

SAN DIEGO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2016

SAN DIEGO UNIFIED SCHOOL DISTRICT

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Diego Unified School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise San Diego Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Diego Unified School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 13 and the General Fund Budgetary Comparison Schedule, the Cafeteria Fund Budgetary Comparison Schedule, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 69 to 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise San Diego Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

(Continued)

Other Reporting Required by *Government Auditing Standards*

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 28, 2016

SAN DIEGO UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

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

FINANCIAL HIGHLIGHTS

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

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

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - **Governmental Funds** provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
 - **Proprietary Funds** report services for which the District charges customer a fee. Like the government-wide statements, they provide both long- and short-term financial information.
 - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

Government-Wide Statements

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

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

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

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

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

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

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

CURRENT YEAR BUDGET 2015-16

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

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

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

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

Long-Term Debt

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

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

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

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

The bonds issued in the current year were as follows:

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

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

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

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

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

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

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

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

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

Revenues

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

Expenditures

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

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

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

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$4,042,239,843 and the accumulated depreciation is \$1,086,878,071 (Note 4). 2,955,361,772

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

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

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

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

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

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

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

(Continued)

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

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

See accompanying notes to financial statements.

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

ASSETS

Current assets:

Cash and investments:

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

Total current assets 96,485,485

LIABILITIES

Current liabilities:

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

Total current liabilities 1,775,332

Non-current liabilities:

| | |
|----------------|-------------------|
| Claims payable | <u>70,441,000</u> |
|----------------|-------------------|

Total liabilities 72,216,332

NET POSITION

Restricted \$ 24,269,153

See accompanying notes to financial statements.

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

OPERATING REVENUE

Self insurance premiums \$ 34,964,897

OPERATING EXPENSES

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

Total operating expense 34,167,020

Operating income 797,877

NON-OPERATING REVENUES

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

Total non-operating
revenues 7,351,324

Change in net position 8,149,201

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A - Major Funds

General Fund:

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

Cafeteria Fund:

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

Building Fund:

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

Bond Interest and Redemption Fund:

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

(Continued)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B - Other Funds

Special Revenue Funds:

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

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

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

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

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

Capital Project Funds:

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Fund:

Self Insurance Fund:

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

Fiduciary Funds:

Student Body Fund:

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

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

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

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

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

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

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

(Continued)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

(Continued)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for self insurance represents the portion of net position restricted for the District's self insurance program. It is the District's policy to use restricted net position first when allowable expenditures are incurred.
3. Unrestricted Net Position – All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

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

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2016, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel within the District to assign fund balances. However, as of June 30, 2016 no such designation has occurred.

E - Unassigned Fund Balance:

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

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

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

(Continued)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2016, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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

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

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

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

NOTE 2 - CASH AND INVESTMENTS

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

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

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

(Continued)

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2016, the carrying amount of the District's accounts was \$11,006,051 and the bank balances were \$10,467,705. The total uninsured bank balance at June 30, 2016 was \$10,217,705.

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

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

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

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

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2016 were as follows:

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

(Continued)

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

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

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

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

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

(Continued)

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

NOTE 4 - CAPITAL ASSETS

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

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

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

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

NOTE 5 - SELF-INSURANCE

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

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

(Continued)

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

NOTE 5 - SELF-INSURANCE (Continued)

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

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

NOTE 6 - LONG TERM DEBT

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

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

(Continued)

NOTE 6 - LONG TERM DEBT (Continued)

General Obligation Bonds

Proposition MM General Obligation Bond Authorization

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

Proposition S General Obligation Bond Authorization

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

Proposition Z General Obligation Bond Authorization

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

(Continued)

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

NOTE 6 - LONG TERM DEBT (Continued)

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

Proposition MM

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

(Continued)

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

NOTE 6 - LONG TERM DEBT (Continued)

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

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

(Continued)

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

NOTE 6 - LONG TERM DEBT (Continued)

1998 Series A

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

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

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

1998 Series B

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

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

(Continued)

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

NOTE 6 - LONG TERM DEBT (Continued)

1998 Series C

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

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

1998 Series D

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

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

1998 Series E

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

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

(Continued)

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

NOTE 6 - LONG TERM DEBT (Continued)

1998 Series F

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

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

1998 Series G

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

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

1998 Refunding, Series R-1

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

(Continued)

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

NOTE 6 - LONG TERM DEBT (Continued)

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

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

1998 R-3 Refunding

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

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

(Continued)

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

NOTE 6 - LONG TERM DEBT (Continued)

1998 R-4 Refunding

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

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

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

1998 R-5 Refunding

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

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

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

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

(Continued)

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

NOTE 6 - LONG TERM DEBT (Continued)

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

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

2008 Series A

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

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

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

(Continued)

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

NOTE 6 - LONG TERM DEBT (Continued)

2008 Series B

Qualified School Construction Bonds

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

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

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

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

2008 Series C

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

(Continued)

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

NOTE 6 - LONG TERM DEBT (Continued)

2008 Series C (Continued)

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

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

2008 Series D

Qualified School Construction Bonds

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

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

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

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

(Continued)

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

NOTE 6 - LONG TERM DEBT (Continued)

2008 Series E

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

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

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

2008 Series F

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

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

2008 Series G

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

(Continued)

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

NOTE 6 - LONG TERM DEBT (Continued)

2008 Series G (Continued)

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

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

2008 Series H

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

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

2008 Series I

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

(Continued)

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

NOTE 6 - LONG TERM DEBT (Continued)

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

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

2008 Series J

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

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

2008 R-2 Refunding

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

(Continued)

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

NOTE 6 - LONG TERM DEBT (Continued)

2008 R-2 Refunding (Continued)

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

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

2008 SR-1 Refunding

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

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

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

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

(Continued)

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

NOTE 6 - LONG TERM DEBT (Continued)

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

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

2012 Series C

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

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

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

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

(Continued)

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

NOTE 6 - LONG TERM DEBT (Continued)

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

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

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

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

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

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

(Continued)

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

NOTE 7 - FUND BALANCES

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

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

(Continued)

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

General Information about the State Teachers' Retirement Plan

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

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

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

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

CalSTRS 2% at 60

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

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

(Continued)

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

CalSTRS 2% at 62

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

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

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

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

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

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

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

Employers – 10.73 percent of applicable member earnings.

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

(Continued)

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

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

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2015, the District’s proportion was 1.162 percent, which was a decrease of 0.006 percent from its proportion measured as of June 30, 2014.

(Continued)

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

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

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

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

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

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

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

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

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

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

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

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

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

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

* 10-year geometric average

(Continued)

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

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

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

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

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

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

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

General Information about the Public Employer’s Retirement Fund B

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

| Years Ended <u>June 30,</u> | |
|--------------------------------|----------------|
| 2017 | \$ (5,453,333) |
| 2018 | \$ (5,453,333) |
| 2019 | \$ (5,453,334) |
| 2020 | \$ (4,574,000) |

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2015 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

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

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

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

(Continued)

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

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

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

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

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

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

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

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

(Continued)

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

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

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

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

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

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

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

(Continued)

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

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

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

(Continued)

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

NOTE 11 - JOINT POWERS AGREEMENT

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

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

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

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

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

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

(Continued)

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

NOTE 12 - CONTINGENCIES

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

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

Construction Commitments

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

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

State Teachers' Retirement Plan
 Last 10 Fiscal Years

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

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

All years prior to 2015 are not available.

(Continued)

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

Public Employer's Retirement Fund B
Last 10 Fiscal Years

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

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

All years prior to 2015 are not available.

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

State Teachers' Retirement Plan
Last 10 Fiscal Years

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

All years prior to 2015 are not available.

(Continued)

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

Public Employer's Retirement Fund B
Last 10 Fiscal Years

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

All years prior to 2015 are not available.

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

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

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

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

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

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

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

B - Schedule of Other Postemployment Benefits Funding Progress

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

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

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

D - Schedule of the District's Contributions

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

E - Changes of Benefit Terms

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

F - Changes of Assumptions

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

SUPPLEMENTARY INFORMATION

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

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

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

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2016

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

GOVERNING BOARD

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

DISTRICT ADMINISTRATORS

Cindy Marten
Superintendent of Public Education

Staci Monreal
Chief of Staff

Tim Asfazadour
Chief Human Resources Officer

W. Drew Rowlands
Chief Operations Officer

Jenny Salkeld
Chief Financial Officer

Andra Donovan
General Counsel

Lee Dulgeroff
Chief Facilities, Planning and Construction Officer

Dan Stoneman
Chief Innovation Officer

Andrew Sharp
Chief Public Information Officer

Jim Solo
Executive Director, Leadership and Learning

Cheryl Hibbeln
Executive Director, Office of Secondary Schools

Lorelei Olsen
Acting Executive Director, Special Education

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2016

DISTRICT ADMINISTRATORS (Continued)

Linda Trousdale
Executive Director, Student Services

Stanley Ajhan
Executive Director, Family and Community Engagement

Carmina Duran
Executive Director, Quality Assurance

Jessica Michelli-Falk
Executive Director, Labor Relations

Bruce Bivins
Area 1 Superintendent

Lamont Jackson
Area 2 Superintendent

Kimie Lochtefeld
Area 3 Superintendent

Sofia Freire
Area 4 Superintendent

Mitzi Merino
Area 5 Superintendent

Fabiola Bagula
Area 6 Superintendent

Cherly Ward
Director Board Services

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

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

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

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

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

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

(Continued)

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

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

(Continued)

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

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

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

See accompanying notes to required supplementary information.

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

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

See accompanying notes to required supplementary information.

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

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

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

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

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

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

See accompanying notes to required supplementary information.

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

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

See accompanying notes to required supplementary information.

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

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of [District], and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Education Institutions or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10-percent de minimis indirect cost rate allowed in the Uniform Guidance.

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

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

* CFDA number not available.

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

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

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

E - Schedule of Financial Trends and Analysis - Unaudited

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

F - Schedule of Charter Schools

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2016, the District did not adopt such a program.

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

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

Report on Compliance with State Laws and Regulations

We have audited San Diego Unified School District's compliance with the types of compliance requirements described in the State of California *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2016.

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

(Continued)

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

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

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

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

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on San Diego Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on San Diego Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about San Diego Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Compliance with State Laws and Regulations

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

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, San Diego Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2016.

(Continued)

Other Matter

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

Purpose of this Report

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 28, 2016

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Diego Unified School District as of and for the year ended June 30, 2016, and the related notes to the basic financial statements, which collectively comprise San Diego Unified School District's basic financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control Over Financial Reporting

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

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

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

(Continued)

Compliance and Other Matters

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

San Diego Unified School District Response to Finding

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

Purpose of this Report

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

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 28, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited San Diego Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of San Diego Unified School District's major federal programs for the year ended June 30, 2016. San Diego Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Diego Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Diego Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of San Diego Unified School District's compliance.

Opinion on Each Major Federal Program

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

(Continued)

Report on Internal Control Over Compliance

Management of San Diego Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Diego Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Diego Unified School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
November 28, 2016

FINDINGS AND RECOMMENDATIONS

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

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

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

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

STATE AWARDS

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

(Continued)

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

SECTION II - FINANCIAL STATEMENT FINDINGS

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

Criteria

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

Condition

Hamilton Elementary School

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

Sandberg Elementary School

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

Encanto Elementary School

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

I-High Independent Study

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

Jerabek Elementary School

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

Sunset View Elementary School

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

Pacific Beach Elementary School

- Purchases are not approved before a check is prepared.

Clay Elementary School

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

Wegeforth Elementary School

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

Mission Bay High School

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

(Continued)

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

SECTION II - FINANCIAL STATEMENT FINDINGS

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

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

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

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

Corrective Action Plan

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

(Continued)

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

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

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-002 STATE COMPLIANCE - ATTENDANCE REPORTING (10000)

Criteria

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

Condition

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

Effect

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

Cause

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

Fiscal Impact

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

Recommendation

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

Corrective Action Plan

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

(Continued)

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

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2016-003 STATE COMPLIANCE - KINDERGARTEN CONTINUATION (40000)

Criteria

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

Condition

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

Effect

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

Cause

Adequate control procedures have not be designed and implemented..

Fiscal Impact

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

Recommendation

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

Corrective Action Plan

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

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

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

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

(Continued)

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

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

(Continued)

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

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