

# SAN DIEGO UNIFIED SCHOOL DISTRICT

AUDIT REPORT  
JUNE 30, 2014

San Diego

Los Angeles

San Francisco  
Bay Area

christy  white  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
OF SAN DIEGO COUNTY**

**SAN DIEGO, CALIFORNIA**

**JUNE 30, 2014**

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The 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 pre-school through grade 12 which includes 17,401 students in Charter School. The District's educational facilities include 107 traditional elementary schools, 11 K-8 schools, 24 traditional middle schools, 28 high schools, 49 charter schools and 13 alternative schools.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Kevin Beiser	President	December 2014
Marne Foster	Vice President	December 2016
Scott Barnett	Member	December 2014
Richard Barrera	Member	December 2016
Dr. John Lee Evans	Member	December 2016

**DISTRICT ADMINISTRATORS**

Cindy Marten  
*Superintendent*

Staci Monreal  
*Chief of Staff*

Jenny Salkeld  
*Chief Financial Officer*

Andra Donovan  
*General Counsel*

Tim Asfazadour  
*Chief Human Resources Officer*

Joe Fulcher, Ph.D.  
*Chief Student Services Officer*

Ursula Kroemer  
*Chief Public Information Officer*

Drew Rowlands  
*Interim Chief Operating Officer*

Lee Dulgeroff  
*Chief Facilities Planning and Construction*

Dan Stoneman  
*Chief Innovation Officer*

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# FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

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John Whitehouse, CPA

Heather Rubio

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*Licensed by the California  
State Board of Accountancy*

Governing Board  
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 the San Diego Unified School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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, 2014, 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.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 12, the budgetary comparison information on page 73, and the schedule of funding progress on page 74 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Diego Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Continuing Disclosure Information 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014 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.

*Christy White Associates*

San Diego, California  
November 20, 2014



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

**INTRODUCTION**

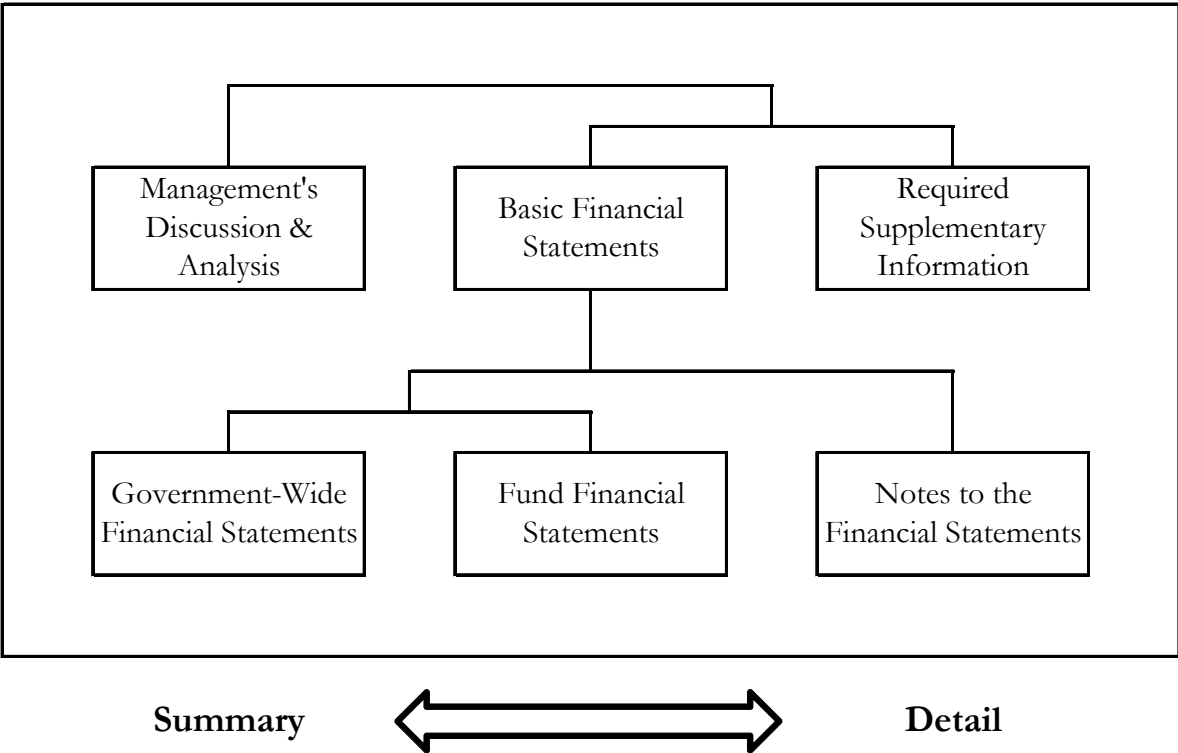
Our discussion and analysis of San Diego Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- Total net position was \$974.2 million at June 30, 2014. This was an increase of \$128.9 million from the prior year.
- Overall revenues were \$1,432.7 million which were greater than expenses of \$1,386.8 million.

**OVERVIEW OF FINANCIAL STATEMENTS**

**Components of the Financials Section**



**SAN DIEGO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three 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 customers 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 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 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.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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

**Net Position**

The District's net position was \$974.2 million at June 30, 2014, as reflected in the table below. Of this amount, \$(15.9) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2014</b>	<b>2013</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 1,158,764,248	\$ 1,168,631,663	\$ (9,867,415)
Capital assets	2,569,210,234	2,410,869,891	158,340,343
<b>Total Assets</b>	<b>3,727,974,482</b>	<b>3,579,501,554</b>	<b>148,472,928</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>6,618,555</b>	<b>-</b>	<b>6,618,555</b>
<b>LIABILITIES</b>			
Current liabilities	186,597,455	160,536,835	26,060,620
Long-term liabilities	2,573,820,058	2,573,730,280	89,778
<b>Total Liabilities</b>	<b>2,760,417,513</b>	<b>2,734,267,115</b>	<b>26,150,398</b>
<b>NET POSITION</b>			
Net investment in capital assets	582,613,341	639,544,350	(56,931,009)
Restricted	407,506,777	339,789,025	67,717,752
Unrestricted	(15,944,594)	(134,098,936)	118,154,342
<b>Total Net Position</b>	<b>\$ 974,175,524</b>	<b>\$ 845,234,439</b>	<b>\$ 128,941,085</b>

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**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.

Beginning net position was restated in 2014 due to GASB Statement No. 65, which no longer permits bond issuance costs to be amortized over the life of the bond. There was no restatement to beginning net position in 2013.

	<b>Governmental Activities</b>		
	<b>2014</b>	<b>2013</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 3,025,345	\$ 29,665,703	\$ (26,640,358)
Operating grants and contributions	304,855,388	294,770,170	10,085,218
Capital grants and contributions	23,429,966	14,575,163	8,854,803
General revenues			
Property taxes	813,823,805	667,042,357	146,781,448
Unrestricted federal and state aid	227,960,911	236,730,389	(8,769,478)
Other	59,641,974	66,988,743	(7,346,769)
<b>Total Revenues</b>	<b>1,432,737,389</b>	<b>1,309,772,525</b>	<b>122,964,864</b>
<b>EXPENSES</b>			
Instruction	734,168,427	721,298,351	12,870,076
Instruction-related services	132,880,938	132,310,938	570,000
Pupil services	190,227,597	183,499,167	6,728,430
General administration	52,906,778	54,003,610	(1,096,832)
Plant services	101,012,608	85,858,098	15,154,510
Ancillary and community services	4,260,058	3,706,511	553,547
Debt service	79,018,849	27,263,119	51,755,730
Other Outgo	11,647,169	1,951,406	9,695,763
Depreciation	79,948,102	77,455,815	2,492,287
Other	743,179	301,064	442,115
<b>Total Expenses</b>	<b>1,386,813,705</b>	<b>1,287,648,079</b>	<b>99,165,626</b>
<b>Change in net position</b>	<b>45,923,684</b>	<b>22,124,446</b>	<b>23,799,238</b>
<b>Net Position - Beginning, as Restated</b>	<b>825,372,652</b>	<b>823,109,993</b>	<b>2,262,659</b>
<b>Net Position - Ending</b>	<b>\$ 974,175,524</b>	<b>\$ 845,234,439</b>	<b>\$ 26,061,897</b>

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

As reported in the Statement of Activities on page 14, the net cost of all our governmental activities this year was \$1,055.5 million. The amount ultimately financed for these activities through taxes and State Aid was \$1,041.8 million, the cost paid by those who benefited from the programs was \$3.0 million, the costs from capital grants and contributions is \$23.4 million, the costs paid by other governments and organizations who subsidized certain programs with grants and contributions was \$304.9 million and other revenues contributed \$162.5 million.

	<b>Net Cost of Services</b>	
	<b>2014</b>	<b>2013</b>
Instruction	\$ 550,690,971	\$ 557,569,858
Instruction-related services	102,450,503	100,344,071
Pupil services	107,038,671	84,593,175
General administration	47,833,663	47,191,119
Plant services	73,913,208	49,694,954
Ancillary and community services	4,260,058	3,706,365
Debt service	79,018,849	27,263,119
Transfers to other agencies	11,246,316	656,632
Depreciation	79,948,102	77,455,815
Other	(897,335)	161,935
<b>Total Expenses</b>	<b>\$ 1,055,503,006</b>	<b>\$ 948,637,043</b>

**FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$983.4 million, which is greater than last year's ending fund balance of \$980.2 million. The District's General Fund had \$48.5 million less in operating revenues than expenditures for the year ended June 30, 2014. The District's Building Fund had \$167.5 million less in operating revenues than expenditures for the year ended June 30, 2014. The District's County School Facilities Fund had \$33.3 million less in operating revenues than expenditures for the year ended June 30, 2014. The District's Bond Interest and Redemption Fund had \$73.4 million more in operating revenues than expenditures for the year ended June 30, 2014. The District's Non-Major Governmental Funds had \$17.8 million more in operating revenues than expenditures for the year ended June 30, 2014.

**CURRENT YEAR BUDGET 2013-14**

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.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**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 – Local Control Funding Formula (LCFF) Sources of \$167.1 million, Federal grants and special projects of \$19.1million, State grants and special projects of (\$129.8) million, and Local grants and special projects of (\$10.3) million. At the time of budget adoption, LCFF had not been implemented and the District's original adopted budget was based on the revenue limit funding model. When the details of the LCFF funding model was provided, the District made the necessary adjustments to the budget to incorporate the Categorical programs that would now be funded through LCFF. This is noted in the large increase to LCFF Sources and the large decrease to State grants.
- Expenditures that were appropriated during the year which were not included in the originally adopted budget – Salaries and Benefits of \$11.2 million, Books and Supplies of \$20.3 million, Services and Other Operating Expenses of \$10.8 million, and Capital Outlay of (\$.2) million.

Even with these adjustments, actual revenues available were \$6.9 million below the final budgeted amounts. The most significant variances resulted from:

- LCFF Sources were \$7.1 million above final budget amounts.
- Federal revenues were \$10.9 million below final budget amounts. Impact Aid increased by \$1.9 million and NCLB/IASA grants were \$4.9 million below appropriations. Other Federal grants were \$7.8 million below appropriations which largely represents grant money that has been received but not spent by June 30, 2014.
- State and local revenues were \$3.2 million below final budget amounts. Special Education Master Plan and Special Education Infant program was \$.7 million above appropriations, After School Education Safety (ASES) program was \$.6 million below appropriation, CSR K-3 was \$.2 million below appropriations, Drug/Alcohol/Tobacco grant was \$.3 million below appropriations, Lottery was \$.1 million below appropriations, and Other State grants was \$.5 million below appropriations. Interagency Services was \$.7 million above appropriations, Special Ed SELPA Transfers from Other District was \$.3 million above appropriations, Interest was \$.3 million below appropriations, and various Local grants and miscellaneous revenues were \$2.9 million below appropriations.

Actual expenditures were \$57.8 million below the final budgeted amounts. The most significant positive variances resulted from:

- Salaries and benefits were \$21.5 million below final budget amounts. The variance is broken down as follows:
  - Unrestricted resources - \$4.7 million above
  - Federal, state, and local restricted resources - \$26.2 million below
- Books and supplies were \$27.9 million below final budget amounts. The variance is broken down as follows:
  - Unrestricted resources - \$11.1 million below
  - Federal, state, and local restricted resources - \$16.8 million below
- Capital Outlay was \$8.6 million below final budget amounts. The variance is broken down as follows:
  - Unrestricted resources - \$.1 million below
  - Federal, state, and local restricted resources – \$8.5 million below

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2013-14 the District had invested \$2,569.2 million in capital assets, net of depreciation.

	<b>Governmental Activities</b>		
	<b>2014</b>	<b>2013</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 272,018,659	\$ 271,184,488	\$ 834,171
Construction in progress	1,226,953,762	1,097,384,777	129,568,985
Land improvements	244,356,095	237,538,508	6,817,587
Buildings & improvements	1,511,584,673	1,422,523,233	89,061,440
Furniture & equipment	252,849,939	247,185,748	5,664,191
Accumulated depreciation	(938,552,894)	(864,946,863)	(73,606,031)
<b>Total Capital Assets</b>	<b>\$ 2,569,210,234</b>	<b>\$ 2,410,869,891</b>	<b>\$ 158,340,343</b>

**Long-Term Debt**

At year-end, the District had \$2,573.8 million in long-term debt, a decrease 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.)

	<b>Governmental Activities</b>		
	<b>2014</b>	<b>2013</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 2,562,237,872	\$ 2,524,666,353	\$ 37,571,519
Capital leases	-	2,000,000	(2,000,000)
Early retirement incentive	-	14,132,940	(14,132,940)
Compensated absences	25,872,213	25,148,400	723,813
Claims liability	62,899,000	59,057,000	3,842,000
Net OPEB obligation	9,794,481	7,137,745	2,656,736
Less: current portion of long-term debt	(86,983,508)	(38,550,372)	(48,433,136)
<b>Total Long-term Liabilities</b>	<b>\$ 2,573,820,058</b>	<b>\$ 2,593,592,066</b>	<b>\$ (19,772,008)</b>

This District issued two Proposition S bonds, series G and F. The Series A and A-1 bonds are short term bonds that will mature in two years or less. The Series F will primarily be used for information technology related projects approved in the ballot measure. The Series G is a longer term bond and will be used for construction projects consistent with the ballot language. The District also issued a \$199,285,000 bond refunding various bonds in Proposition MM.

The bonds issued in the current year were as follows:

- 2014, Election 2008 Series F \$15,095,000
- 2014, Election 2008 Series G \$50,000,726
- 2014, Refunding of Proposition MM Bonds \$199,285,000

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the new Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21, but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring 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.

The State's economy is expected to grow at a modest rate of about 3% annually over the next two years, according to the UCLA Anderson Economic Forecast for September 2014. In the California forecast, Senior Economist Jerry Nickelsburg writes, "The California economy is moving forward in an expansion from the depths of the Great Recession. But, even though the number of jobs is now higher than any time in the past, the state remains below its potential in output and employment. That we are entering the sixth year of expansion illustrates just how painfully plodding this recovery process has been." The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and remains uncertain.

GASB 68, *Accounting and Financial Reporting for Pensions*, will be effective in the following fiscal year, 2014-15. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to result. The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability will be reported in the Statement of Net Position as of June 30, 2015. The amount of the liability is unknown at this time but is anticipated to be material to the financial position of the District. To address the underfunding issues, the pension plans intend to raise employer rates in future years and the increased costs could be significant.

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.

All of these factors were considered in preparing the District's budget for the 2014-15 fiscal year.



**SAN DIEGO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**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.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,054,822,031
Accounts receivable	100,782,145
Inventory	2,726,485
Prepaid expenses	433,587
Capital assets, not depreciated	1,498,972,421
Capital assets, net of accumulated depreciation	1,070,237,813
<b>Total Assets</b>	<b>3,727,974,482</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amount on refunding	6,618,555
<b>LIABILITIES</b>	
Accrued liabilities	99,197,986
Unearned revenue	415,961
Long-term liabilities, current portion	86,983,508
Long-term liabilities, non-current portion	2,573,820,058
<b>Total Liabilities</b>	<b>2,760,417,513</b>
<b>NET POSITION</b>	
Net investment in capital assets	582,613,341
Restricted:	
Capital projects	142,576,780
Debt service	232,399,201
Educational programs	32,530,796
Unrestricted	(15,944,594)
<b>Total Net Position</b>	<b>\$ 974,175,524</b>

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

Function/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>					
Instruction	\$ 734,168,427	\$ 502,346	\$ 159,545,144	\$ 23,429,966	\$ (550,690,971)
Instruction-related services					
Instructional supervision and administration	47,423,053	118,677	27,371,433	-	(19,932,943)
Instructional library, media, and technology	9,393,164	831	1,245,472	-	(8,146,861)
School site administration	76,064,721	4,729	1,689,293	-	(74,370,699)
Pupil services					
Home-to-school transportation	35,914,968	1,130,071	5,542,693	-	(29,242,204)
Food services	58,233,974	2,285	48,107,939	-	(10,123,750)
All other pupil services	96,078,655	60,394	28,345,544	-	(67,672,717)
General administration					
Centralized data processing	21,020,345	-	-	-	(21,020,345)
All other general administration	31,886,433	28,835	5,044,280	-	(26,813,318)
Plant services	101,012,608	1,174,974	25,924,426	-	(73,913,208)
Ancillary services	3,236,728	-	-	-	(3,236,728)
Community services	1,023,330	-	-	-	(1,023,330)
Enterprise activities	743,179	-	1,640,514	-	897,335
Interest on long-term debt	79,018,849	-	-	-	(79,018,849)
Other Outgo	11,647,169	2,203	398,650	-	(11,246,316)
Depreciation (unallocated)	79,948,102	-	-	-	(79,948,102)
<b>Total Governmental Activities</b>	<b>\$ 1,386,813,705</b>	<b>\$ 3,025,345</b>	<b>\$ 304,855,388</b>	<b>\$ 23,429,966</b>	<b>(1,055,503,006)</b>
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					606,368,506
Property taxes, levied for debt service					187,069,044
Property taxes, levied for other specific purposes					20,386,255
Federal and state aid not restricted for specific purposes					227,960,911
Interest and investment earnings					4,253,731
Interagency revenues					4,333,878
Miscellaneous					153,933,553
<b>Subtotal, General Revenue</b>					<b>1,204,305,878</b>
<b>CHANGE IN NET POSITION</b>					<b>148,802,872</b>
<b>Net Position - Beginning, as Restated</b>					<b>825,372,652</b>
<b>Net Position - Ending</b>					<b>\$ 974,175,524</b>

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2014**

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 113,543,146	\$ 493,434,088	\$ 110,430,264	\$ 232,399,201	\$ 64,938,556	\$ 1,014,745,255
Accounts receivable	86,937,371	498,506	123,357	-	13,183,092	100,742,326
Due from other funds	31,321,046	14,325,835	5,844,462	-	4,845,906	56,337,249
Stores inventory	1,902,849	-	-	-	823,636	2,726,485
Prepaid expenditures	431,051	-	-	-	2,536	433,587
<b>Total Assets</b>	<b>\$ 234,135,463</b>	<b>\$ 508,258,429</b>	<b>\$ 116,398,083</b>	<b>\$ 232,399,201</b>	<b>\$ 83,793,726</b>	<b>\$ 1,174,984,902</b>
<b>LIABILITIES</b>						
Accrued liabilities	\$ 66,029,128	\$ 25,550,390	\$ 3,255,494	\$ -	\$ 4,344,381	\$ 99,179,393
Due to other funds	39,456,832	5,423,819	20,579,305	-	26,513,903	91,973,859
Unearned revenue	409,845	-	-	-	6,116	415,961
<b>Total Liabilities</b>	<b>105,895,805</b>	<b>30,974,209</b>	<b>23,834,799</b>	<b>-</b>	<b>30,864,400</b>	<b>191,569,213</b>
<b>FUND BALANCES</b>						
Nonspendable	2,387,900	-	-	-	826,173	3,214,073
Restricted	31,796,277	477,284,220	92,563,284	232,399,201	50,748,015	884,790,997
Committed	-	-	-	-	406,920	406,920
Assigned	43,347,963	-	-	-	948,218	44,296,181
Unassigned	50,707,518	-	-	-	-	50,707,518
<b>Total Fund Balances</b>	<b>128,239,658</b>	<b>477,284,220</b>	<b>92,563,284</b>	<b>232,399,201</b>	<b>52,929,326</b>	<b>983,415,689</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 234,135,463</b>	<b>\$ 508,258,429</b>	<b>\$ 116,398,083</b>	<b>\$ 232,399,201</b>	<b>\$ 83,793,726</b>	<b>\$ 1,174,984,902</b>

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT  
OF NET POSITION  
JUNE 30, 2014**

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**Total Fund Balance - Governmental Funds** \$ 983,415,689

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 3,507,763,128	
Accumulated depreciation	(938,552,894)	2,569,210,234

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

6,618,555

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 2,358,606,990	
Accreted interest	98,356,759	
Premiums	105,274,123	
Compensated absences	25,872,213	
Net OPEB obligation	9,794,481	(2,597,904,566)

Internal service funds:

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

12,835,612

**Total Net Position - Governmental Activities** \$ 974,175,524

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
LCFF sources	\$ 777,393,443	\$ -	\$ -	\$ -	\$ 509,600	\$ 777,903,043
Federal sources	97,257,592	-	-	-	52,175,394	149,432,986
Other state sources	172,925,157	-	23,075,740	1,335,301	17,230,441	214,566,639
Other local sources	44,410,339	2,096,389	779,168	186,127,396	57,421,429	290,834,721
<b>Total Revenues</b>	<b>1,091,986,531</b>	<b>2,096,389</b>	<b>23,854,908</b>	<b>187,462,697</b>	<b>127,336,864</b>	<b>1,432,737,389</b>
<b>EXPENDITURES</b>						
Current						
Instruction	728,927,663	-	-	-	16,357,031	745,284,694
Instruction-related services						
Instructional supervision and administration	43,647,891	-	-	-	4,911,948	48,559,839
Instructional library, media, and technology	9,675,823	-	-	-	-	9,675,823
School site administration	78,651,748	-	-	-	98,232	78,749,980
Pupil services						
Home-to-school transportation	36,134,838	-	-	-	77,952	36,212,790
Food services	331,257	-	-	-	58,671,290	59,002,547
All other pupil services	95,533,109	-	-	-	643,639	96,176,748
General administration						
Centralized data processing	21,020,345	-	-	-	-	21,020,345
All other general administration	27,184,611	-	-	-	2,266,764	29,451,375
Plant services	85,886,138	-	166,951	-	16,063,775	102,116,864
Facilities acquisition and maintenance	2,560,414	169,611,050	56,956,739	-	10,328,080	239,456,283
Ancillary services	3,236,728	-	-	-	-	3,236,728
Community services	997,391	-	-	-	-	997,391
Enterprise activities	670,067	-	-	-	73,112	743,179
Transfers to other agencies	1,182,873	-	-	-	-	1,182,873
Debt service						
Principal	2,000,000	-	-	30,222,432	-	32,222,432
Interest and other	2,825,025	-	-	83,789,668	1,970	86,616,663
<b>Total Expenditures</b>	<b>1,140,465,921</b>	<b>169,611,050</b>	<b>57,123,690</b>	<b>114,012,100</b>	<b>109,493,793</b>	<b>1,590,706,554</b>
<b>Excess (Deficiency) of Revenues</b>						
<b>Over Expenditures</b>	<b>(48,479,390)</b>	<b>(167,514,661)</b>	<b>(33,268,782)</b>	<b>73,450,597</b>	<b>17,843,071</b>	<b>(157,969,165)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	111,230,079	-	-	-	3,480,173	114,710,252
Other sources	-	65,095,726	-	232,049,045	102,879,188	400,023,959
Transfers out	(10,609,759)	-	(139,180)	-	(111,598,615)	(122,347,554)
Other uses	-	-	-	(231,198,555)	-	(231,198,555)
<b>Net Financing Sources (Uses)</b>	<b>100,620,320</b>	<b>65,095,726</b>	<b>(139,180)</b>	<b>850,490</b>	<b>(5,239,254)</b>	<b>161,188,102</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>52,140,930</b>	<b>(102,418,935)</b>	<b>(33,407,962)</b>	<b>74,301,087</b>	<b>12,603,817</b>	<b>3,218,937</b>
<b>Fund Balance - Beginning</b>	<b>76,098,728</b>	<b>579,703,155</b>	<b>125,971,246</b>	<b>158,098,114</b>	<b>40,325,509</b>	<b>980,196,752</b>
<b>Fund Balance - Ending</b>	<b>\$ 128,239,658</b>	<b>\$ 477,284,220</b>	<b>\$ 92,563,284</b>	<b>\$ 232,399,201</b>	<b>\$ 52,929,326</b>	<b>\$ 983,415,689</b>

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Net Change in Fund Balances - Governmental Funds** \$ 3,218,937

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$	240,583,033	
Depreciation expense:		<u>(79,948,102)</u>	160,634,931

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

256,802,432

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(298,347,014)

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF  
ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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Gain or loss from the disposal of capital assets: In governmental 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. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:	(2,294,588)
Accreted interest on long-term debt: In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.	1,627,266
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:	(723,813)
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:	(2,656,736)
Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:	14,132,940
Amortization of debt issuance premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:	4,345,798
Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:	5,444,164
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 148,802,872</b>

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



**SAN DIEGO UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2014**

	Governmental Activities				
	Internal Service Funds				
	Workers'				Total
Liability Insurance	Property Insurance	Compensation Fund	Vision Fund		
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 2,921,296	\$ 458,965	\$ 34,536,537	\$ 2,159,978	\$ 40,076,776
Accounts receivable	3,261	597	33,679	2,282	39,819
Due from other funds	-	-	35,692,126	123,993	35,816,119
<b>Total Assets</b>	<b>2,924,557</b>	<b>459,562</b>	<b>70,262,342</b>	<b>2,286,253</b>	<b>75,932,714</b>
<b>LIABILITIES</b>					
Current liabilities					
Accrued liabilities	17,400	1,193	-	-	18,593
Due to other funds	13,343	19,446	146,720	-	179,509
<b>Total current liabilities</b>	<b>30,743</b>	<b>20,639</b>	<b>146,720</b>	<b>-</b>	<b>198,102</b>
Non-current liabilities					
Claims payable	2,819,000	-	60,080,000	-	62,899,000
<b>Total non-current liabilities</b>	<b>2,819,000</b>	<b>-</b>	<b>60,080,000</b>	<b>-</b>	<b>62,899,000</b>
<b>Total Liabilities</b>	<b>2,849,743</b>	<b>20,639</b>	<b>60,226,720</b>	<b>-</b>	<b>63,097,102</b>
<b>NET POSITION</b>					
Unrestricted	74,814	438,923	10,035,622	2,286,253	12,835,612
<b>Total Net Position</b>	<b>\$ 74,814</b>	<b>\$ 438,923</b>	<b>\$ 10,035,622</b>	<b>\$ 2,286,253</b>	<b>\$ 12,835,612</b>

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Activities				
	Internal Service Funds				
	Workers'				
	Liability Insurance	Property Insurance	Fund	Vision Fund	Total
<b>OPERATING REVENUE</b>					
Transfers in from other funds	\$ 283,019	\$ 374,640	\$ 23,509,215	\$ 1,367,993	\$ 25,534,867
<b>Total operating revenues</b>	<b>283,019</b>	<b>374,640</b>	<b>23,509,215</b>	<b>1,367,993</b>	<b>25,534,867</b>
<b>OPERATING EXPENSE</b>					
Salaries and benefits	161,177	251,178	614,865	-	1,027,220
Supplies and materials	193	90,128	2,826	-	93,147
Payments for claims	3,514,794	2,418,787	19,599,909	1,197,441	26,730,931
<b>Total operating expenses</b>	<b>3,676,164</b>	<b>2,760,093</b>	<b>20,217,600</b>	<b>1,197,441</b>	<b>27,851,298</b>
<b>Operating income/(loss)</b>	<b>(3,393,145)</b>	<b>(2,385,453)</b>	<b>3,291,615</b>	<b>170,552</b>	<b>(2,316,431)</b>
<b>NON-OPERATING REVENUES/(EXPENSES)</b>					
Interest income	12,811	2,443	103,268	4,771	123,293
Transfers in	3,975,000	3,662,302	-	-	7,637,302
<b>Total non-operating revenues/(expenses)</b>	<b>3,987,811</b>	<b>3,664,745</b>	<b>103,268</b>	<b>4,771</b>	<b>7,760,595</b>
<b>CHANGE IN NET POSITION</b>					
Net Position - Beginning	(519,852)	(840,369)	6,640,739	2,110,930	7,391,448
<b>Net Position - Ending</b>	<b>\$ 74,814</b>	<b>\$ 438,923</b>	<b>\$ 10,035,622</b>	<b>\$ 2,286,253</b>	<b>\$ 12,835,612</b>

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2014**

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	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
<b>Cash flows from operating activities</b>	
Cash received from user charges	\$ 43,164,439
Cash payments for insurance claims	(23,443,618)
Cash payments for payroll, insurance, and operating costs	(1,444,033)
Net cash provided by (used for) operating activities	<u>18,276,788</u>
<b>Cash flows from non-capital financing activities</b>	
Interfund transfers in (out)	<u>7,637,302</u>
Net cash provided by (used for) non-capital financing activities	<u>7,637,302</u>
<b>Cash flows from investing activities</b>	
Interest received	<u>123,293</u>
Net cash provided by (used for) investing activities	<u>123,293</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>26,037,383</u>
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	<u>14,039,393</u>
End of year	<u>\$ 40,076,776</u>
<b>Reconciliation of operating income (loss) to cash provided by (used for) operating activities</b>	
Operating income (loss)	\$ (2,316,431)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(28,700)
(Increase) decrease in due from other funds	17,658,272
Increase (decrease) in accounts payable	(323,666)
Increase (decrease) in due to other funds	(554,687)
Increase (decrease) in claims liabilities	3,842,000
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 18,276,788</u>

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

SAN DIEGO UNIFIED SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2014

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	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,266,071
Accounts receivable	60,983
Prepaid expenses	2,303
Other assets	326,292
<b>Total Assets</b>	<u>\$ 7,655,649</u>
<b>LIABILITIES</b>	
Due to student groups	\$ 7,655,649
<b>Total Liabilities</b>	<u>\$ 7,655,649</u>

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

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The 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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization’s relationship with the District is such that exclusion would cause the District’s financial statements to be misleading or incomplete.

*Accountability:*

1. The District’s Board of Trustees appointed the component units’ board of directors.
2. The District is able to impose its will upon the component units, based on the following:
  - a. All major financing arrangements, contracts, and other transactions of the component units must have the consent of the District.
  - b. The District exercises significant influence over operations of the component units, as the District is the sole lessee of all facilities owned by the component units. Likewise, the District’s lease payments are the major revenue source of the component units.
3. The component units provide specific financial benefits or impose specific financial burdens on the District, based on the following:
  - a. Any deficits incurred by the component units will be reflected in the lease payments of the District.
  - b. Any surpluses of the component units revert to the District at the end of the lease period.
  - c. The District has assumed a “moral obligation,” and potentially a legal obligation, for any debt incurred by the component units.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Component Units (continued)

Based upon the application of the criteria listed above, the District’s sponsored charter schools have been excluded from the District’s reporting entity:

Charter Schools – There are 49 charter schools which operate within the District’s boundaries. These charter schools receive their funding directly from other government agencies, and have separate governing boards. Each charter school has an independent audit performed annually. The financial information has been grouped by business type, i.e., not-for-profit or governmental. The condensed unaudited financial information for June 30, 2014 is presented below:

	<u>Total</u> <u>Non-Profit</u>	<u>Total</u> <u>Governmental</u>	<u>Total</u> <u>Charter Schools</u>
<b>Total assets</b>	\$ 81,260,426	\$ 8,751,144	\$ 90,011,570
<b>Total liabilities</b>	18,090,530	354,397	18,444,927
<b>Total net assets</b>	<u>\$ 63,169,896</u>	<u>\$ 8,396,747</u>	<u>\$ 71,566,643</u>
<b>Total revenues</b>	\$ 159,897,105	\$ 7,817,140	\$ 167,714,245
<b>Total expenses</b>	152,605,765	7,788,965	160,394,730
<b>Change in net assets</b>	<u>\$ 7,291,340</u>	<u>\$ 28,175</u>	<u>\$ 7,319,515</u>

C. Basis of Presentation

**Government-Wide Statements.** The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. **Basis of Presentation** (*continued*)

**Fund Financial Statements.** The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

**Major Governmental Funds**

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

**Building Fund:** This fund exists 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*).

**County School Facilities Fund:** This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. 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 county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Non-Major Governmental Funds

**Special Revenue Funds:** 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:

**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. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b] and 52501.5[a]*).

**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 8328*).

**Cafeteria Special Revenue Fund:** This fund is used to account separately 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*).

**Deferred Maintenance Fund:** This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*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*).



SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

**Special Revenue Funds** (*continued*)

**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:** 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).

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

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

Proprietary Funds

**Internal Service Funds:** Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

**Self-Insurance Fund:** Self-insurance funds are used to separate moneys received for 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

**Trust and Agency Funds:** Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

**Student Body Fund:** The Student Body 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*).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**D. Basis of Accounting – Measurement Focus**

**Government-Wide, Proprietary, and Fiduciary Financial Statements**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

**Governmental Funds**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**D. Basis of Accounting – Measurement Focus (continued)**

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue**

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period, or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position**

**Cash and Cash Equivalents**

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

**Investments**

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, *continued*  
 JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Inventories**

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

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement 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 their fair market values as of the date received. 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 Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District’s policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

**Premiums and Discounts**

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

**Deferred Outflows/Deferred Inflows of Resources**

In addition to assets, the District will sometimes report 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - 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.

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. 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. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (*continued*)

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - 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. 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.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**H. Budgetary Data**

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

**I. Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

J. New Accounting Pronouncements

**GASB Statement No. 65** – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012. The District has implemented GASB Statement No. 65 for the year ended June 30, 2014. The District has implemented GASB statement No. 65 for the year ended June 30, 2014.

**GASB Statement No. 68** – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has not yet determined the impact on the financial statements, as it will be based on the liabilities provided by the pensions June 2014 report which is not yet available.

**GASB Statement No. 71** – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has not yet determined the impact on the financial statements, as it will be based on the liabilities provided by the pensions June 2014 report which is not yet available.



SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

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NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Cash in county	\$ 1,011,284,482	\$ 39,576,776	\$ 1,050,861,258	\$ -
Cash on hand and in banks	3,406,773	-	3,406,773	7,266,071
Cash with fiscal agent	-	500,000	500,000	-
Cash in revolving fund	54,000	-	54,000	-
<b>Total cash and cash equivalents</b>	<b>\$ 1,014,745,255</b>	<b>\$ 40,076,776</b>	<b>\$ 1,054,822,031</b>	<b>\$ 7,266,071</b>

B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The San Diego County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**Cash with a Fiscal Agent** – The total amount of \$500,000 represents cash held by Wells Fargo as a concentration account for the Self-Insurance Fund.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, *continued*  
JUNE 30, 2014

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NOTE 2 – CASH AND INVESTMENTS (*continued*)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$1,050,976,784 and an amortized book value of \$1,050,861,258. The average weighted maturity for this pool is 366 days.

NOTE 2 – CASH AND INVESTMENTS (*continued*)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2014, the pooled investments in the County Treasury were rated AA Af/S1 by Standard and Poor's.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District's bank balance was not exposed to custodial credit risk.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2014 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities	Total Fiduciary
Federal Government							
Categorical aid	\$ 16,750,511	\$ -	\$ -	\$ 9,938,098	\$ -	\$ 26,688,609	\$ -
State Government							
Apportionment	35,626,367	-	-	262,929	-	35,889,296	-
Categorical aid	19,961,854	-	-	544,962	-	20,506,816	-
Lottery	8,406,957	-	-	-	-	8,406,957	-
Local Government							
Other local sources	6,191,682	498,506	123,357	2,437,103	39,819	9,290,467	60,983
<b>Total</b>	<b>\$ 86,937,371</b>	<b>\$ 498,506</b>	<b>\$ 123,357</b>	<b>\$ 13,183,092</b>	<b>\$ 39,819</b>	<b>\$ 100,782,145</b>	<b>\$ 60,983</b>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 01, 2013	Additions	Deletions	Balance June 30, 2014
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 271,184,488	\$ 1,555,691	\$ 721,520	\$ 272,018,659
Construction in progress	1,097,384,777	240,583,033	111,014,048	1,226,953,762
Total Capital Assets not Being Depreciated	1,368,569,265	242,138,724	111,735,568	1,498,972,421
Capital assets being depreciated				
Land improvements	237,538,508	8,028,542	1,210,955	244,356,095
Buildings & improvements	1,422,523,233	93,498,467	4,437,027	1,511,584,673
Furniture & equipment	247,185,748	7,931,348	2,267,157	252,849,939
Total Capital Assets Being Depreciated	1,907,247,489	109,458,357	7,915,139	2,008,790,707
Less Accumulated Depreciation				
Land improvements	119,596,559	8,631,790	1,119,871	127,108,478
Buildings & improvements	547,628,068	57,402,941	3,109,971	601,921,038
Furniture & equipment	197,722,236	13,913,371	2,112,229	209,523,378
Total Accumulated Depreciation	864,946,863	79,948,102	6,342,071	938,552,894
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 2,410,869,891</b>	<b>\$ 271,648,979</b>	<b>\$ 113,308,636</b>	<b>\$ 2,569,210,234</b>

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

**NOTE 5 – INTERFUND TRANSACTIONS**

**A. Interfund Receivables/Payables (Due From/Due To)**

Individual interfund receivable and payable balances at June 30, 2014 were as follows:

Due To Other Funds	Due From Other Funds					Total
	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Self-Insurance	
General Fund	\$ 990,267	\$ 1,154	\$ 6,360	\$ 2,644,008	\$ 35,815,043	\$ 39,456,832
Building Fund	2,540,968	735,936	2,146,915	-	-	5,423,819
County School Facilities Fund	3,311,819	13,588,745	3,666,295	12,446	-	20,579,305
Non-Major Governmental Funds	24,299,559	-	24,892	2,189,452	-	26,513,903
Self-Insurance Fund	178,433	-	-	-	1,076	179,509
<b>Total Due From Other Funds</b>	<b>\$ 31,321,046</b>	<b>\$ 14,325,835</b>	<b>\$ 5,844,462</b>	<b>\$ 4,845,906</b>	<b>\$ 35,816,119</b>	<b>\$ 92,153,368</b>

Adult Education Fund due to General Fund for indirect cost, reimbursement of job cost, expenses, and for salary and employee benefits.	\$ 165,555
State Preschool Fund due to General Fund for indirect cost, reimbursement of job cost, expenses, and for salary and employee benefits.	6,076,811
Child Development Fund due to General Fund for indirect cost, reimbursement of job cost, expenses, and for salary and employee benefits.	906,063
Cafeteria Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.	15,655,891
Prop S Building 2012 Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.	1,484
Prop Z Building Fund due to General Fund for reimbursement of job cost and other expenses.	2,539,484
Capital Facilities Redevelopment Agency Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.	943,584
Developer Fees Capital Facilities Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.	211,504
County School Facilities Fund due to General Fund for reimbursement of job cost and expense.	3,311,819
Balboa Stadium Fund due to General Fund for reimbursement of expenses.	15,697
Property Management Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.	312,331
Liability Insurance Fund due to General Fund for reimbursement of salary and employee benefits.	13,345
Property Insurance fund due to General Fund for reimbursement of job cost and for salary and employee benefits.	18,369
Workers Compensation Fund due to General Fund for reimbursement of expenses and for salary and employee benefits.	146,720
Stores Revolving and SIM Revolving Fund due to General Fund for temporary loan and reimbursement of expenses.	192,096
General Fund due to Stores Revolving and Sim Revolving Fund for reimbursement of expenses.	794,074
Adult Ed Fund due to Stores Revolving for reimbursement of expenses.	577
Cafeteria Fund due to Stores Revolving for reimbursement of expenses.	11,546
SIM Revolving Fund due to Stores Revolving Fund for reimbursement of expenses.	4,096
General Fund due to County School Facilities Fund for reimbursement of expense.	6,360
General Fund due to Prop Z Building fund for reimbursement of expenses.	1,154
Prop S Building Bond Fund due to Prop S Building 2012 Fund for expenditure transfers.	506,924
Prop S Building 2012 Fund due to Prop Z Building Fund for reimbursement of expenses.	251
Prop S Building 2012 Fund due to Prop S State Matching Fund for reimbursement of expenses.	10,329
General Fund due to Adult Education Fund for prior year adj to state apportionment and Tier III Flexibility transfers.	111,087
General Fund due to State Preschool Fund to cover required expenses.	2,339,325
General Fund due to Child Development Fund for expenditure transfers.	27,472
State Preschool Fund due to Child Development Fund for expenditure transfers.	444,554
Child Development Fund due to State Preschool Fund for expenditure transfers.	497,016
Capital Facilities Redevelopment Fund due to State Preschool Fund to cover required expenses.	1,216,793
General Fund due to Cafeteria Fund for one day custodial expenses due to school closure for April fires.	14,880
General Fund due to Property Management Fund for transfers of salary expenditures.	151,243
General Fund due to Workers Compensation Fund for monthly premiums and for loan and interest.	35,691,050
General Fund due to Self Insured Vision Care Fund for monthly premiums.	123,993
County School Facilities Fund due to State Preschool Fund for reimbursement of expenses.	12,446
State Preschool Fund due to County School Facilities Fund for reimbursement of expenses.	24,892
Prop Z State Matching Fund due to Prop Z Building Fund for reimbursement of expenses.	13,588,745
Prop Z State Matching Fund due to County School Facilities Fund for reimbursement of expenses.	3,666,295
Prop Z Building Fund due to Prop S Building 2012 for reimbursement of expenses.	228,761
Prop Z Building Fund due to County School Facilities Fund for reimbursement of expenses.	2,136,587
Balboa Stadium Fund due to Property Management Fund for reimbursement of expenses.	31,089
Property Insurance Fund due to Workers Compensation Fund for reimbursement of expenses.	1,076
Total	\$ 92,153,368

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

**NOTE 5 – INTERFUND TRANSACTIONS (continued)**

**B. Operating Transfers**

Interfund transfers for the year ended June 30, 2014 consisted of the following:

Interfund Transfers Out	Interfund Transfers In			
	General Fund	Non-Major Governmental Funds	Self-Insurance	Total
General Fund	\$ 966,679	\$ 2,263,380	\$ 7,379,700	\$ 10,609,759
County School Facilities Fund	-	-	139,180	139,180
Non-Major Governmental Funds	110,263,400	1,216,793	118,422	111,598,615
<b>Total Interfund Transfers</b>	<b>\$ 111,230,079</b>	<b>\$ 3,480,173</b>	<b>\$ 7,637,302</b>	<b>\$ 122,347,554</b>
Transfer from the General Fund to the State Preschool Fund to cover required expenses.			\$	2,263,380
Transfer from the General fund to the Postemployment Benefits Fund for annual contribution for retirees' medical benefits per un				305,500
Transfer from the General Fund to the Postemployment Benefits Fund per Administrator's Association agreement.				267,744
Transfer from the General Fund to the Liability Insurance Fund for premiums and insurance costs.				3,975,000
Transfer from the General Fund to the Property Insurance Fund for premiums and insurance costs.				3,404,700
Transfer from the Postemployment Benefits Fund to the General Fund for reimbursement of premiums paid for retirees' medical benefits per union contract.				393,435
Transfer from the Facilities Master Plan Fund to the General Fund for Property Sales.				97,700,000
Transfer from the Property Management Fund to the General Fund for Certificated Teacher Moves.				263,400
Transfer from the Mesa CC Mid College Fund to the General Fund as part of the budget solutions for FY 2013/2014.				2,000,000
Transfer from the Capital Facilities Redevelopment Agency Fund to the General Fund for CCDC monies per Original Budget.				7,300,000
Transfer from the Capital Facilities Redevelopment Agency Fund to the General Fund for CCDC monies per Original Budget.				3,000,000
Transfer from the Capital Facilities Redevelopment Agency Fund to the State Preschool Fund to cover required expenses.				1,216,793
Transfer from the County Schools Facilities Fund to the Property Insurance Fund for Birney Fire Upgrades.				139,180
Transfer from the Developer Fee Capital Facilities Fund to the Property Insurance Fund for portable purchased for Birney Fire and then moved to Roosevelt for student population increase.				118,422
<b>Total</b>			<b>\$</b>	<b>122,347,554</b>

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2014 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Non-Major		Internal Service Funds	Total Governmental Activities
				Governmental Funds			
Payroll	\$ 30,281,804	\$ 1,263,866	\$ -	\$ -	\$ -	\$ -	\$ 31,545,670
Construction	208,148	24,286,524	3,255,494	2,965,388	-	-	30,715,554
Vendors payable	22,047,989	-	-	1,378,993	18,593	-	23,445,575
Other liabilities	13,491,187	-	-	-	-	-	13,491,187
<b>Total</b>	<b>\$ 66,029,128</b>	<b>\$ 25,550,390</b>	<b>\$ 3,255,494</b>	<b>\$ 4,344,381</b>	<b>\$ 18,593</b>	<b>\$ -</b>	<b>\$ 99,197,986</b>

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 7 – UNEARNED REVENUE**

Unearned revenue at June 30, 2014, consisted of the following:

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Activities</b>
Federal sources	\$ 12,923	\$ -	\$ 12,923
State categorical sources	190,318	-	190,318
Local sources	206,604	6,116	212,720
<b>Total</b>	<b>\$ 409,845</b>	<b>\$ 6,116</b>	<b>\$ 415,961</b>

**NOTE 8 – TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

On July 18, 2013, the District issued \$145,000,000 and \$75,000,000 of Tax and Revenue Anticipation Notes. The notes matured on January 31, 2014 and June 30, 2014 respectively, yield .15% and .18% interest. The notes were sold by the District to supplement cash flows.

The funds will be held with the trustee, The Depository Trust Company, unless and until the District needs to draw funds out. Repayment requirements are that approximately \$220,000,000 principal will be set aside in a repayment fund at the County Treasury and that the note is to be paid on the maturity date.

The monies were required to remain on deposit until maturity, at which time they were applied to pay the interest on the notes. All deposits were made to the Trustee on a timely basis. The District paid the note and is not required to make any additional payments on the note. The District has recorded the cash available to make the principal and interest payments as investments.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

**NOTE 9 – LONG-TERM DEBT**

A schedule of changes in long-term debt, excluding claims payable on self-insurance activities described in Note 15, for the fiscal year ended June 30, 2014 is as follows:

	Balance			Balance		Balance Due
	July 01, 2013	Additions	Deductions	June 30, 2014	In One Year	
<b>Governmental Activities</b>						
General obligation bonds	\$ 2,349,028,696	\$ 264,380,726	\$ 254,802,432	\$ 2,358,606,990	\$ 86,983,508	
Unamortized premium*	75,653,633	33,966,288	4,345,798	105,274,123	-	
Accreted interest	99,984,024	11,054,962	12,682,227	98,356,759	-	
Total general obligation bonds	2,524,666,353	309,401,976	271,830,457	2,562,237,872	86,983,508	
Capital leases	2,000,000	-	2,000,000	-	-	
Early retirement incentive	14,132,940	-	14,132,940	-	-	
Compensated absences	25,148,400	723,813	-	25,872,213	-	
Net OPEB obligation	7,137,745	2,656,736	-	9,794,481	-	
<b>Total</b>	<b>\$ 2,573,085,438</b>	<b>\$ 312,782,525</b>	<b>\$ 287,963,397</b>	<b>\$ 2,597,904,566</b>	<b>\$ 86,983,508</b>	

\*Per GASB 65 the issuance costs will no longer show net of premium, see footnote 19 for adjustment

**General Obligation Bonds**

**Proposition MM General Obligation Bond Authorization**

In November 1998, voters approved the issuance of general obligation bond, 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 through Series A through G totaling \$1.51 billion. The District issued a refunding bond for \$1,774.7 million to refund various portions of Proposition MM Series A through G.

**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 G totaling \$585.1 million including Qualified School Construction Bonds.

**Proposition Z General Obligation Bond Authorization**

On November 6, 2012, San Diego voters approved Proposition Z, a \$2.8 billion bond proposition that the District will use to maintain safe and productive learning environments for students. The bond is a Proposition 39 bond, which 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 C totaling \$530.0 million.



**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

**NOTE 9– LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

The outstanding general obligation bonded debt; not including premium and issuance costs of the District at June 30, 2014 is summarized in the following:

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding June 30, 2013	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2014	Amount Due in One Year
<b><u>Proposition MM</u></b>									
1998, Series A	5/27/1999	4.20 - 5.34	2023	\$ 139,995,085	\$ 64,830,488	\$ -	\$ -	\$ 64,830,488	\$ 7,051,795
A - Accreted Interest					69,657,919	7,146,919	7,963,205	68,841,633	-
1998, Series B	12/14/2000	4.40 - 5.35	2025	149,999,084	127,315,188	-	24,081,295	103,233,893	1,225,978
B - Accreted Interest					9,038,772	610,869	4,719,022	4,930,619	-
1998, Series C	11/21/2001	2.95 - 5.00	2026	199,995,712	161,505,000	-	27,770,000	133,735,000	4,490,000
1998, Series D	9/12/2002	2.10 - 5.25	2027	274,995,346	226,925,000	-	5,040,000	221,885,000	5,865,000
1998, Series E	8/19/2003	1.90 - 5.25	2028	349,993,599	301,859,622	-	132,044,622	169,815,000	-
1998, Series F	9/2/2004	1.95 - 5.00	2029	199,996,373	181,470,000	-	33,035,000	148,435,000	3,475,000
1998, Series G	9/8/2005	3.00 - 5.00	2030	195,024,802	165,295,000	-	31,495,000	133,800,000	4,900,000
Subtotal of Original Issue Before Refunding				1,510,000,001	1,307,896,989	7,757,788	266,148,144	1,049,506,633	27,007,773
R-1 Refunding (Various)	3/15/2012	2.00 - 5.00	2030	65,434,442	65,434,442	-	-	65,434,442	-
R-3 Refunding (Various)	4/16/2014	2.00 - 5.00	2029	199,285,000	-	199,285,000	-	199,285,000	-
<b>Total Proposition MM</b>				<b>1,774,719,443</b>	<b>1,373,331,431</b>	<b>207,042,788</b>	<b>266,148,144</b>	<b>1,314,226,075</b>	<b>27,007,773</b>

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

**NOTE 9– LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

The outstanding general obligation bonded debt; not including premium and issuance costs of the District at June 30, 2014 is summarized in the following (continued from schedule on the prior page):

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding June 30, 2013	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2014	Amount Due in One Year
<u>Proposition S</u>									
Series A	5/7/2009	2.50 - 6.19	2033	131,157,581	130,007,026	-	1,336,515	128,670,511	1,305,735
A - Accreted Interest					14,440,400	2,793,448	-	17,233,848	-
Series B QSCB	4/21/2009		2023	38,840,000	38,840,000	-	-	38,840,000	-
Series C	8/18/2010	6.1 - 6.625	2050	163,869,783	169,418,105	-	-	169,418,105	-
C - Accreted Interest					6,846,933	453,586	-	7,300,519	-
Series D QSCB	8/5/2010	5.26	2027	36,130,000	36,130,000	-	-	36,130,000	-
Series E	5/24/2012	4.89 - 5.48	2051	149,998,825	149,998,825	-	-	149,998,825	-
Series F	4/16/2014	1.00 - 5.00	2016	15,095,000	-	15,095,000	-	15,095,000	3,170,000
Series G	4/16/2014	5.18 - 5.58	2038	50,000,726	-	50,000,726	-	50,000,726	-
G - Accreted Interest					-	50,140	-	50,140	-
<b>Total Proposition S</b>				<b>585,091,915</b>	<b>545,681,289</b>	<b>68,392,900</b>	<b>1,336,515</b>	<b>612,737,674</b>	<b>4,475,735</b>
<u>Proposition Z</u>									
2013, Series A	4/30/2013	0.342	2014	52,500,000	52,500,000	-	-	52,500,000	52,500,000
2013, Series A-1	4/30/2013	0.426	2014	3,000,000	3,000,000	-	-	3,000,000	3,000,000
2013, Series B	4/30/2013	1.215	2015	60,500,000	60,500,000	-	-	60,500,000	-
2013, Series C	4/30/2013	4.00 - 5.00	2042	414,000,000	414,000,000	-	-	414,000,000	-
<b>Total Proposition Z</b>				<b>530,000,000</b>	<b>530,000,000</b>	<b>-</b>	<b>-</b>	<b>530,000,000</b>	<b>55,500,000</b>

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

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NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 Series A

Year Ended June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2015	\$ 7,051,795	\$ -	\$ 7,963,205	\$ 15,015,000
2016	6,921,036	-	8,693,964	15,615,000
2017	6,786,371	-	9,453,629	16,240,000
2018	6,647,904	-	10,242,096	16,890,000
2019	6,505,549	-	11,059,451	17,565,000
2020-2024	30,917,833	-	68,032,167	98,950,000
Total	\$ 64,830,488	\$ -	\$ 115,444,512	\$ 180,275,000

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. Accreted interest accrued of \$68,841,633 has not been reflected in the long-term debt balance in the schedule above.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 9 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**1998 Series B**

Year Ended	Total Debt		
June 30,	Principal	Interest	Service
2015	\$ 1,225,978	\$ 5,063,328	\$ 6,289,305
2016	1,182,915	3,222,875	4,405,790
2017	6,685,000	3,222,875	9,907,875
2018	7,560,000	3,222,875	10,782,875
2019	8,805,000	3,222,875	12,027,875
2020-2024	37,975,000	14,813,350	52,788,350
2025-2029	39,800,000	1,932,300	41,732,300
Total	\$ 103,233,893	\$ 34,700,478	\$ 137,934,371

Capital appreciation bonds were issued as part of the Series B issuance with maturity dates from July 1, 2004 through 2015. 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. Accreted interest accrued of \$4,930,619 has not been reflected in the long-term debt balance in the schedule above.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 9 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**1998 Series B (continued)**

During fiscal year 2004-05, the District issued its Series B-1 and B-2 General Obligation Refunding Bonds (the Series B Refunding Bonds), the proceeds of which were used to redeem certain maturities of the Series B General Obligation Bonds, on a crossover refunding basis. The Series B Bonds to be redeemed will remain outstanding until July 1, 2010 (the Series B Crossover date), upon which time proceeds of the Series B Refunding Bonds will be issued to redeem the principal and premium, if any, of the specific maturities to be redeemed. Principal of \$126,225,000 of the Series B Bonds was redeemed on July 1, 2010 for the bond scheduled to mature on July 1, 2016 through July 1, 2025.

**1998 Series C**

Year Ended June 30,	Total Debt		
	Principal	Interest	Service
2015	\$ 4,490,000	\$ 7,194,475	\$ 11,684,475
2016	5,250,000	6,950,975	12,200,975
2017	-	6,819,725	6,819,725
2018	-	6,819,725	6,819,725
2019	-	6,819,725	6,819,725
2020-2024	57,810,000	26,852,100	84,662,100
2025-2029	66,185,000	5,855,988	72,040,988
<b>Total</b>	<b>\$ 133,735,000</b>	<b>\$ 67,312,713</b>	<b>\$ 201,047,713</b>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series C bonds included a premium of \$15,332,829. This amount is amortized using a straight-line method. Amortization of \$623,286 was recognized during the 2013-14 year. In addition, the District incurred issuance costs of \$1,671,006.

Capital appreciation bonds were issued as part of the Series C issuance with maturity dates from July 1, 2004 through 2012, 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.

During fiscal year 2004-05, the District issued its Series C-1 and C-2 General Obligation Refunding Bonds (the Series C Refunding Bonds), the proceeds of which are to be used to redeem certain maturities of the Series C General Obligation Bonds, on a crossover refunding basis..

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 9 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**1998 Series D**

Year Ended	Total Debt			
	June 30,	Principal	Interest	Service
2015	\$ 5,865,000	\$ 11,391,025	\$ 17,256,025	
2016	6,750,000	11,075,650	17,825,650	
2017	7,700,000	10,714,400	18,414,400	
2018	7,895,000	10,304,788	18,199,788	
2019	8,975,000	9,840,863	18,815,863	
2020-2024	64,120,000	39,918,250	104,038,250	
2025-2029	120,580,000	13,530,713	134,110,713	
<b>Total</b>	<b>\$ 221,885,000</b>	<b>\$ 106,775,689</b>	<b>\$ 328,660,689</b>	

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series D bonds included a premium of \$12,104,117. This amount is amortized using a straight-line method. Amortization of \$488,069 was recognized during the 2013-14 year. In addition, the District incurred issuance costs of \$2,073,510.

Capital appreciation bonds were issued as part of the Series D issuance with maturity dates from July 1, 2004 through 2010, 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. The accreted interest accrued has been redeemed, there is no accreted interest reflected in the long-term debt balance.

During fiscal year 2004-05, the District issued its Series D-1 and D-2 and D-3 General Obligation Refunding Bonds (the Series D Refunding Bonds), the proceeds of which were used to redeem certain maturities of the Series D General Obligation Bonds, on a crossover refunding basis.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 9 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**1998 Series E**

Year Ended	Total Debt		
June 30,	Principal	Interest	Service
2015	\$ -	\$ 8,951,100	\$ 8,951,100
2016	-	8,951,100	8,951,100
2017	-	8,951,100	8,951,100
2018	-	8,951,100	8,951,100
2019	-	8,951,100	8,951,100
2020-2024	-	44,755,500	44,755,500
2025-2029	169,815,000	27,289,225	197,104,225
<b>Total</b>	<b>\$ 169,815,000</b>	<b>\$ 116,800,225</b>	<b>\$ 286,615,225</b>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series E bonds included a premium of \$13,791,022. This amount is amortized using a straight-line method. Amortization of \$553,856 was recognized during the 2013-14 year. In addition, the District incurred issuance costs of \$2,909,922.

Capital appreciation bonds were issued as part of the Series E issuance with maturity dates from July 1, 2005 through 2013, 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. The accreted interest accrued has been redeemed in the current year, there is no accreted interest reflected in the long-term debt balance.

During fiscal year 2004-05, the District issued its Series E-1 and E-2 General Obligation Refunding Bonds (the Series E Refunding Bonds), the proceeds of which were used to redeem certain maturities of the Series E General Obligation Bonds, on a crossover refunding basis. The Series E Bonds to be redeemed will remain outstanding until July 1, 2013 (the Series E Crossover Date), upon which time proceeds of the Series E Refunding Bonds will be used to redeem the principal and premium, if any, of the specific maturities to be redeemed. Principal of \$132,044,622 of the Series E Bonds was redeemed on July 1, 2013.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 9 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**1998 Series F**

Year Ended			Total Debt
June 30,	Principal	Interest	Service
2015	\$ 3,475,000	\$ 6,970,889	\$ 10,445,889
2016	-	6,907,905	6,907,905
2017	-	6,907,905	6,907,905
2018	-	6,907,905	6,907,905
2019	-	6,907,905	6,907,905
2020-2024	6,345,000	34,269,424	40,614,424
2025-2029	72,520,000	28,266,956	100,786,956
2030-2034	66,095,000	1,487,138	67,582,138
<b>Total</b>	<b>\$ 148,435,000</b>	<b>\$ 98,626,027</b>	<b>\$ 247,061,027</b>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The amount of the premium remaining after the 2006 refunding is \$2,153,823. This amount is amortized using a straight-line method. Amortization of \$94,882 was recognized during of 2013-14 year. In addition, the District incurred issuance costs of \$442,063.

Capital appreciation bonds were issued as part of the Series F issuance with maturity dates from July 1, 2006 through 2012, 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.

On November 14, 2006 the District issued \$144,960,000 in current interest bonds, Series F-1. Interest rates range from 4.0% to 5.25% payable semiannually on January 1 and July 1. The proceeds were issued to pay off portions of the 1998 Election, Series F general obligation bonds. The proceeds were placed into an irrevocable trust escrow account and will be used to fund future required principal and interest payments of the refunded bonds. The refunded portions of the bonds are considered in-substance defeased and are not recorded on the financial statements.



**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 9 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**1998 Series G**

Year Ended	Total Debt			
	June 30,	Principal	Interest	Service
2015	\$ 4,900,000	\$ 6,238,231	\$ 11,138,231	
2016	4,800,000	6,054,031	10,854,031	
2017	4,650,000	5,872,006	10,522,006	
2018	-	5,785,981	5,785,981	
2019	-	5,785,981	5,785,981	
2020-2024	-	28,929,906	28,929,906	
2025-2029	73,995,000	23,881,300	97,876,300	
2030-2034	45,455,000	1,021,647	46,476,647	
<b>Total</b>	<b>\$ 133,800,000</b>	<b>\$ 83,569,083</b>	<b>\$ 217,369,083</b>	

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The amount of the premium remaining after the 2006 refunding is \$3,911,207. This amount is amortized using a straight-line method. Amortization of \$172,299 was recognized during of 2013-14 year. In addition, the District incurred issuance costs of \$712,658.

On November 14, 2006 the District issued \$117,705,000 in current interest bonds, Series G-1. Interest rates range from 4.0% to 5.25% payable semiannually on January 1 and July 1. The proceeds were issued to pay off portions of the 1998 Election, Series G general obligation bonds. The proceeds were placed into an irrevocable trust escrow account and will be used to fund future required principal and interest payments of the refunded bonds. The refunded portions of the bonds are considered in-substance defeased and are not recorded on the financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

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NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 R-1 and R-2 Refunding

Year Ended June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2015	\$ -	\$ -	\$ -	\$ -
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020-2024	-	-	-	-
2025-2029	-	-	-	-
2030-2034	65,434,442	-	99,255,558	164,690,000
Total	\$ 65,434,442	\$ -	\$ 99,255,558	\$ 164,690,000

On March 15, 2012 the District issued \$65,434,442 in current interest bonds, to refund various Proposition MM bonds. Interest rates range from 4.0% to 5.25% payable semiannually on January 1 and July 1. The proceeds were issued to pay off portions of the 1998 Election, Series A, general obligation bonds. The proceeds were placed into an irrevocable trust escrow account and will be used to fund future required principal and interest payments of the refunded bonds. The refunded portions of the bonds are considered in-substance defeased and are not recorded on the financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

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NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 R-3 Refunding

Year Ended June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2015	\$ -	\$ 6,907,100	\$ -	\$ 6,907,100
2016	7,155,000	9,587,325	-	16,742,325
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
2020-2024	123,350,000	18,593,875	-	141,943,875
2025-2029	12,780,000	1,027,250	-	13,807,250
2030-2034	2,685,000	67,125	-	2,752,125
<b>Total</b>	<b>\$ 199,285,000</b>	<b>\$ 61,815,650</b>	<b>\$ -</b>	<b>\$ 261,100,650</b>

On April 16, 2014 the District issued \$199,285,000 in current interest bonds, to refund various Proposition MM bonds.. Interest rates range from 4.0% to 5.25% payable semiannually on January 1 and July 1. The proceeds were issued to pay off portions of the 1998 Election, Series B, C, E, F, and G general obligation bonds. The proceeds were placed into an irrevocable trust escrow account and will be used to fund future required principal and interest payments of the refunded bonds. The refunded portions of the bonds are considered in-substance defeased and are not recorded on the financial statements.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 9 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**2008 Series A**

Year Ended			Accreted	Total Debt
June 30,	Principal	Interest	Interest	Service
2015	\$ 1,305,735	\$ -	\$ 234,265	\$ 1,540,000
2016	1,085,319	-	264,681	1,350,000
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
2020-2024	4,952,880	35,999,100	3,047,120	43,999,100
2025-2029	28,677,891	39,999,000	49,147,109	117,824,000
2030-2034	90,001,073	28,829,400	115,168,927	233,999,400
<b>Total</b>	<b>\$128,670,511</b>	<b>\$104,827,500</b>	<b>\$168,909,488</b>	<b>\$402,407,500</b>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series A bonds included a premium of \$3,503,141 that was used to pay for bond issuance costs in the same amount. These amounts were amortized using the straight-line method. Premium amortization of \$144,758 amortization was recognized during the 2013-14 year.

Capital appreciation bonds were issued as part of the Series A issuance with a maturity date of July 1, 2033, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity \$17,233,848 has not been reflected in the long-term debt balance in the table above.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS, continued  
 JUNE 30, 2014

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NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

2008 Series B

Year Ended	Principal		Interest		Total Debt Service	
	June 30,					
2015	\$	-	\$	-	\$	-
2016		-		-		-
2017		-		-		-
2018		-		-		-
2019		3,840,000		-		3,840,000
2020-2024		35,000,000		-		35,000,000
<b>Total</b>	<b>\$</b>	<b>38,840,000</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>38,840,000</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.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 9 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**2008 Series C**

Year Ended June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2015	\$ -	\$ -	\$ -	\$ -
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020-2024	-	-	-	-
2025-2029	-	-	-	-
2030-2034	18,723,933	63,494,331	48,806,067	131,024,331
2035-2039	27,169,459	90,706,188	116,230,541	234,106,188
2040-2044	86,436,779	53,053,663	320,258,221	459,748,663
2045-2049	36,605,888	23,546,244	248,239,112	308,391,244
2050-2053	482,046	174,238	1,277,954	1,934,238
<b>Total</b>	<b>\$ 169,418,105</b>	<b>\$ 230,974,663</b>	<b>\$ 734,811,895</b>	<b>\$ 1,135,204,663</b>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The amount of the premium is \$35,886,872. This amount is amortized using a straight-line method. Amortization of \$147,911 was recognized during the 2013-14 year. In addition, the District incurred issuance costs of \$2,149,921.

Capital appreciation bonds were issued as part of the Series C issuance with a maturity date of July 1, 2050, each capital appreciation bond will accrete interest on the principal component with all interest accreting through the applicable maturity \$7,300,519 has been reflected in the long-term debt balance.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 9 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**2008 Series D**

Year Ended	Principal		Interest		Total Debt
June 30,					Service
2015	\$	-	\$	136,832	\$ 136,832
2016		-		136,832	136,832
2017		-		136,832	136,832
2018		-		136,832	136,832
2019		-		136,832	136,832
2020-2024		-		615,742	615,742
2025-2029		36,130,000		-	36,130,000
<b>Total</b>	<b>\$</b>	<b>36,130,000</b>	<b>\$</b>	<b>1,299,900</b>	<b>\$ 37,429,900</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 \$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.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 9 – LONG-TERM DEBT (continued)**

**2008 Series E**

Year Ended June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2015	\$ -	\$ -	\$ -	\$ -
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020-2024	-	-	-	-
2025-2029	-	-	-	-
2030-2034	11,361,336	21,095,981	21,598,664	54,055,981
2035-2039	23,195,839	68,663,563	47,014,161	138,873,563
2040-2044	26,310,403	54,194,628	48,969,597	129,474,628
2045-2049	62,636,223	17,831,428	155,127,459	235,595,109
2050-2053	26,495,024	-	179,517,985	206,013,009
<b>Total</b>	<b>\$149,998,825</b>	<b>\$161,785,600</b>	<b>\$452,227,866</b>	<b>\$764,012,290</b>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series E bonds included a premium of \$887,319 that was used to pay for bond issuance costs in the same amount. These amounts were amortized using the straight-line method. Premium amortization of \$22,693 was recognized during the 2013-14 year.

**2008 Series F**

Year Ended June 30,	Principal	Interest	Total Debt Service
2015	\$ 3,170,000	\$ -	\$ 3,170,000
2016	-	144,315	144,315
2017	11,925,000	298,125	12,223,125
<b>Total</b>	<b>\$ 15,095,000</b>	<b>\$ 442,440</b>	<b>\$ 15,537,440</b>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series F bonds included a premium of \$887,319 that was used to pay for bond issuance costs in the same amount.



**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 9 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**2008 Series G**

Year Ended June 30,	Principal	Accreted Interest	Total Debt Service
2015	\$ -	\$ -	\$ -
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020-2024	-	-	-
2025-2029	-	-	-
2030-2034	13,250,929	21,399,071	34,650,000
2035-2039	36,749,798	86,035,202	122,785,000
<b>Total</b>	<b>\$ 50,000,726</b>	<b>\$107,434,274</b>	<b>\$157,435,000</b>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series G bonds included a premium of \$887,319 that was used to pay for bond issuance costs in the same amount.

**NOTE 9 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**2013 Series A**

Year Ended June 30,	Principal	Interest	Total Debt Service
2015	\$ 52,500,000	\$ 89,775	\$ 52,589,775
<b>Total</b>	<b>\$ 52,500,000</b>	<b>\$ 89,775</b>	<b>\$ 52,589,775</b>

**2013 Series A-1**

Year Ended June 30,	Principal	Interest	Total Debt Service
2015	\$ 3,000,000	\$ 6,390	\$ 3,006,390
<b>Total</b>	<b>\$ 3,000,000</b>	<b>\$ 6,390</b>	<b>\$ 3,006,390</b>

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 9 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**2013 Series B**

Year Ended			Total Debt
June 30,	Principal	Interest	Service
2015	\$ -	\$ 735,000	\$ 735,000
2016	60,500,000	367,500	60,867,500
<b>Total</b>	<b>\$ 60,500,000</b>	<b>\$ 1,102,500</b>	<b>\$ 61,602,500</b>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The amount of the premium is \$970,710. This amount is amortized using a straight-line method. Amortization of \$448,020 was recognized during the 2013-14 year. In addition, the District incurred issuance costs of \$264,328.

**2013 Series C**

Year Ended			Total Debt
June 30,	Principal	Interest	Service
2015	\$ -	\$ 17,228,900	\$ 17,228,900
2016	7,000,000	17,211,400	24,211,400
2017	-	17,193,900	17,193,900
2018	-	17,193,900	17,193,900
2019	-	17,193,900	17,193,900
2020-2024	9,900,000	85,494,725	95,394,725
2025-2029	26,865,000	81,677,725	108,542,725
2030-2034	53,690,000	72,292,750	125,982,750
2035-2039	112,240,000	54,347,950	166,587,950
2040-2044	204,305,000	18,159,700	222,464,700
<b>Total</b>	<b>\$414,000,000</b>	<b>\$397,994,850</b>	<b>\$811,994,850</b>

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The amount of the premium is \$25,605,087. This amount is amortized using a straight-line method. Amortization of \$887,889 was recognized during the 2013-14 year. In addition, the District incurred issuance costs of \$2,347,177.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 9 – LONG-TERM DEBT (continued)**

**Early Retirement Incentive**

In 2008-09, the District offered an early retirement incentive, through the Public Agency Retirement Services, which was accepted by 1,062 certificated and classified employees, who were eligible to retire under STRS or PERS and who had at least 5 years of district service. A benefit of 100% of the employee's contract salary was paid to each employee in exchange for their early retirement. The District projects a net cost savings for the non-replacement employees over the next five years to be \$31.9 million. The total liability for the incentive paid amounts to \$70,893,394, there are no payments outstanding as of June 30, 2014.

**Capital Lease**

On April 10, 2010 the District entered in to a lease agreement with the City of San Diego for a portion of the building known as the "New San Diego Central Library" for an initial Lease term of 40 years starting on first day of the first month following occupancy date.

The District will prepay using Proposition S Funds as follows:

- Five Million Dollars (\$5,000,000) shall be paid on the Commencement of Construction.
- Five Million Dollars (\$5,000,000) shall be paid when the Building is twenty-five percent (25%) complete, as certified by project architect.
- Five Million Dollars (\$5,000,000) shall be paid when the Building is fifty percent (50%) complete, as certified by project architect.
- Three Million Dollars (\$3,000,000) shall be paid when the Building is seventy-five percent (75%) complete, as certified by project architect.
- Two Million Dollars (\$2,000,000) shall be paid upon Completion of Construction.

As of June 30, 2014 the capital lease has been paid off.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

**NOTE 10 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2014:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Non-spendable</b>						
Revolving cash	\$ 54,000	\$ -	\$ -	\$ -	\$ -	\$ 54,000
Stores inventory	1,902,850	-	-	-	823,636	2,726,486
Prepaid expenditures	431,050	-	-	-	2,537	433,587
Total non-spendable	2,387,900	-	-	-	826,173	3,214,073
<b>Restricted</b>						
Educational programs	31,796,277	-	-	-	4	31,796,281
Capital projects	-	477,284,220	92,563,284	-	50,013,496	619,861,000
Debt service	-	-	-	232,399,201	-	232,399,201
All others	-	-	-	-	734,515	734,515
Total restricted	31,796,277	477,284,220	92,563,284	232,399,201	50,748,015	884,790,997
<b>Committed</b>						
Adult education	-	-	-	-	226,062	226,062
Deferred maintenance	-	-	-	-	180,858	180,858
Total committed	-	-	-	-	406,920	406,920
<b>Assigned</b>						
Other assignments	41,729,160	-	-	-	-	41,729,160
Post employment benefits	1,618,803	-	-	-	-	1,618,803
Child development	-	-	-	-	12,731	12,731
Cafeteria	-	-	-	-	457,017	457,017
Pupil transportation	-	-	-	-	478,470	478,470
Total assigned	43,347,963	-	-	-	948,218	44,296,181
<b>Unassigned</b>						
Reserve for economic uncertainties	22,483,000	-	-	-	-	22,483,000
Remaining unassigned	28,224,518	-	-	-	-	28,224,518
Total unassigned	50,707,518	-	-	-	-	50,707,518
<b>Total</b>	<b>\$ 128,239,658</b>	<b>\$ 477,284,220</b>	<b>\$ 92,563,284</b>	<b>\$ 232,399,201</b>	<b>\$ 52,929,326</b>	<b>\$ 983,415,689</b>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Fund Balance Policy establishes a minimum Unassigned Fund Balance equal to 2 percent of total General Fund expenditures. In the event that the balance drops below the established minimum level, the District's governing board will develop a plan to replenish the fund balance to the established minimum level within one year.

**NOTE 11 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

The District administers two types of postemployment benefits plans: (1) a defined contribution plan that provides a monthly stipend for eligible employees, who are under age 67 and with 17 years of service or more; and, (2) an implicit rate subsidy for all retirees that elect to purchase benefits at the District's negotiated insurance premium rates. Each plan is described as follows:

**Defined Contribution Monthly Stipend Plan**

The District administers a defined contribution postemployment health care benefit plan, whereby a contribution is made by the District each year, pursuant to collective bargaining agreements, for the payment of monthly benefits to the plan members. The contribution is calculated using a base amount plus cost-of-living percentage increases equal to negotiated increases in salary schedules.

According to bargaining agreements with the various bargaining units the District is obligated to contribute specified annual amounts to each of the bargaining units. District contributions end if they are not re-negotiated and included in subsequent bargaining agreements. The bargaining units are responsible for establishing the amount of the monthly stipend distributed to eligible retirees. The monthly distributions are based on periodic projections of the available funds and number of participating retirees.

The stipend arrangement does not result in a GASB No. 45 obligation and the actuary has not included this benefit in the valuation. As of July 1, 2013, 949 retirees received a monthly stipend.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 11 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	949
Active plan members	11,646
Total	<u>12,595</u>
 Number of participating employers	 1

As of July 1, 2013 actuarial study

The District’s funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the District’s Governing Board.

The District’s annual 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 Statement No. 45. 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 accrued liabilities (UAAL) (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 to the Plan:

Annual required contribution	\$ 5,452,162
Interest on net OPEB obligation	321,199
Adjustment to annual required contribution	<u>(355,678)</u>
Annual OPEB cost (expense)	5,417,683
Contributions made	<u>(2,760,947)</u>
Increase (decrease) in net OPEB obligation	2,656,736
Net OPEB obligation, beginning of the year	<u>7,137,745</u>
Net OPEB obligation, end of the year	<u>\$ 9,794,481</u>

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2014 and the preceding two years were as follows:

<b>Year Ended June 30,</b>	<b>Annual OPEB Cost</b>	<b>Percentage Contributed</b>	<b>Net OPEB Obligation</b>
2014	\$ 5,417,683	51%	\$ 9,794,481
2013	\$ 4,101,470	68%	\$ 7,137,745
2012	\$ 3,870,576	73%	\$ 5,840,945

**Funded Status and Funding Progress**

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2013	\$ -	\$ 63,433,214	\$ 63,433,214	0%	\$ 772,445,263	8%

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, investment returns, 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 District obtains a new actuarial every two years.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, 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.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2014

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NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Actuarial Methods and Assumptions

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.

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2013
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level-percentage of payroll
Remaining Amortization Period	24
Actuarial Assumptions:	
Discount rate	4.5%
Health care trend rate	5.0%



**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS**

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

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Funding Policy**

Active plan members are required to contribute 8.0% of their salary for fiscal year 2014 and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2013-14	\$ 42,920,415	100%
2012-13	\$ 42,199,685	100%
2011-12	\$ 42,099,065	100%

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$26,555,592 to CalSTRS (5.204% of 2011-12 creditable compensation subject to CalSTRS).

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS (continued)**

**California Public Employees’ Retirement System (CalPERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Funding Policy**

Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees’ Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member’s contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2014 was 11.442% of annual payroll. The District’s contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2013-14	\$ 26,165,377	100%
2012-13	\$ 25,037,744	100%
2011-12	\$ 23,643,982	100%

**NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

**NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)**

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

**C. Construction Commitments**

<b>Capital Projects</b>	<b>Remaining Construction Commitment Less Accruals</b>	<b>Capital Projects</b>	<b>Remaining Construction Commitment Less Accruals</b>
Jefferson ES Front Entrance	701,297	Downtown Charter HS	250,000
Cubberley ES storm drain repair	4,000	Knox ES - WSM & New Classrm. Bldg.	80,760
K2 Modifications Chavez ES	4,460	CPMA - PAC	140,864
K2 Modifications Jefferson ES	(18,908)	CPMA - WSM	1,578,438
K2 Modifications Rosa Parks	8,328	Millennial Tech MS New Classroom Bldg.	59,271
San Diego HS Remove/Replace 12K Volt Elec Substation	414,821	Salk ES New School	816,173
Webster ES - HVAC Upgrade	20,415	Chollas ES WSM	1,169,418
Euclid ES - New Classroom Bldg.	2,415	SCPA Live Broadcast & Live Theatre	605,777
Hoover HS Building Remodel (AOIT)	36,101	Hamilton ES WSM	5,599,930
HVAC 2000 Region 1 - Scripps Ranch HS	4,199,858	Patrick Henry HS New Theater	14,994,635
HVAC 2000 Region 1 - Hickman ES	88,034	Patrick Henry HS WSM	18,442,628
HVAC 2000 Region 1 - Tierrasanta ES	63,335	Kearny HS Stadium & Athletic Fields	6,872,302
HVAC 2000 Region 1 - Vista Grande ES	96,214	Kearny HS Track and Field	1,054,489
HVAC 2000 Region 1 - Miramar Ranch ES	166,944	Mission Bay HS Athletic Field Upgrade	7,253,325
HVAC 2000 Region 1 - Mason ES	204,025	Audubon ES Slope Repair	121,895
HVAC 2000 Region 1 - Hage ES	1,552,093	Clairemont HS (AOBT)	4,905,968
HVAC 2000 Region 1 - Spreckels ES	114,591	Pershing MS WSM	13,821,373
HVAC 2000 Region 1 - Sandburg ES	137,174	SDHS Sci-Tech CTE	1,548,822
HVAC 2000 Region 1 - Dingeman ES	1,501,605	UCHS Athletic & Site Improvements	16,300,677
HVAC 2000 Region 2 - Language Academy	182,128	Dana MS Baseball Field	1,243,390
HVAC 2000 Region 2 - Green ES	18,548	Green ES Running Track	210,840
HVAC 2000 Region 2 - Gage ES	1,801,953	Bell MS WSM	17,592,795
HVAC 2000 Region 3 - Marshall ES	2,544,757	Standley MS 12KV Sub-Station	820,700
HVAC 2000 Region 4 - Valencia Park ES	1,011,791	Sherman ES Stage Lighting	61,980
HVAC 2000 Region 4 - Nye ES	1,216,835	Correia MS Exterior Paint	70,000
HVAC 2000 Region 4 - Oak Park ES	1,784,864	San Diego HS Exterior Paint	174,000
HVAC 2000 Region 4 - Carver ES	1,593,305	Serra HS Exterior Paint	162,000
HVAC 2000 Region 5 - Zamorano ES	1,629,090	Challenger MS Exterior Paint	72,000
HVAC 2000 Region 5 - Audubon ES	1,528,103	Clark MS Exterior Paint	219,000
HVAC 2000 Region 5 - Freese ES	1,731,399	Deportola MS Exterior Paint	113,800
ERATE - AT&T Yr 12	8,010,140	Farb MS Exterior Paint	79,400
ERATE - AT&T Yr 14	4,864,466	Kearny HS Exterior Paint	196,660
ERATE - Vector Yr 12	2,300,322	Morse HS Exterior Paint	259,000
ERATE - Vector Yr 14	2,044,638	Scripps Ranch HS Exterior Paint	316,849
K2 Modifications Miramar Ranch ES	40,113	Taft MS Exterior Paint	87,800
K2 Modifications Vista Grande	33,666	Emerson/Bandini ES New ST Field	406,819
K2 Modifications Balboa ES	139,360	Fulton ES New ST Field	758,307
		PPO	236,978
		<b>Total</b>	<b>160,471,343</b>

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

In November 2003, the Board approved the establishment of San Diego City Schools Financing Authority, a JPA between the San Diego Board of Education and the District. The purpose of this JPA is to provide assistance to the District in connection with the financing and refinancing of public capital improvements within the criteria of QZAB. In order to accomplish this, the Board approved a lease agreement between the JPA and the District whereby the District would lease certain parcels of real property including improvements to the Authority and a sublease whereby the District would rent these properties. The rental payments would be used to finance the repayment of bonds.

In November 2003, the JPA issued \$5 million of Lease Revenue Bonds to be used for construction improvements. These bonds will be repaid over a period of 15 years. At the same time, the District deposited \$2,823,818 into an escrow account for the repayment of Lease Revenue Bonds. The fair market value of investment at June 30, 2014 is \$4,133,468. This deposit is considered full payment over the term of the \$5 million debt. There is no liability in these financial statements because the debt is considered in-substance defeased.

**NOTE 15 – INTERNAL SERVICE FUNDS**

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.

At June 30, 2014, 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 \$62.9 million. Changes in the reported liability are shown below:

	<b>General Liability</b>	<b>Workers' Compensation</b>	<b>Total</b>
Liability Balance, July 01, 2013	\$ 2,639,000	\$ 56,418,000	\$ 59,057,000
Claims & changes in estimates	(3,334,794)	(15,937,909)	(19,272,703)
Claims payments	3,514,794	19,599,909	23,114,703
Liability Balance, June 30, 2014	<u>\$ 2,819,000</u>	<u>\$ 60,080,000</u>	<u>\$ 62,899,000</u>

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2014**

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**NOTE 16 – NEGATIVE FUND BALANCE - INTERNAL SERVICE FUNDS**

Liability Fund – Claims payable is the total outstanding claim liabilities as of June 30, 2014 for the Fund from the Actuarial Study and not actual claims payable during the fiscal year

Property Fund – Deficit balance is due to the higher insurance premiums for newly constructed buildings and the higher number of flood, fire, and theft incidents/claims under the insurance tier depleting all cash reserves.

**NOTE 17 – SUBSEQUENT EVENTS**

**Tax Revenue Anticipation Notes**

The District issued \$160,000,000 of Tax Revenue Anticipation Notes dated July 30, 2014. The notes were sold by the District to supplement its cash flow. The notes mature on June 30, 2015 and are priced to yield .12%. The funds will be held with the trustee until the District needs to draw funds out. Repayment requirements are approximately \$160,000,000 in principal plus \$2,153,333 in interest.

**Supplementary Retirement Plan**

In November 2014, the District issued a SDEA Supplementary Retirement Plan. As of the financial statement date, there are 478 participants with a potential liability of \$38.5 million which included the PARS fees.

**NOTE 18 – DEFERRED OUTFLOWS OF RESOURCES**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District’s long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2014, the deferred amount on refunding was \$6,618,555.

**NOTE 19 – RESTATEMENT OF NET POSITION**

The beginning net position of Governmental Activities has been restated in order to reflect the elimination of amortization of debt issuance costs in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The effect on beginning net position is presented as follows:

	Governmental Activities
	<hr/>
Net Position - Beginning, as Previously Reported	\$ 845,234,439
Restatement	(19,861,787)
Net Position - Beginning, as Restated	<hr/> <hr/> \$ 825,372,652

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**SAN DIEGO UNIFIED SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
LCFF sources	\$ 603,175,468	\$ 770,246,059	\$ 777,393,443	\$ 7,147,384
Federal sources	89,127,043	108,228,474	97,257,592	(10,970,882)
Other state sources	276,231,845	146,416,430	145,336,353	(1,080,077)
Other local sources	56,802,898	46,494,412	44,404,355	(2,090,057)
<b>Total Revenues</b>	<b>1,025,337,254</b>	<b>1,071,385,375</b>	<b>1,064,391,743</b>	<b>(6,993,632)</b>
<b>EXPENDITURES</b>				
Certificated salaries	517,602,972	532,126,542	526,316,689	5,809,853
Classified salaries	194,646,675	196,533,635	192,619,151	3,914,484
Employee benefits	297,638,263	292,436,528	280,672,700	11,763,828
Books and supplies	44,866,935	65,155,807	37,273,303	27,882,504
Services and other operating expenditures	65,521,122	76,276,647	76,284,089	(7,442)
Capital outlay	10,701,568	10,482,266	1,828,287	8,653,979
Other outgo				
Excluding transfers of indirect costs	1,400,000	1,018,471	1,182,873	(164,402)
Transfers of indirect costs	(2,423,498)	(2,281,566)	(2,266,763)	(14,803)
<b>Total Expenditures</b>	<b>1,129,954,037</b>	<b>1,171,748,330</b>	<b>1,113,910,329</b>	<b>57,838,001</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(104,616,783)</b>	<b>(100,362,955)</b>	<b>(49,518,586)</b>	<b>50,844,369</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	110,569,975	110,665,705	110,656,835	(8,870)
Transfers out	(6,868,245)	(10,481,062)	(10,216,324)	264,738
<b>Net Financing Sources (Uses)</b>	<b>103,701,730</b>	<b>100,184,643</b>	<b>100,440,511</b>	<b>255,868</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(915,053)</b>	<b>(178,312)</b>	<b>50,921,925</b>	<b>51,100,237</b>
<b>Fund Balance - Beginning</b>	<b>75,698,930</b>	<b>75,698,930</b>	<b>75,698,930</b>	<b>75,698,930</b>
<b>Fund Balance - Ending</b>	<b>\$ 74,783,877</b>	<b>\$ 75,520,618</b>	<b>\$ 126,620,855</b>	<b>\$ 126,799,167</b>

The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments of \$26,555,592 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Revenue Fund for Postemployment Benefits in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2014**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2013	\$ -	\$ 63,433,214	\$ 63,433,214	0%	\$ 772,445,263	8%
July 1, 2011	\$ -	\$ 44,363,640	\$ 44,363,640	0%	\$ 740,012,391	6%
July 1, 2009	\$ -	\$ 43,593,885	\$ 43,593,885	0%	\$ 787,605,484	6%

See accompanying note to required supplementary information.



**SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District’s budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Funding Progress**

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2014, the District incurred expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Services and other operating expenditures	\$ 76,276,647	\$ 76,284,089	\$ 7,442
Other outgo			
Excluding transfers of indirect costs	\$ 1,018,471	\$ 1,182,873	\$ 164,402

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**SUPPLEMENTARY  
INFORMATION**

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**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying	Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION:</b>			
Emergency Response Secure Our School	84.184E	*	\$ 139,112
Advanced Placement Incentive Program Grant	84.330C	14504	233,380
Magnet School Assistance Program	84.165	*	1,660,385
Arts in Education Model Development and Dissemination Grants	84.351D	*	226,225
CA Gear Up	*	*	24,495
JROTC	*	*	1,120,901
Federal Impact Aid	84.041	10015	10,490,452
Subtotal Direct Programs			<u>13,894,950</u>
<i>Passed through California Department of Education:</i>			
Title I, Part A Cluster			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	37,515,670
Title I, Part A, Program Improvement LEA Corrective Action Plan	84.010	14955	2,678,015
Subtotal Title I, Part A Cluster			<u>40,193,685</u>
Title I, School Improvement Grant	84.377	15127	544,134
Title II, Part A, Administrator Training	84.367	14344	7,051,839
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	4,050,485
Title III, Immigrant Education Program	84.365	15146	281
Indian Education	84.060	10011	55,231
Federal Impact Aid/SPED	84.041	14792	1,959,101
Safe and Supportive Schools Programmatic Intervention	84.184	15164	240,439
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	19,472,320
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	274,668
IDEA Preschool Grants, Part B, Sec 619	84.173	13430	844,721
State Improvement Grant, Improving Special Ed Systems	84.323	14920	10,888
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	1,136,574
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	12,350
IDEA Mental Health Allocation Plan Part B, Sec 611	84.027A	14468	1,269,701
IDEA Quality Assurance & Focused Monitoring	84.027A	13693	19,723
Subtotal Special Education Cluster			<u>23,040,945</u>

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
IDEA Early Intervention Grants	84.181	23761	297,053
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	958,271
Department of Rehab: Workability II, Transition Partnership	84.158	10006	633,971
Total U. S. Department of Education			92,920,385
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
Needy School Breakfast Program	10.553	13526	12,854,252
National School Lunch Program	10.555	13523	30,498,315
Basic School Breakfast Program	10.553	13525	178,972
Summer Food Service Program	10.553		745,090
Child Care Food Program (CCFP)	10.558	13394	4,612,554
Subtotal Child Nutrition Cluster			48,889,183
USDA Commodities	10.558	13389	2,872,586
Total U. S. Department of Agriculture			51,761,769
<b>U. S. DEPARTMENT OF DEFENSE:</b>			
<i>Direct Federal to Local Funding:</i>			
Thrive and Learn	*	*	356,798
Operation World Language	*	*	128,204
Operation Student Virtual Learning	*	*	1,032,010
OP Student Success	*	*	184,206
OP Student Achievement	*	*	267,654
Subtotal Direct Programs			1,968,872
Total U. S. Department of Defense			1,968,872
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
<i>Direct Federal to Local Funding:</i>			
AIDS Prevention Instruction	*	23044	205,632
Federal Child Care Center Based	*	*	413,625
Subtotal Direct Programs			619,257
<i>Passed through Neighborhood House Association:</i>			
Head Start Program	93.600	10016	4,547,200
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	2,189,393
Total U. S. Department of Health & Human Services			7,355,850
Total Federal Expenditures			\$ 154,006,876

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2014**

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	<b>Second Period Report</b>	<b>*Revised Second Period Report</b>	<b>Annual Report</b>	<b>*Revised Annual Report</b>
SCHOOL DISTRICT				
TK/K through Third				
Regular ADA	37,802.22	37,423.37	37,361.54	37,285.03
Special Education	49.29	49.05	50.99	50.99
Total TK/K through Third	37,851.51	37,472.42	37,412.53	37,336.02
Fourth through Sixth				
Regular ADA	24,535.55	24,535.56	24,459.40	24,422.92
Special Education	77.86	77.86	78.52	78.52
Community Day School	3.00	3.00	2.91	2.91
Total Fourth through Sixth	24,616.41	24,616.42	24,540.83	24,504.35
Seventh through Eighth				
Regular ADA	14,526.56	14,526.71	14,467.53	14,454.39
Special Education	60.62	60.62	61.80	61.80
Community Day School	11.10	11.10	16.21	16.21
Total Seventh through Eighth	14,598.28	14,598.43	14,545.54	14,532.40
Ninth through Twelfth				
Regular ADA	28,795.46	29,192.44	28,808.53	28,800.02
Special Education	182.89	198.64	198.35	219.60
Community Day School	20.03	20.03	22.69	22.69
Total Ninth through Twelfth	28,998.38	29,411.11	29,029.57	29,042.31
TOTAL SCHOOL DISTRICT	106,064.58	106,098.38	105,528.47	105,415.08

*\*Includes audit adjustments as well as other client adjustments.*

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 FOR THE YEAR ENDED JUNE 30, 2014**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>Minutes Requirement Reduced</b>	<b>2013-14 Actual Minutes</b>	<b>Number of Days</b>	<b>Status</b>
Kindergarten	36,000	35,000	54,280	178	Complied
Grade 1	50,400	49,000	53,440	178	Complied
Grade 2	50,400	49,000	53,440	178	Complied
Grade 3	50,400	49,000	53,440	178	Complied
Grade 4	54,000	52,500	53,440	178	Complied
Grade 5	54,000	52,500	53,440	178	Complied
Grade 6	54,000	52,500	62,248	178	Complied
Grade 7	54,000	52,500	62,248	178	Complied
Grade 8	54,000	52,500	62,248	178	Complied
Grade 9	64,800	63,000	64,120	178	Complied
Grade 10	64,800	63,000	64,120	178	Complied
Grade 11	64,800	63,000	64,120	178	Complied
Grade 12	64,800	63,000	64,120	178	Complied

See accompanying note to supplementary information.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>2015 (Budget)</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 1,128,350,806	\$ 1,175,048,578	\$ 1,062,069,050	\$ 1,049,473,365
Expenditures And Other Financing Uses	1,171,655,913	1,124,126,653	1,077,607,943	1,075,707,634
Net change in Fund Balance	\$ (43,305,107)	\$ 50,921,925	\$ (15,538,893)	\$ (26,234,269)
Ending Fund Balance	\$ 83,315,748	\$ 126,620,855	\$ 74,665,718	\$ 90,532,109
Available Reserves*	\$ 43,127,292	\$ 50,707,518	\$ 45,258,671	\$ 56,158,309
Available Reserves As A Percentage Of Outgo	3.68%	4.51%	4.20%	5.22%
Long-term Debt	\$ 2,510,921,058	\$ 2,597,904,566	\$ 2,553,223,652	\$ 2,021,599,571
Average Daily Attendance At P-2	105,478	106,065	106,840	109,207

The General Fund balance has increased by \$36.1 million over the past two years. The fiscal year 2014-15 budget projects a decrease of \$43.3 million. For a District this size, the State recommends available reserves of at least 2% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2014-15 fiscal year. Total long term obligations have increased by \$76.0 million over the past two years.

Average daily attendance has decreased by 3142 ADA over the past two years. ADA is expected to decrease during the 2014-15 fiscal year by 587.

\*Available reserves consist of all unassigned fund balance within the General Fund.

\*\*The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Post-Employment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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	<b>General Fund</b>	<b>Special Reserve for Postemployment Benefits Fund</b>
June 30, 2014, annual financial and budget report fund balance	\$ 126,620,855	\$ 1,618,803
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	1,618,803	(1,618,803)
Net adjustments and reclassifications	1,618,803	(1,618,803)
June 30, 2014, audited financial statement fund balance	\$ 128,239,658	\$ -



**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2014**

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<b>Charter School</b>	<b>Status</b>	<b>Included in Audit Report</b>
American's Finest Charter School	Active	No
Arroyo Paseo Charter High School	Active	No
Audeo	Active	No
Charter School of SD	Active	No
City Heights Prep	Active	No
Coleman Tech High	Active	No
Darnall	Active	No
e3 Civic High*	Active	No
Einstein Academy ES	Active	No
Einstein Middle Charter School	Active	No
Epiphany	Active	No
Evangeline Roberts Institute	Active	No
Explorer	Active	No
Gompers Preparatory	Active	No
Health Sciences High School and Middle College	Active	No
Health Sciences Middle School	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	Active	No
Iftin k-8 Charter School	Active	No
Iftin University Prep	Active*	No
Innovations Academy	Active	No
Kavod	Active	No
Keiller Middle Charter School	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	Active	No
Laurel Preparatory	Active	No
Learning Choice Academy	Active	No
Magnolia Science Academy SD	Active	No
McGill School of Success	Active	No
Museum School	Active	No
O'farrell	Active	No
Old Town Academy	Active	No
Pacific American Academy	Active*	No
Preuss	Active	No
SDCooperative	Active	No
SDCooperative 2	Active	No
SDGlobal Vision Academy ES	Active	No
SDGlobal Vision Academy MS	Active	No
Tubman Village	Active	No
Urban Discovery Academy	Active	No

\*Closed at the end of FY 2013-14

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
JUNE 30, 2014**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 287,356	\$ 1,872,875	\$ 7,379,725	\$ 180,681	\$ 478,007	\$ 44,686,242	\$ 10,053,670	\$ 64,938,556
Accounts receivable	368	1,731,931	10,544,337	177	463	767,535	138,281	13,183,092
Due from other funds	111,087	4,537,606	14,881	-	-	-	182,332	4,845,906
Stores inventory	-	-	823,636	-	-	-	-	823,636
Prepaid expenditures	-	2,536	-	-	-	-	-	2,536
<b>Total Assets</b>	<b>\$ 398,811</b>	<b>\$ 8,144,948</b>	<b>\$ 18,762,579</b>	<b>\$ 180,858</b>	<b>\$ 478,470</b>	<b>\$ 45,453,777</b>	<b>\$ 10,374,283</b>	<b>\$ 83,793,726</b>
<b>LIABILITIES</b>								
Accrued liabilities	\$ 6,617	\$ 180,340	\$ 1,073,859	\$ -	\$ -	\$ 2,965,388	\$ 118,177	\$ 4,344,381
Due to other funds	166,132	7,949,336	15,667,436	-	-	2,371,881	359,118	26,513,903
Unearned revenue	-	-	6,116	-	-	-	-	6,116
<b>Total Liabilities</b>	<b>172,749</b>	<b>8,129,676</b>	<b>16,747,411</b>	<b>-</b>	<b>-</b>	<b>5,337,269</b>	<b>477,295</b>	<b>30,864,400</b>
<b>FUND BALANCES</b>								
Non-spendable	-	2,537	823,636	-	-	-	-	826,173
Restricted	-	4	734,515	-	-	40,116,508	9,896,988	50,748,015
Committed	226,062	-	-	180,858	-	-	-	406,920
Assigned	-	12,731	457,017	-	478,470	-	-	948,218
<b>Total Fund Balances</b>	<b>226,062</b>	<b>15,272</b>	<b>2,015,168</b>	<b>180,858</b>	<b>478,470</b>	<b>40,116,508</b>	<b>9,896,988</b>	<b>52,929,326</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 398,811</b>	<b>\$ 8,144,948</b>	<b>\$ 18,762,579</b>	<b>\$ 180,858</b>	<b>\$ 478,470</b>	<b>\$ 45,453,777</b>	<b>\$ 10,374,283</b>	<b>\$ 83,793,726</b>

See accompanying note to supplementary information.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 2014**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
<b>REVENUES</b>								
LCCF sources	\$ 509,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 509,600
Federal sources	-	413,625	51,761,769	-	-	-	-	52,175,394
Other state sources	-	13,610,819	3,619,622	-	-	-	-	17,230,441
Other local sources	7,074	5,994,644	7,827,389	623	496,202	37,380,525	5,714,972	57,421,429
<b>Total Revenues</b>	<b>516,674</b>	<b>20,019,088</b>	<b>63,208,780</b>	<b>623</b>	<b>496,202</b>	<b>37,380,525</b>	<b>5,714,972</b>	<b>127,336,864</b>
<b>EXPENDITURES</b>								
<b>Current</b>								
Instruction	375,344	15,981,687	-	-	-	-	-	16,357,031
Instruction-related services								
Instructional supervision and administration	147,208	4,764,740	-	-	-	-	-	4,911,948
School site administration	81,110	17,122	-	-	-	-	-	98,232
Pupil services								
Home-to-school transportation	-	-	-	-	77,952	-	-	77,952
Food services	-	-	58,671,290	-	-	-	-	58,671,290
All other pupil services	5,698	637,941	-	-	-	-	-	643,639
General administration								
All other general administration	22,822	914,945	1,328,997	-	-	-	-	2,266,764
Plant services	1,574	1,023,772	3,735,873	-	-	9,514,482	1,788,074	16,063,775
Facilities acquisition and maintenance	-	159,187	-	-	-	9,670,722	498,171	10,328,080
Enterprise activities	-	-	73,112	-	-	-	-	73,112
Debt service								
Interest and other	-	-	-	-	-	-	1,970	1,970
<b>Total Expenditures</b>	<b>633,756</b>	<b>23,499,394</b>	<b>63,809,272</b>	<b>-</b>	<b>77,952</b>	<b>19,185,204</b>	<b>2,288,215</b>	<b>109,493,793</b>
<b>Excess (Deficiency) of Revenues</b>								
<b>Over Expenditures</b>	<b>(117,082)</b>	<b>(3,480,306)</b>	<b>(600,492)</b>	<b>623</b>	<b>418,250</b>	<b>18,195,321</b>	<b>3,426,757</b>	<b>17,843,071</b>
<b>Other Financing Sources (Uses)</b>								
Transfers in	-	3,480,173	-	-	-	-	-	3,480,173
Other sources	-	-	-	-	-	-	102,879,188	102,879,188
Transfers out	-	-	-	-	-	(11,635,215)	(99,963,400)	(111,598,615)
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>3,480,173</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,635,215)</b>	<b>2,915,788</b>	<b>(5,239,254)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(117,082)</b>	<b>(133)</b>	<b>(600,492)</b>	<b>623</b>	<b>418,250</b>	<b>6,560,106</b>	<b>6,342,545</b>	<b>12,603,817</b>
<b>Fund Balance - Beginning</b>	<b>343,144</b>	<b>15,405</b>	<b>2,615,660</b>	<b>180,235</b>	<b>60,220</b>	<b>33,556,402</b>	<b>3,554,443</b>	<b>40,325,509</b>
<b>Fund Balance - Ending</b>	<b>\$ 226,062</b>	<b>\$ 15,272</b>	<b>\$ 2,015,168</b>	<b>\$ 180,858</b>	<b>\$ 478,470</b>	<b>\$ 40,116,508</b>	<b>\$ 9,896,988</b>	<b>\$ 52,929,326</b>

See accompanying note to supplementary information.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2014 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2014.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 149,432,986
Title I, Part A, Program Improvement LEA Corrective Action Plan	84.010	(27,675)
Title I, School Improvement Grant	84.388	51,273
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	3,092
Head Start Program	93.600	4,547,200
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		\$ 154,006,876

**Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) 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.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION, *continued*  
JUNE 30, 2014

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NOTE 1 – PURPOSE OF SCHEDULES (*continued*)

**Schedule of Instructional Time**

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* 46200 through 46208. During the year ended June 30, 2014, the District participated in the Longer Day incentive funding program. As of June 30, 2014, the District had not yet met its target funding. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section* 46201.2.

**Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

**Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

**Combining Statements – Non-Major Funds**

These statements provide information on the District's non-major funds.

**Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration. (Located in the front of the audit report)

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**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**

Independent Auditors' Report

Governing Board  
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, 2014, and the related notes to the financial statements, which collectively comprise the San Diego Unified School District's basic financial statements, and have issued our report thereon dated November 20, 2014.

**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.

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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 did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2014-1, #2014-2)

### **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's Response to Findings**

San Diego Unified School District's response to the findings identified in our audit are described in the accompanying schedule of 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 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.



San Diego, California  
November 20, 2014



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB  
CIRCULAR A-133**

Independent Auditors' Report

Governing Board  
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 Circular A-133 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, 2014. 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 the requirements of laws, regulations, contracts, and grants 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

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### *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, 2014.

### **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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Christy White Associates*

San Diego, California  
November 20, 2014

## REPORT ON STATE COMPLIANCE

### Independent Auditors' Report

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Governing Board  
San Diego Unified School District  
San Diego, California

### **Report on State Compliance**

We have audited San Diego Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2013-14*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of San Diego Unified School District's state programs for the fiscal year ended June 30, 2014, as identified below.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of San Diego Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2013-14*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below 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 the requirements referred to above. However, our audit does not provide a legal determination of San Diego Unified School District's compliance with those requirements.

### *Opinion on State Compliance*

In our opinion, San Diego Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2014.

### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items #2014-3, #2014-4, #2014-5, #2014-6. Our opinion on state compliance is not modified with respect to these matters.

San Diego Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. San Diego Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### *Procedures Performed*

In connection with the audit referred to above, we selected and tested transactions and records to determine San Diego Unified School District's compliance with the state laws and regulations applicable to the following items:

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time for school districts	10	Yes
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Yes
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance; for charter schools	8	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

Testing for charter schools is performed by each charter’s respective auditor (refer to Note 1B on page 25)

*Christy White Associates*

San Diego, California  
November 20, 2014

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**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

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**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>84.027, 84.173, 84.323, 84.027A, 84.173A</u>	<u>Special Education Cluster</u>
<u>10.553, 10.555, 10.558</u>	<u>Child Nutrition Cluster</u>
<u>84.367</u>	<u>Title II Part A, Administrator Training</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,000,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FIVE DIGIT CODE**

20000

30000

**AB 3627 FINDING TYPE**

Inventory of Equipment

Internal Control

**FINDING #2014-01: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000)**

**Criteria:** Proper internal controls are necessary to ensure safeguarding of assets of the Associated Student Body.

**Condition:** Overall we found the sites listed below to lack proper internal control documentation either related to the cash receipting or cash disbursements process. A summary of the most common internal control deficiencies observed are listed by site below:

*Deportola Middle School*

- Eight (8) out of fifteen cash receipts selected for testing were not supported by documentation to support cash collected. Cash collections should be supported by ticket collection worksheets or tally sheets to substantiate the nature and amount of cash collected.
  - Receipt #10338 on 8/30/13 in the amount of \$642.00 for an Orientation BBQ held by the Music Club.
  - Receipt #10598 on 11/1/13 in the amount of \$2,048 for the ASB Disneyland Convention.
  - Receipt #10625 on 11/22/13 in the amount of \$2,640 for a Music Club fundraiser.
  - Receipt #10658 on 2/11/13 in the amount of \$466 for ASB Dance Ticket Sales.
  - Receipt #10208 on 10/25/13 in the amount of \$1,868.50 for Haunted House ticket sales.
  - Receipt #10638 on 12/19/13 in the amount of \$617.50 for the Winter Concert ticket sales.
  - Receipt #10335 on 9/27/13 in the amount of \$1,192.87 for the Fall Book Fair.
  - Receipt #10635 on 12/20/13 in the amount of \$2,885 for yearbook ads.
- Two (2) out of fifteen cash receipts selected for testing were not deposited timely in a timely manner.
  - Receipt #10338 in the amount of \$642 for the music club's orientation BBQ. Cash was collected on 8/30/13 but was not deposited until 10/4/13.
  - Receipt #10323 in the amount of \$1,160.37 for book fines. Cash was collected on 6/20/13 but not deposited until 9/19/13.



**SAN DIEGO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2014-01: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000) (continued)**

*Lewis Middle School*

- One (1) out of ten cash disbursements tested appeared to be inappropriate in nature. Fees paid out of the ASB account for instructional purposes when the instruction is part of the district's educational program are disallowed. After inquiry with the finance clerk it was noted that the district had already been notified of the expense and that the music coach is in the process of being put on the district's payroll.
  - Check #2339 in the amount of \$660 for services performed as a music coach.
- Six (6) out of fifteen cash receipts selected for testing did not have documentation to support cash collected. All receipts should be supported by ticket collection worksheets or tally sheets to substantiate the nature and amount of cash collected.
  - Receipt #R322972 on 9/26/13 in the amount of \$1,467.23 for book fair sales.
  - Receipt #R32572 on 10/22/13 in the amount of \$45 for dance ticket sales.
  - Receipt #R325755 on 10/30/13 in the amount of \$266.65 for ASB store sales.
  - Receipt #R325757 on 10/31/13 in the amount of \$126 for dance ticket sales.
  - Receipt #R325787 on 11/18/13 in the amount of \$882 for band attire.
  - Receipt #R325796 on 12/2/13 in the amount of \$1,247.81 for band attire and concert sales.

*Pershing Middle School*

- Through inquiry with ASB bookkeeper regarding cash receipts, auditor noted that cash proceeds from fundraisers and events do not consistently have adequate supporting documentation such as sales breakdown summaries, tally sheets, or control sheets. ASB bookkeeper should maintain supporting documentation for all deposits in order to verify that deposits can be reconciled to sales detail and cash collected.
- Through inquiry with ASB bookkeeper, auditor noted that the vending machine on campus is maintained in all capacities by the school site custodian. The custodian currently stocks, supplies, and maintains collections from the vending machine. When depositing funds with the ASB bookkeeper, the custodian does not provide a sales breakdown or reconciliation of inventory levels.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2014-01: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000) (continued)**

*Wilson Middle School*

- Auditor noted that the ASB is not preparing an annual budget. It is recommended that each ASB prepare an annual budget in order to tentatively forecast revenues and expenditures, and plan fundraisers and other activities accordingly.
- Auditor various clubs on campus are not consistently maintaining meeting minutes. In an organized ASB structure, meeting minutes are consistently maintained in order to document the budgeting process, and student approval of fundraisers and expenditures.
- Through testing of cash receipts, auditor noted five out of five selections lacking adequate supporting documentation such as sales breakdown summaries, tally sheets, or control sheets. Selections included the following items:
  - Yearbook and Smencil Sales (Receipt No. 257869) in the amount of \$580 from 7/10/13
  - Candy Sales (Receipt No. 257886) in the amount of \$1,056.95 from 10/8/13
  - See's Candy Sales and Donations (Receipt No. 257900) in the amount of \$2,453.46 from 11/22/13
  - Smencils and Donations (Receipt No. 257917) in the amount of \$1,137.55 from 2/12/14
  - Dance Soda Sales (Receipt No. 257926) in the amount of \$93.00 from 2/19/14
- In testing the cash receipts selections above, auditor noted that deposits of cash proceeds from fundraisers and events are often counted by one individual and not verified by a second party. In order to maintain proper controls over cash proceeds from events, it is recommended that proceeds are simultaneously counted and verified by two individuals.

*Scripps Ranch High School*

- Through testing of cash receipts, auditor noted two out of five selections lacking adequate supporting documentation such as sales breakdown summaries, tally sheets, or control sheets. Selections included the following items:
  - Media Trust library fees deposited 9/6/2013 in the amount of \$269.59 (Receipt No. 0070384)
  - Cadet Club water sales deposited 9/12/2013 in the amount of \$334.80 (Receipt No. 0070708)

*Kearny High School*

- Two (2) out of ten disbursements tested did not have adequate approvals required. Expenditures require the approval of a student body representative, a certificated staff advisor, and a site administrator. The following check disbursements lacked the signed approval of a student body representative:
  - Check #6011 on 11/22/13 to Balboa Ambulance Service, Inc. for \$1,950.
  - Check #6113 on 01/24/14 to Glendale Parade Store for \$1,455.30.
  - W-9s are not collected for independent contractors paid by the ASB.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2014-01: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000) (continued)**

**Cause:** Staffing reductions, shifting of employees and support to these positions has an impact on performance.

**Effect:** Lack of proper internal controls can lead to the misappropriation of assets.

**Perspective:** We audited 24 associated student body (ASB) funds at the school sites selected for testing in fiscal year 2013-14. Our audit included an evaluation of internal control procedures over: cash disbursements, cash receipts, inventory, and ASB organization.

**Recommendation:** We recommend the staff members that handle student funds be reminded of the importance of sound internal controls, proper documentation over cash receipts and the proper approval of expenditures. Instruction on the use of standardized formats should continue to be provided annually with compliance follow-up by the district office. The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented. Proper controls over cash receipting and cash disbursements are important for proper safeguarding of assets.

**Response:** The District concurs with the external auditor's findings. According to the practice that commenced in August 2013, the Office of Internal Audits, the Office of the Chief Financial Officer, and the Race/Human Relations & Advocacy Office plan on presenting to the ASB student governance representatives, a basic understanding of financial practices and their responsibility for managing ASB this year. The scheduling of the training sessions is pending the start of employment of the Director of Internal Audit.

As in October 2013, the Office of Internal Audits and the Office of the Chief Financial Officer plan on presenting in depth to principals, ASB advisors and financial clerks the requirements for conducting ASB operations and QuickBooks Financial Accounting in the proper manner that would comply with law, district policies and procedures, and the spirit of ASB. During the presentations, the Office of Internal Audit will direct attendees to these presentations and materials on the proper conduct of ASB that are available on the Office of Internal Audit's web site. The scheduling of the training sessions is pending the appointment and employment of a Director to the Office of Internal Audit.

Audit staff present at financial clerk job-a-likes forums examples of deficiencies noted in ASB operations and the manner to correctly process ASB. Internal Audit conducts a schedule of ASB audits and continuously reports that the Office of Internal Audit is available to staff to answer questions on the conduct of ASB operations.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2014-02: INVENTORY (30000)**

**Criteria:** Internal controls should be implemented to ensure that proper controls are in place over inventory procedures.

**Condition:** During our physical testing of warehouse and cold storage inventory we found in addition to adjustments made by the District, amounts from the floor did not match the amount recorded to the system.

- **Warehouse Inventory:**

At June 30, 2014 for the warehouse the GL stated the PPO inventory balance was \$1,026,884, the PPO inventory detail provided indicated the balance was \$1,406,913. During our inventory count we found 25% of our sample did not match either from the floor to the system or the system to the floor.

- **Cold Storage Inventory:**

At June 30, 2014 the cold storage was able to reconcile the variance between the GL and detail balances. During our inventory count we found 19% of our sample did not match either from the floor to the system or the system to the floor.

**Cause:** The District does a periodic count, thus the day to day totals on the floor will not match the system.

**Perspective:** The District has a total of \$2.7 million in inventory.

**Effect or Potential Effect:** Lack of proper internal controls can lead to the misappropriation of assets.

**Recommendation:** We recommend that the District implement sufficient and appropriate internal control procedures to ensure that transactions are recorded.

**District Response:** The District concurs with the audit recommendation.

With respect to the Warehouse Inventory, our action plan is as follows:

- The variance between the GL inventory balance and the PPO inventory balance is the result of an overhead percentage on top of the actual cost of inventory applied when an item is issued from inventory. The inventory balances will be reconciled at key reporting times during the year and any necessary adjustments will be made to the ledger to accurately reflect the inventory balance.
- The District will put the necessary resources in place to enforce a policy of "no unattended checkouts". This will require that technicians queue up and wait for warehouse staff to review their material and paperwork at point of checkout. This is an area which requires more control and it will be made a priority.
- The District will also be taking a strategic approach to periodic inventory counts. We will categorize each of our 8000 SKU's by dollar value of issue, (ABC categorization). This will be the basis for frequency of physical count.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2014-02: INVENTORY (30000) (continued)**

With respect to the Warehouse Inventory, our action plan is as follows (continued):

- The District will also be working with our internal teams to see how we can make the yearly physical count as valuable as possible. We will be putting in sufficient resources to verify all discrepancies noted and identify the cause of the discrepancies. PPO staff will double count and research any significant discrepancies that are found.
- We are setting a goal of less than 3% shrinkage for a given period. We will compare the net dollar value of any inventory adjustments made to the volume of material issue as the basis of our physical control.

With respect to the Cold Storage inventory, our action plan is as follows:

- If at the time of receipt of a product the item count does not match the invoice, an independent second count will be performed. If the second count does not match the invoice or the first count, a third count will be done jointly with the Supervising Stock Clerk and Senior Freezer Worker, which will be the final count for receiving.
- When processing orders for the Kitchens, the daily orders will first be pulled in bulk by item and moved to the refrigerated staging area. These bulk pulls will then be broken down to the Kitchen level orders, and any discrepancies between the bulk item pull and the Kitchen level orders will be addressed prior to shipping the order to the kitchens. Orders will not be confirmed (removed from PeopleSoft inventory) until all discrepancies between the bulk pull and the individual orders have been reconciled.
- On a monthly basis, physical counts of the top 10 high volume items will be conducted and reconciled to PeopleSoft inventory. Any adjustments must be approved by the Supervising Stock Clerk as well as the Material Control Analyst prior to entry into PeopleSoft.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

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FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

*There are no federal award findings or questioned costs for the fiscal year June 30, 2014.*

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
10000	Attendance
40000	State Compliance
41000	CalSTRS
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

**FINDING #2014-03: AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (40000)**

**Criteria:** Per Education Code 8483(a)(4), it is the intent of the Legislature that that pupils in elementary school participate in the full day of the program every day during which pupils participate to accomplish program goals. Also, per Education Code 8483.1(a)(1) every before school program component established pursuant to this article shall in no instance operate for less than one and one-half hours per regular school day. Every program shall establish a policy regarding reasonable late daily arrival of pupils to the program.

**Condition:** We sampled and tested the Before School and After School Education and Safety Program at six school sites with the following results:

*Cadman Elementary School*

- One (1) out of ten students tested for the week of 10/7/13-10/11/13 was improperly not given attendance credit according to the student's after school early release policy.
  - Student left the program after the allowable early release time on the student's early release policy on 10/10/13. The student did not receive attendance credit for that day.

*Lafayette Elementary School*

- One (1) out of ten students tested for the week of 10/7/13-10/11/13 was not credited with the correct number of days' attendance, based on review of source documentation.
  - Student signed into the after school program sign-in sheet for four days during the week, but was only credited with two days of attendance.

*Walker Elementary School*

- For one (1) out of ten students selected for program attendance testing, auditor could not locate the required early release approval form on file. Auditor noted that for each day of attendance recorded for the week, students left before the 6:00pm program end time. Students and dates of attendance include:
  - Student 1 (11/4/13 through 11/8/13) – Four (4) days of attendance

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2014-03: AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (40000) (continued)**

**Context:** Findings were noted in three (3) of six ASES program sites tested.

**Questioned Costs:** The ASES program funding is not affected as long as the pupil participation level is maintained at 85% or greater, the net students served that resulted in over reporting, did not cause the program attendance to fall below the 85% of the projected attendance, thus there is no questioned cost. The reported after school students served in the first half was 733,677, the correct number should be 733,689 (a total of 12 days were understated).

**Cause:** Potential insufficient review procedures when reconciling scanned attendance to the signed rosters.

**Effect:** The District may not be accurately reporting the number pupils served.

**Recommendation:** We recommend that the District continue to provide oversight and training to staff responsible for reconciling attendance records regarding the importance of accurately reviewing scanned attendance for discrepancies when comparing against signed rosters and student early release policies. This will ensure that the records, to support attendance being sent to the state, can be relied upon and sufficient for internal and external review.

**District Response:** San Diego Unified School District's After School Education and Safety (ASES) Program has had minimal audit findings for the past two years, and these 2013/14 findings show an improvement in attendance accountability compared to those years, reflecting the Extended Learning Opportunities (ELO) Department's commitment to ongoing mandatory attendance trainings and official site observations, including a review and audit of attendance procedures and documentation. The ELO Department will continue to provide these trainings and site visits in an effort to eliminate all audit findings, as well as modify existing procedures to simplify the attendance process. California Department of Education representatives Josh Brady and Nora Reed have performed multiple site visits to SDUSD's ASES programs and praise the district for the programmatic and attendance procedures that we have implemented. CDE has shared SDUSD's procedures as "best practices" with other districts throughout the state of California.

The ELO Department provides professional development annually during the month of August; one of the key areas of focus includes the After School Education and Safety (ASES) attendance accountability requirements. This training is mandatory for all new and returning administrative staff and school site program leaders. The attendance accountability portion of the training is provided monthly throughout the school year and is required for all new program leaders and program staff utilizing the Cayen Afterschool 21 attendance system. In addition, the Extended Learning Opportunities Department offers, and may require, one-on-one training to staff needing additional assistance ensuring the attendance requirements are being met.

Each ASES program is also required to offer a minimum of 2 parent/guardian orientations to review program requirements with parents. One of those orientations is held in August to review the attendance procedures with parents to ensure that, not only are staff familiar with the requirements, but that parents are as well.



**SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2014-03: AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (40000) (continued)**

Based on the ELO Department's site visits and internal audits, we have made modifications to the procedure for Early Release/Late Arrival "Single Day Occurrences" to be implemented in the upcoming school year to streamline the process.

The ELO Department will continue to perform unannounced school site observations throughout the year to provide the support needed to operate a high quality and enriching program, including implementing all attendance requirements as stipulated by CDE. Sign-in sheets, Early Release and Late Arrival forms are reviewed and compared to ensure that only those students that are meeting all of the ASES criteria are reported to CDE

**FINDING #2014-04: KINDERGARTEN CONTINUANCE (10000/40000)**

**State Funding Source:** LCFF Entitlement

**Criteria:** Pupils enrolled in kindergarten for consecutive years should have a signed parental agreement to continue form, approved in form and content by the California Department of Education. For a pupil who begins kindergarten mid-year, one school year of kindergarten is completed on the last day prior to the anniversary of the pupil's first day of kindergarten per sections 14502.1, 14503 and 41020, Education Code.

**Condition:** We found at two sites, the kindergarten retention form tested was insufficient to claim apportionment for the days generated after one full year of kindergarten. The pupil contract tested showed the pupil is currently enrolled in kindergarten; however, there was no signature of school official approving for the District.

**Cause:** Lack of familiarity with procedures outlined by Education Code. In both cases at the two sites with findings the Principals had not signed the forms timely.

**Questioned Costs:** There was an overstatement of 4.70 ADA to the TK/K-3 grade span that was corrected prior to submitting P-2. If P-2 had been submitted the fiscal impact would have been: given 125 days in the 2013-14 P-2 attendance period and a 2013-14 LCFF Entitlement per ADA of \$6,925, the fiscal impact of the ADA overstatement is approximately \$32,547.

**Effect:** Possible misstatement of Average Daily Attendance by the District.

**Perspective:** We audited kindergarten continuance at 14 elementary school sites selected for testing in fiscal year 2013-14. The audit procedures included steps outlined by the Education Code(s) referenced below.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2014

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**FINDING #2014-04: KINDERGARTEN CONTINUANCE (10000/40000) (continued)**

**Recommendation:** All students continuing kindergarten after one year of enrollment need a completed and signed parental agreement form in order for the pupil to continue kindergarten. This form must be signed in order for the District to be in compliance with the State per Sections 14502.1, 14503 and 41020, Education Code.

**District Response:** The procedure requiring the principal's signature on the kindergarten retention form has been fully explained to that school principal to ensure the error will not be repeated in the future. The district will continue its ongoing training for all school sites so that everyone is familiar with the procedures outlined by the Education Code with regard to kindergarten retention. Of the 65 students repeating Kindergarten that needed the "Agreement to Continue in Kindergarten" form on file, 5 were missing the form. This form must be in place at the point when the student begins the second year of Kindergarten for the District to be allowed to claim ADA for the second year. These findings represent a net loss of 4.70 ADA at P-2 and a loss of 4.47 ADA at Annual. The P-2 and Annual reports will be amended to reflect this loss. Pupil Accounting presents the requirement of this form at the yearly Back to School Conferences with administration and staff. Site visits are an opportunity to remind school site staff that this form is required for any retained Kindergarten student

SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2014

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**FINDING #2014-05: ATTENDANCE REPORTING (10000)**

**State Funding Source:** LCFF Entitlement

**Criteria:** Absence notes and other source documents of attendance should be correctly posted to the District's attendance system per Education Code Section 46000 et seq. Additionally the site should retain weekly signed sheets. Auditors are required to verify compliance in Section 19817.1 of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies*.

**Condition:** We found the following:

*Burbank Elementary School (Overstatement of 1 day, included in revised P-2)*

- One (1) out of twenty attendance notes tested did not trace accurately to the attendance records in PowerSchool. The absent note was improperly recorded as a present in the attendance system.
- During review of weekly signed teacher rosters, auditor noted that teachers were not returning their weekly rosters in a timely manner, and many were also not dating the registers when they signed them. Upon inquiry, it was determined that the attendance clerk was not aware that they needed to have teachers sign the weekly registers until a few months into the school year, and at that point printed them for every week for each teacher dating back to the beginning of the school year, resulting in registers not being signed in a timely manner. The clerk seems to have fixed the issue as of the date of site testing, and recent months were signed, dated, and returned in a timely manner.

*Hearst Elementary School (Understatement of 1 day, not included in revised P-2)*

- One (1) out of twenty attendance notes tested did not trace accurately to the attendance records in PowerSchool. The tardy note was improperly recorded as an absence in the attendance system.

*Kumeyaay Elementary School*

- In reviewing weekly attendance reports for the month of October 2013, it was noted that the weekly reports were not signed or reviewed by teachers in a timely manner. The weekly attendance reports for October were not signed until January 2014. Through inquiry, it was noted that weekly attendance reports from September through December 2013 were not provided to teachers for verification until January 2014.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2014-05: ATTENDANCE REPORTING (10000) (continued)**

*Marvin Elementary School (Understatement of 2 days, not included in revised P-2)*

- Two (2) out of twenty-five attendance notes tested did not trace accurately to the attendance records in PowerSchool. Two tardy notes selected for testing were incorrectly recorded as absences in PowerSchool, resulting in an understatement of two attendance days

*Miramar Ranch Elementary School*

- Upon inquiry with the attendance secretary, the clerk was not aware of the requirement to have teachers sign weekly rosters until January 2014, at which point she began printing the rosters on a weekly basis for the teachers to sign. From that point forward, teachers appear to be signing weekly rosters in a timely fashion.

*De Portola Middle School (Overstatement of 1 day, included in revised P-2)*

- One (1) out of twenty absent notes tested did not trace accurately to the attendance records in PowerSchool. The absent note selected for testing was incorrectly recorded as present in Power School.

*Marshall Middle School (Understatement of 1 day, not included in revised P-2)*

- One (1) out of twenty absent notes tested did not trace accurately to the attendance records in PowerSchool. The absent note selected for testing was incorrectly recorded as present for all periods in PowerSchool.

*Kearny High School (Understatement of 3 days, not included in revised P-2)*

- Three (3) out of twenty absent notes tested did not trace accurately to the attendance records in PowerSchool. The absent call logs selected for testing was incorrectly recorded as present for all periods in PowerSchool.

*Serra High School (Understatement of 1 day, not included in revised P-2)*

- One (1) out of twenty absent notes tested did not trace accurately to the attendance records in PowerSchool. The absent note selected for testing was incorrectly recorded as present in PowerSchool.

**Cause:** Lack of familiarity with procedures outlined by Education Code in addition to a new attendance system implementation.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2014-05: ATTENDANCE REPORTING (10000) (continued)**

**Questioned Costs:** There was an overstatement of 8 days that was not corrected prior to submitting P-2. Grade span was not identified per unit, for the questioned costs our calculation proportionally allocated the disallowance among the grade span. Given 125 days in the 2013-14 P-2 attendance period and a 2013-14 LCFF Entitlement per ADA of \$6,925, the fiscal impact of the ADA overstatement is approximately \$443. The District plans to revise P-2 to include the change.

Grade Span	% of Total per Revised P-2	Questioned Costs
Seventh through Eighth	14%	61
Fourth through Sixth	23%	103
Ninth through Twelfth	28%	123
TK/K through Third	35%	156
<b>Total</b>	<b>100%</b>	<b>443</b>

**Effect:** Possible misstatement of Average Daily Attendance by the District.

**Perspective:** We audited 23 school sites for attendance and had findings at 9 sites.

**Recommendation:** We recommend that the school sites follow District attendance procedures for the PowerSchool system. The District plans to make the corrections in the system and resubmit P-2.

**District Response:** The District concurs with the audit recommendation. The corrective action plan is to perform additional absence reviews during school site audits. Staff training with school site personnel will be conducted if discrepancies in attendance reporting are noted. Many of the attendance findings noted were corrected at the school site by attendance personnel before the P-2 report and Annual reports were submitted. The District has amended the P-2 and Annual reports to reflect the other necessary attendance corrections noted in the findings.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2014

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**FINDING #2014-06: SHORT-TERM INDEPENDENT STUDY (10000)**

**State Funding Source:** LCFF Entitlement, independent study program.

**Criteria:** For attendance generated through independent study, all independent study written agreements need to contain the signatures of the pupil, pupil's parent, and a certificated employee affixed prior to the commencement of the independent study (Education Code Section 51747(c)(8)). Auditors are required to verify compliance in Section 19819 of the *Standards and Procedures for Audits of California K-12 Local Education Agencies*.

**Condition:** We found that 2 of 61 independent study contracts sampled recorded did not have a completed contract (missing signatures, work samples and contracts) resulting in 6 days of apportionment that were overstated.

*Sherman Elementary*

- One (1) out of five items tested was not properly signed prior to contract commencement.
  - One contract on the dates of 12/16/13 to 1/17/14 was signed on 12/16/13. Credit should only be given for 14 of 15 days.

*Kearny High School*

- The School of Digital Media and Design within Kearny High School did not have any completed independent study contracts as of the site visit. However, upon review, it appears that students had completed contracts in prior months for which teachers have not promptly signed off and/or the attendance secretary had not promptly entered the attendance credit into PowerSchool.

*Serra High School*

- One (1) out of five items tested was not properly signed prior to contract commencement.
  - One contract on the dates of 11/1/13 was missing a teacher signature

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
 STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
 FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2014-06: SHORT-TERM INDEPENDENT STUDY (10000) (continued)**

**Cause:** Procedures were not fully followed to obtain all required elements of the independent study agreement on or before the independent study start date. This results in a loss of apportionment funding for days of attendance related to deficient independent study contracts.

**Context:** The errors found were within the short-term independent study program only.

**Effect:** Possible loss of apportionment funding for days of attendance related to deficient independent study contracts.

**ADA Impact:** Two (2) attendance days were overstated as tested. Grade span was not identified per unit, for the questioned costs our calculation proportionally allocated the disallowance among the grade span. Given 125 days in the 2013-14 P-2 attendance period and a 2013-14 LCFF Entitlement per ADA of \$6,925, the fiscal impact of the ADA overstatement is approximately \$110. The District plans to revise P-2 to include the change.

Grade Span	% of Total per Revised P-2	Questioned Costs
Seventh through Eighth	14%	15
Fourth through Sixth	23%	26
Ninth through Twelfth	28%	30
TK/K through Third	35%	39
<b>Total</b>	<b>100%</b>	<b>110</b>

**Recommendations:** We recommend that the District revise the Period 2 and Annual attendance reports and implement internal control procedures to ensure that independent study contracts are being filled out with all necessary information required by Education Code Section 51747 and completed prior to the beginning of the contract.

**District Response:** The review indicated that several of the contracts that were out of compliance were corrected at the point when P-2 was reported. There are five remaining contract day adjustments that will be corrected on the Amended P-2 and Amended Annual reports. Because these discrepancies were for both contracts that were granted credit and contracts that should be been granted credit, there is a net gain of .13 ADA for P-2 and a gain of .09 for Annual comprehensive ADA.

Since independent study issues are a common finding, Pupil Accounting suggests reviewing site short term Independent Study practices and the Independent Study contracts during site audits.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2013-01: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000)**

**Criteria:** Proper internal controls are necessary to ensure safeguarding of assets.

**Condition:** Overall we found the sites listed below to lack proper internal control documentation either related to the cash receipting or cash disbursements process. A summary of the most common internal control deficiencies observed are listed by site below:

*Montgomery Middle School:*

- One (1) of 8 cash disbursements tested had no requisition form as evidence of proper authorization/approval.
  - Check Number 1543, 7/6/12, J&R Key Hardware, \$386.13

*Farb Middle School:*

- Three (3) of 10 cash receipts tested did not have tally sheets or other documentation to substantiate the amount of cash collected from the event.
  - Receipt #315529, Lollipop sale, \$108.75, 11/28/12
  - Receipt #315536, Hot chocolate fundraiser, \$105.35, 11/30/12
  - Receipt #315555, ASB dance, \$229.16, 12/14/12

*Clark Middle School:*

- Seven (7) of 9 cash receipts tested did not have proper support for the amount of cash collected.
  - Carnival proceeds, \$151.92, 7/9/12
  - Receipt # 297416, \$285, 7/11/12
  - Receipt # 297427, \$30.00, 7/18/12
  - PE Dept., \$60.00, 9/5/12
  - Receipt # 297469, Open House, \$14.00, 10/5/12
  - Receipt # 297480, Hispanic Heritage Fundraiser, \$214.32, 10/24/12
  - Receipt # 297487, \$100.00, 11/9/12

*Central Elementary School:*

- Receipt for sales of t-shirts and other items that were sold to customers did not contain customer receipts.



**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2013-01: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000) (continued)**

*Clairemont High School:*

- Bank deposits are not made timely.
  - Drama club, Footloose play, \$2,989.90, 7/17/12 – one check deposited from 5/10/12
  - Various collections (Key club, AOBT academy, parking lot clearing, etc.), \$1,300.05, 10/11/12 – one check deposited from 4/26/12

*Perkins Elementary School:*

- Auditor noted that although the principal should be authorizing all disbursements, there were no signatures of approval on any of the reimbursement request forms.

**Cause:** Staffing reductions and shifting of employees due to bumping into these positions has an impact on performance.

**Effect:** Lack of proper internal controls can lead to the misappropriation of assets.

**Perspective:** We audited 24 associated student body (ASB) funds at the school sites selected for testing in fiscal year 2012-13. Our audit included an evaluation of internal control procedures over: cash disbursements, cash receipts, inventory, and ASB organization. A detailed report of our findings by individual school site has been provided to the District for follow-up.

**Recommendation:** We recommend the staff members that handle student funds be reminded of the importance of sound internal controls, proper documentation over cash receipts and the proper approval of expenditures. Instruction on the use of standardized formats should continue to be provided annually with compliance follow-up by the district office. The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented. Proper controls over cash receipting and cash disbursements are important for proper safeguarding of assets.

**District Response:** SDUSD concurs with the auditor's findings. August 2013, the Office of Internal Audits, the Office of the Chief Financial Officer and the Race/Human Relations & Advocacy Office in conjunction with a Wells Fargo Bank member, presented to ASB student governance representatives, a basic understanding of financial practices and their responsibility for managing ASB.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2013-01: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000) (continued)**

**District Response (continued):** October 2013, the Office of Internal Audits and the Office of the Chief Financial Officer presented in depth to principals, ASB advisors and financial clerks on the requirements to conduct ASB operations and QuickBooks Financial Accounting in the proper manner that would comply with law, district policies and procedures, and the spirit of ASB. These presentations are available on the Office of Internal Audit's web site. Audit staff present at financial clerk job-a-likes, reporting to these forums where deficiencies are noted and the manner to correctly process ASB.

The historical Office of Internal Audit documents:

ASB Top Ten Things You Should Know PowerPoint and video presentations,

"ASB GUIDELINES FOR INTERNAL CONTROL-Most Common Audit Findings"

The Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference published by the Fiscal Crisis and Management Assistance Team (FCMAT) remain on the department's SDUSD web site.

The Office of Audits and Investigations will continue with audits of ASB schools.

**Current Status:** See Finding 2014-01

SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2014

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**FINDING #2013-02: ACCOUNTS PAYABLE ACCRUAL (30000)**

**Criteria:** Internal controls should be implemented to ensure that accounting transactions are recorded in the proper period.

**Condition:** During our accounts payable testing, we found that subsequent expenditure transactions from facilities were improperly recorded. All of these transactions should have been accrued liabilities for the 2012-13 year, but were instead expensed in the 2013-2014 school year. Upon further follow up with the appropriate department, it appears that District accrual procedures were followed but the amounts provided by the facilities contractors were not correct. The contractors provide rough estimates for the accrual; the actuals (paid in the subsequent year) revealed that amounts provided by the contractors were less than the actual amounts.

**Cause:** A lack of internal control procedures and a process that is manual and subject to error, which would insure accounts payable are recognized was the cause of this misstatement. There needs to be additional checks to verify that the accrual provided to the accounts payable department was posted appropriately to the general ledger.

**Perspective:** The District has a total of \$108,359,696 in accrual liabilities. Of that amount we found 1% to be understated. This will not result in an adjustment.

**Effect or Potential Effect:** Transactions are not recorded in the proper period and could lead to material financial misstatements.

**Recommendation:** We recommend that the District implement sufficient and appropriate internal control procedures to ensure that transactions are recorded in the proper accounting period.

**District Response:** The estimated accruals that FPC provided were accurate representations of the work that was in place prior to June 30<sup>th</sup>. In some cases the contractor failed to invoice for the work accomplished and in some cases there were unexpected delays of deliveries. Estimates for accruals can vary significantly by delayed deliveries of materials to sites, unforeseen conditions which delay work including rain, soil or subcontractor performance.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2013-02: ACCOUNTS PAYABLE ACCRUAL (30000) (continued)**

**District Response (continued):** There are some accrual line items that represent work that was accomplished prior to the month of June 2013. These invoices were for work done under the technology E-rate program and were not processed because of labor compliance requirements that are under dispute with the contractors. Negotiations are underway to resolve these labor compliance complaints and efforts are underway to pay the vendors for work that has been accomplished and to withhold payment for Labor Compliance violations.

The process that was in place as of July 2013 was as follows:

1. A/P requests accruals from FPC (accrual workbook)
2. FPC post award contracts sends requests to CM as needed
  - a. CM reviews contracts for work performed but not invoiced
    - i. Reviews contractor's cost-loaded schedule (when available)
    - ii. Reviews schedule of values against work performed
    - iii. Provides estimated invoice values to Post-Award Contracts
  - b. For contracts with unpaid invoices the actual invoice amount is entered into the notebook
3. Post-Award Contracts compiles accruals in accrual workbook and forwards to A/P
4. A/P posts accruals by the first Friday of a full work-week of July
5. A/P sends acknowledgement and notification of posting to FPC
6. FPC reviews posting list to make sure that all items were posted

Since general contractors are required by contractor to turn in the monthly invoices by the 8<sup>th</sup> of the month, not enough time was available to process pay applications in time for the accruals. Because of the timing, the process relied almost on estimated accruals which are inherently very difficult to maintain accuracy for construction projects.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2013-02: ACCOUNTS PAYABLE ACCRUAL (30000) (continued)**

In order to improve the accuracy of FPC's accruals the district will adopt the following process:

- a. General Contractor submits their pay application not later than July 8<sup>th</sup>.
- b. Invoiced amount is accrued within 3 business days of July 8<sup>th</sup>.
- c. Pay application is entered into the PeopleSoft purchase order.
- d. Contracts not invoiced from June will be estimated and accrued.
- e. Purchase orders are "rolled over" in mid-July
- f. Contractor is paid.
- g. Accruals are recognized and reversed.

The expected outcome from this change will not impact the year-end closing process. Accuracy of accruals will be improved since the number of estimated accruals will be greatly reduced.

**Current Status:** Implemented

SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2014

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**FINDING #2013-03 : AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (40000)**

**Criteria:** Per Education Code 8483(a)(4), it is the intent of the Legislature that that pupils in elementary school participate in the full day of the program every day during which pupils participate to accomplish program goals. Also, per Education Code 8483.1(a)(1) every before school program component established pursuant to this article shall in no instance operate for less than one and one-half hours per regular school day. Every program shall establish a policy regarding reasonable late daily arrival of pupils to the program.

**Condition:** We sampled and tested the Before School and After School Education and Safety Program at six school sites with the following results:

*Challenger Elementary School*

- 1 student left early before the time allowed by their Early Release Form (ERF). This created an overstatement of attendance by 1 attendance day.

*Clay Elementary School*

- 2 students were found to be present in the before school program but were not credited and 1 student was given credit for being present in the after school program when the student left early and did not have ERF support. This created a net understatement of attendance by 1 attendance day.

*Edison Elementary School*

- 2 students were marked present throughout the week when they did not have ERF support. This created an attendance overstatement 5 attendance days.

*Freese Elementary School*

- 4 students were marked present throughout the week when they did not have ERF support. 1 student did not receive attendance credit when they should have. This created a net attendance overstatement of 8 attendance days.

*Lee Elementary School*

- 2 students left the program early without ERF support and 3 students were not credited when they did meet attendance requirements. This created a net attendance understatement of 3 attendance days.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2014

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**FINDING #2013-03: AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (40000) (continued)**

In conducting our work, we noted some discrepancies associated with reviewing attendance records at the school sites. The onsite supervisor is required to review the daily scanned attendance and reconcile to the signed rosters and early release policies in order accurately report student participation in the program. In some instances the onsite supervisor is required to remove students scanned attendance since they did not meet the minimum hour requirements based on the early release policy.

**Context:** Findings were noted in five (5) of six ASES program sites tested.

**Questioned Costs:** The ASES program funding is not affected as long as the pupil participation level is maintained at 85% or greater. As the net six students served over reported did not cause the program attendance to fall below the 85% of the projected attendance, there is not questioned cost.

**Cause:** Potential insufficient review procedures when reconciling scanned attendance to the signed rosters.

**Effect:** The District may not be accurately reporting the number pupils served.

**Recommendation:** We recommend that the District continue to provide oversight and training to staff responsible for reconciling attendance records regarding the importance of accurately reviewing scanned attendance for discrepancies when comparing against signed rosters and student early release policies. This will ensure that the records, to support attendance being sent to the state, can be relied upon and sufficient for internal and external review.

**District Response:** The Extended Learning Opportunities Department will continue to provide training and conduct site visits to ensure that staff is knowledgeable on, and following, all attendance requirements.

The Extended Learning Opportunities Department provides professional development annually during the month of August; one of the key areas of focus includes the After School Education and Safety (ASES) attendance accountability requirements. This training is mandatory for all new and returning administrative staff and school site program leaders. The attendance accountability portion of the training is provided monthly throughout the school year and is required for all new program leaders and program staff utilizing the Cayen Afterschool 21 attendance system. In addition, the Extended Learning Opportunities Department offers, and may require, one-on-one training to staff needing additional assistance ensuring the attendance requirements are being met.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2013-03: AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (40000) (continued)**

**District Response (continued):** Beginning in 2013/14, the Extended Learning Opportunities Department began performing attendance audit site visits at the beginning of the school year in which all Early Release and Late Arrivals forms, as well as a period of sign-in sheets, are reviewed for accuracy. These visits are to ensure that all staff fully understand, and implement, all Early Release, Late Arrival and attendance requirements and attendance is appropriately marked as compliant or non-compliant based on ASES requirements.

The Extended Learning Opportunities Department will continue to perform unannounced school site observations throughout the year to provide the support needed to operate a high quality and enriching program, including implementing all attendance requirements as stipulated by CDE. Sign-in sheets, Early Release and Late Arrival forms are reviewed and compared to ensure that only those students that are meeting all of the ASES criteria are reported to CDE.

**Current Status:** See Finding 2014-3



**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2013-04: KINDERGARTEN CONTINUANCE (10000/40000)**

**Criteria:** Pupils enrolled in kindergarten for consecutive years should have a signed parental agreement to continue form, approved in form and content by the California Department of Education. For a pupil who begins kindergarten mid-year, one school year of kindergarten is completed on the last day prior to the anniversary of the pupil's first day of kindergarten.

**Condition:** We found that at Porter Elementary, the kindergarten retention form tested was insufficient to claim apportionment for the days generated after one full year of kindergarten. The pupil contract tested showed the pupil is currently enrolled in kindergarten; however, there was no signature of school official approving for the District.

**Cause:** Lack of familiarity with procedures outlined by Education Code.

**Questioned Costs:** There was an overstatement of 1 ADA that was corrected prior to submitting P-2. If P-2 had been submitted the fiscal impact would have been \$6,707.66.

**Effect:** Possible misstatement of Average Daily Attendance by the District.

**Perspective:** We audited kindergarten continuance at 14 elementary school sites selected for testing in fiscal year 2012-13. The audit procedures included steps outlined by the Education Code(s) referenced below.

**Recommendation:** All students continuing kindergarten after one year of enrollment need a completed and signed parental agreement form in order for the pupil to continue kindergarten. This form must be signed in order for the District to be in compliance with the State per Sections 14502.1, 14503 and 41020, Education Code.

**District Response:** The procedure requiring the principal's signature on the kindergarten retention form has been fully explained to that school principal to ensure the error will not be repeated in the future. The district will continue its ongoing training for all school sites so that everyone is familiar with the procedures outlined by the Education Code with regard to kindergarten retention.

**Current Status:** See Finding 2014-4

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2013-05: SCHOOL ACCOUNTABILITY REPORT CARD (72000)**

**Criteria:** School Accountability Report Cards (SARCs), prepared on annual basis for each school site within the District and posted in February, should contain information regarding school facilities conditions, as indicated in the most recently prepared facility inspection tool (FIT) form developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002(d).

**Condition:** During testing of a representative sample of SARCs, it was noted that a selection of 2012-13 SARCs did not report any information regarding facilities conditions. Instead, the SARC contained the following description: "Facilities inspections are ongoing throughout the school year. This table will be updated when inspection results become available."

**Cause:** Miscommunication amongst District staff regarding timeliness of information to be reported in the SARCs. From inquiry, it appears that the staff members who prepare the SARCs were informed that the facilities information should reflect 2012-13 inspections, rather than the most recently prepared FIT.

**Questioned Costs:** N/A

**Effect:** The 2011-12 School Accountability Report Cards published and tested in 2012-13 could not be determined to be accurate.

**Perspective:** Eight (8) out of 22 sites selected for SARC state compliance testing did not have facilities condition information reported in the SARC, as of July 2013.

**Recommendation:** We recommend that the District implement a process to accurately compile information included in the most recently prepared FITs and provide the summary to the staff members in charge of preparing SARCs.

**District Response:** During a recent process improvement review meeting, the District changed the FIT summary report to reflect the most recent FIT score for each site, providing the SARC report with most recent FIT scores district wide instead of just for those sites inspected from July to January.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2014**

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**FINDING #2013-05: SCHOOL ACCOUNTABILITY REPORT CARD (72000) *(continued)***

**District Response *(continued)*:** Confirming that the eight (8) sites without facilities condition information had been inspected after January and therefore, not included in the published SARC report produced in February 2013 and with the recently altered process in place, there will now be a score for every site, regardless of when it was inspected.

Furthermore, the SARC report description has also been revised to state “most recent inspection date” instead of “Facilities inspections are ongoing throughout the school year. This table will be updated when inspection results become available.”

**Current Status:** Implemented

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**CONTINUING DISCLOSURE  
INFORMATION**

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**SAN DIEGO UNIFIED SCHOOL DISTRICT  
CONTINUING DISCLOSURE INFORMATION (Unaudited)  
FOR THE YEAR ENDED JUNE 30, 2014**

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The following information is provided by the District to comply with covenants of its General Obligation Bonds. As noted in the opinion letter of this report, this continuing disclosure information section has not been subjected to the auditing procedures applied in the audit of the general purpose financial statements.

	<u><b>Audit Report Page(s)</b></u>
1. General fund budget and actual results	73
2. Assessed valuations	124
3. Outstanding bonded indebtedness	44
4. Balance in the Debt Service Fund	15
5. Balance in the Improvement Fund (Building Fund)	15
6. Tax levy under Teeter Plan	124
7. Largest local secured taxpayers	125

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
CONTINUING DISCLOSURE INFORMATION (Unaudited), continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Assessed Valuations**

The District uses the facilities and services of the County for the assessment and collection of taxes. District taxes are collected at the same time and on the same tax rolls as are the County, City and Special District taxes. Assessed valuations are the same for both District and county taxing purposes. The following tabulation is the latest ten-year summary of the District's net taxable assessed valuation (source: County of San Diego).

<b>District's Fiscal Year</b>	<b>Assessed Value</b>
2002-2003	\$80,806,653,526
2003-2004	\$87,856,623,236
2004-2005	\$95,685,708,742
2005-2006	\$108,123,995,636
2006-2007	\$120,172,905,029
2007-2008	\$131,390,290,644
2008-2009	\$131,895,647,665
2009-2010	\$137,384,713,473
2010-2011	\$134,714,145,620
2011-2012	\$134,993,695,091
2012-2013	\$134,786,052,020
2013-2014	\$140,132,550,406

Secured taxes collected in fiscal year 2012-13 (2013-14 data not available) amounted to \$509,788,778.

**Tax Levy Under Teeter Plan**

The ad valorem property tax to be levied to pay the principal of and interest on the general obligation bonds utilize the Teeter Plan. The School District will receive 100% of the ad valorem property tax levied to pay these Bonds irrespective of actual delinquencies in the collection of the tax by the County.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
CONTINUING DISCLOSURE INFORMATION (Unaudited), continued  
FOR THE YEAR ENDED JUNE 30, 2014**

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The largest taxpayers in San Diego County and the taxes assessed in 2013-14 are listed below:

<u>PROPERTY OWNER</u>	<u>AMOUNT OF TAX</u>
1 SAN DIEGO GAS & ELECTRIC CO	87,007,049
2 SOUTHERN CALIFORNIA EDISON CO	35,875,444
3 IRVINE CO	19,995,798
4 QUALCOMM INC	18,573,859
5 KILROY REALTY L P	15,781,405
6 PACIFIC BELL TELEPHONE COMPANY	10,658,898
7 HOST HOTELS AND RESORTS	9,242,345
8 O C/S D HOLDINGS LLC	7,596,075
9 ONE PARK BOULEVARD LLC	7,245,071
10 B S K DEL PARTNERS LLC	6,135,288
11 PREBYS CONRAD TRUST	5,698,590
12 FASHION VALLEY MALL LLC	5,638,722
13 ARDEN REALTY LTD PTNSHP	5,198,651
14 SEA WORLD PARKS AND ENTERTAINMENT	5,168,033
15 SOLAR TURBINES INC	4,823,429
16 COSTCO WHOLESALE CORP	4,734,475
17 GENENTECH INC	4,723,999
18 B R E PROPERTIES, INC	4,488,807
19 SAN DIEGO FAMILY HOUSING LLC	4,478,466
20 OTAY MESA GENERATING CO, LLC	4,266,040
21 LAJOLLA CROSSROADS 1 LLC	4,204,190
22 SORRENTO WEST PROPERTIES INC	3,913,997
23 PFIZER INC	3,559,485
24 PACIFIC GATEWAY LTD	3,551,871
25 ROHR INC	3,376,524
26 U T C VENTURE LLC	3,329,927
27 E R P OPERATING LP	3,288,516
28 HORTON PLAZA LLC	3,223,735
29 AT&T MOBILITY	3,067,241
30 HOST SAN DIEGO HOTEL LLC	2,833,650