
- Bank reconciliations are not prepared timely.

Franklin Elementary School

- There is no evidence that expenditures are approved prior to purchase.

Horton Elementary School

- There is no formal approval for expenditures prior to purchasing.

Grant K-8 School

- There is no formal approval for expenditures prior to purchasing.

Context

The deficiencies listed above were identified through our testing of design effectiveness of internal controls related to Associated Student Body Funds.

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

2018-001 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000) (Continued)

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.
- Monthly financial transactions should be reviewed by the site Principal.
- Inventory counts should be performed periodically, and evidence of the counts should be kept for review.
- Deposit support for transactions should be kept to show the total amounts deposited and when such deposit occurred.
- ASB cash accounts should not be commingled with any other site accounts.
- Cash receipts should be supported by detailed schedules noting the quantity and unit price of items sold.
- All disbursement checks should be dually signed by the appropriate individuals.
- All cash receipts should be recorded and deposited timely when received.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the auditor's recommendations and in addition to recent organizational changes intends to provide more support to schools that administer ASB funds. The Controller's Office is updating web resources to include FCMAT manuals, job aids, and Frequently Asked Questions (FAQs) guides. Additionally, training sessions are offered to help address ASB topics and will also provide guidance on areas such as internal controls.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2018-002 FEDERAL COMPLIANCE - CHILD NUTRITION: SCHOOL PROGRAMS - CHILD NUTRITION CLUSTER - SPECIAL TESTS AND PROVISION (50000)

Information on the Federal Program

CFDA #10.553: Child Nutrition: School Programs - Child Nutrition Cluster

Criteria or Specific Requirement

The District is required to charge an amount for paid meals equal to or greater the amount of paid lunch equity calculated which is the amount of subsidy the District receives for free and reduced price meals.

Condition

The District did not charge an amount equal to or greater than the required price for 2017-2018.

Questioned Costs

The calculated non-federal source contribution required for 2017-18 is $940,696 based on 2,187,666 paid lunches in 2015-16 and a required price increase of $0.43 for 2017-18.

Context

The finding was identified based on our examination of the Paid Lunch Equity calculation for 2017-18.

Effect

The District is not in compliance with Federal requirements regarding Special Tests and Provision for the Child Nutrition Cluster.

Cause

The District did not raise prices charged for paid lunches or make contributions from other non-Federal sources.

Recommendation

The District should implement controls to ensure the price per meal is adjusted so that the amount charged for paid meals is equal to or greater than the amount of paid lunch equity or make contributions from other non-Federal sources.

Views of Responsible Officials and Corrective Action Plan

The District concurs with the auditor’s finding of the Paid Lunch Equity calculation and will comply in the future if warranted. In FY 2018/2019, the USDA has determined that the Paid Lunch Equity will no longer be a violation if the Food and Nutrition Services Division has a positive fund balance.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2018-003 STATE COMPLIANCE - ATTENDANCE REPORTING (10000)

Criteria or Specific Requirement

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 Crown Point Elementary, one student was improperly claimed for apportionment, resulting in an overstatement of one day of attendance or 0.008 ADA.

- At Wangenheim Elementary, one student was improperly claimed for apportionment, resulting in an overstatement of one day of attendance or 0.008 ADA.

Context

We performed the audit procedures enumerated in the State of California *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect

The effect of this finding is an overstatement of 0.016 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.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the auditor’s recommendations and will continue to provide training for staff at the school sites who are responsible for attendance reporting.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2018-004 STATE COMPLIANCE – AFTER/BEFORE SCHOOL EDUCATION AND SAFETY PROGRAM - ATTENDANCE (10000)

Criteria or Specific Requirement

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

The After School Education and Safety (ASES) Program for Rosa Parks Elementary School improperly reported an extra day of attendance in their attendance accounting system.

The After School Education and Safety (ASES) Program for Burbank Elementary School improperly reported two extra days of attendance in their attendance accounting system.

Context

We performed the audit procedures enumerated in the State of California *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect

The effect of this finding is an overstatement of 3 days of attendance for the District's ASES program.

Cause

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

Fiscal Impact

Not determinable.

Recommendation

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

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2018-004 STATE COMPLIANCE – AFTER/BEFORE SCHOOL EDUCATION AND SAFETY PROGRAM - ATTENDANCE (10000) (Continued)

Views of Responsible Officials and Planned Corrective Actions

As a result of the 2017-18 audit findings for the After School Education and Safety (ASES) program, the Extended Learning Opportunities Department has created and implemented a new process requiring staff to follow the 2018-19 PrimeTime Sign In/Out Sheet Audit Guidelines beginning this school year. Furthermore, the Extended Learning Opportunities Department will continue to provide mandatory staff professional development and perform unannounced site visits throughout the year.

All school site program leaders, as well as supervisory and administrative personnel, are required to attend the CAS21 Attendance Accountability training annually. The training details all attendance requirements for the program, how this information is to be entered, modified in the attendance system and how to ensure all information is accurate. This school year the Extended Learning Opportunities Department incorporated new audit guidelines during the training requiring staff to reconcile attendance sign-in and sign-out sheets with CAS21 attendance system. The mandatory CAS21 Attendance Accountability trainings are provided prior to the start of the school year as well as monthly for new staff and existing staff in need of support.

The Extended Learning Opportunities Department also performs unannounced school site observations to provide the support needed to operate a high quality, engaging learning environment, including the implementation of all attendance requirements as stipulated by the California Department of Education. Sign In/Out Sheets, Early Release and Late Arrival forms are reviewed making every effort to ensure only those students meeting all of the ASES criteria are reported to the California Department of Education. As well as ensuring staff are implementing the required 2018-19 PrimeTime Sign In/Out Sheet Audit Guidelines.

San Diego Unified School District's ASES program did not have any findings the past couple of years, reflecting the Extended Learning Opportunities Department's ongoing commitment to ensure attendance is properly documented and reported to the California Department of Education. Overall the 2017/18 ASES audit findings were minimal with one student for a total of one day overstated at one school and two students for a total of one day each were overstated at the second school. Our goal is to continue to make every effort to report attendance with 100% accuracy.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2018-005 STATE COMPLIANCE – INSTRUCTIONAL MATERIALS (70000)

Criteria or Specific Requirement

Education Code Section 60119 "...(b) The governing board shall provide 10 days' notice of the public hearing or hearings set forth in subdivision (a). The notice shall contain the time, place, and purpose of the hearing and shall be posted in three public places in the school district. The hearing shall be held at a time that will encourage the attendance of teachers and parents and guardians of pupils who attend the schools in the district and shall not take place during or immediately following school hours."

Condition

The District did not provide 10 days' notice of public hearing related to sufficiency of textbooks or other instructional materials.

Context

We performed the audit procedures enumerated in the State of California *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect

The District did not comply with Education Code 60119.

Cause

Lack of adequate controls/oversight to ensure 10 days' notice of public hearing is posted in three different places.

Fiscal Impact

Not determinable.

Recommendation

The District should ensure 10 days' notice of public hearing is posted in three different places in the school district.

Views of Responsible Officials and Planned Corrective Actions

The District concurs with the auditor’s recommendation and will ensure that the 10 days’ notice of public hearing is posted in accordance with Education Code 60119 in three different places in the school district.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2018-006 STATE COMPLIANCE – KINDERGARTEN CONTINUATION (40000)

Criteria or Specific Requirement

Education Code Section 46300 "...(g) (1) 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 a transitional kindergarten program after they have completed one year in that program if one of the following conditions is 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

The District was unable to provide completed agreements for two kindergarten pupils that completed one year in kindergarten.

Context

We performed the audit procedures enumerated in the State of California *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect

The effect of this finding is an overstatement of 1.97 ADA in the Kindergarten through third grade span.

Cause

The District did not maintain agreements for the kindergarten pupils that completed one year in kindergarten.

Fiscal Impact

The effect of this finding is an overstatement of 1.97 ADA. Based on the LCFF Base Grant Funding per ADA of $8,012, the estimated fiscal impact is $15,784.

Recommendation

The District should ensure a completed and signed agreement is maintained for each kindergarten pupil continuing in kindergarten for more than one year.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the auditor's recommendations and will continue to provide training for staff at the school sites who are responsible for attendance reporting. The District has reports available that identify students that are attending Kindergarten for more than one year and will also provide training to staff on how to run the reports. The District will revise the P-2 and Annual Reports of Attendance to properly reflect the disallowed Average Daily Attendance (ADA) in the Kindergarten through third grade span.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2017-001 Conditions: *Fulton Elementary School* • Fundraising forms are not being kept to evidence approval from the site Principal/ • Deposit support is not kept to evidence completeness of the transaction. *Knox Middle School* • Store inventory count sheets are not being maintained. *Roosevelt Middle School* • Profit and Loss statements for the student store are not prepared or approved. *Webster Elementary School* • Fundraising forms are not being approved by the site Principal. *Paradise Hills Elementary School* • A dual count is not being documented when funds are turned into the office. • Deposits are not being turned in on a timely basis. *Logan Elementary School* • Faculty Social Committee funds are being kept within the overall ASB account and commingled in the Chase bank account with student body funds. *Euclid Elementary School* • A dual count is not being performed when funds are turned into the office. • A receipt book is not being kept in the office to issue a receipt when moneys are turned in. • Faculty funds are being kept within the overall ASB account and commingled in the Chase bank account with student body funds.	Partially implemented.	See Schedule of Audit Findings and Questioned Costs, Finding #2018-01.

(Continued)

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2017-001 (Continued)		
Silver Gate Elementary • Detailed cash count forms are not being used to track sales that occur before being turned into the office. • There is no evidence that disbursements are also approved by the ASB advisor in addition to the principal.		
Mt. Everest Academy • Detailed cash count forms are not being used to track sales that occur before being turned into the office.		
Hardy Elementary • Fundraiser forms are not being utilized to be approved by the site Principal. • Detailed cash count forms are not being used to track sales that occur before being turned into the office.		
Point Loma High School • Physical inventory counts had not been performed since last year.		
Twain High School • No evidence of periodic inventory counts for student store.		
Torrey Pines Elementary School • The total receipts are not supported by detailed schedules which define the number of items receipted and the unit price per item.		
Cubberley Elementary School • A monthly report of financial transactions, such as a trial balance or financial statements, was not prepared or reviewed.		
Balboa Elementary School • A monthly report of financial transactions, such as a trial balance or financial statements, was not prepared or reviewed.		

(Continued)

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2017-001 (Continued) 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. • Monthly financial transactions should be reviewed by the site Principal. • Inventory counts should be performed periodically, and evidence of the counts should be kept for review. • Deposit support for transactions should be kept to show the total amounts deposited and when such deposit occurred. • ASB cash accounts should not be commingled with any other site accounts. • Cash receipts should be support be detailed schedules noting the quantity and unit price of items sold.		
2017-02 Condition: For 6 out of 13 students selected for testing: the independent study agreements did not contain statement of number of course credits to be earned upon completion. Recommendation: The District ensure course credits are clearly documented in the agreements prior to the commencement of coursework.	Implemented.	

(Continued)

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2017-003 Condition: At La Jolla Elementary and Point Loma High School, one pupil was incorrectly classified as EL at each site. Recommendation: The District should have procedures in place to verify that the records maintained by the District matches what is reported in CalPADS.	Implemented.	