

SAN DIEGO UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2013

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, 2013

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, 44 charter schools and 13 alternative schools.

GOVERNING BOARD

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

DISTRICT ADMINISTRATORS

Cindy Marten
*Superintendent**

Staci Monreal
Chief of Staff

Phil Stover
Deputy Superintendent of Business Support Services

Jenny Salkeld
Chief Financial Officer

Joe Fulcher, Ph.D.
Chief Student Services Officer

Andra Donovan
General Counsel

*William Kowba was Superintendent for the 2012-13 Fiscal Year

**SAN DIEGO UNIFIED SCHOOL DISTRICT
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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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, 2013, 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, 2013, 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 11, the budgetary comparison information on page 67, and the schedule of funding progress on page 68 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013 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, 2013

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

INTRODUCTION

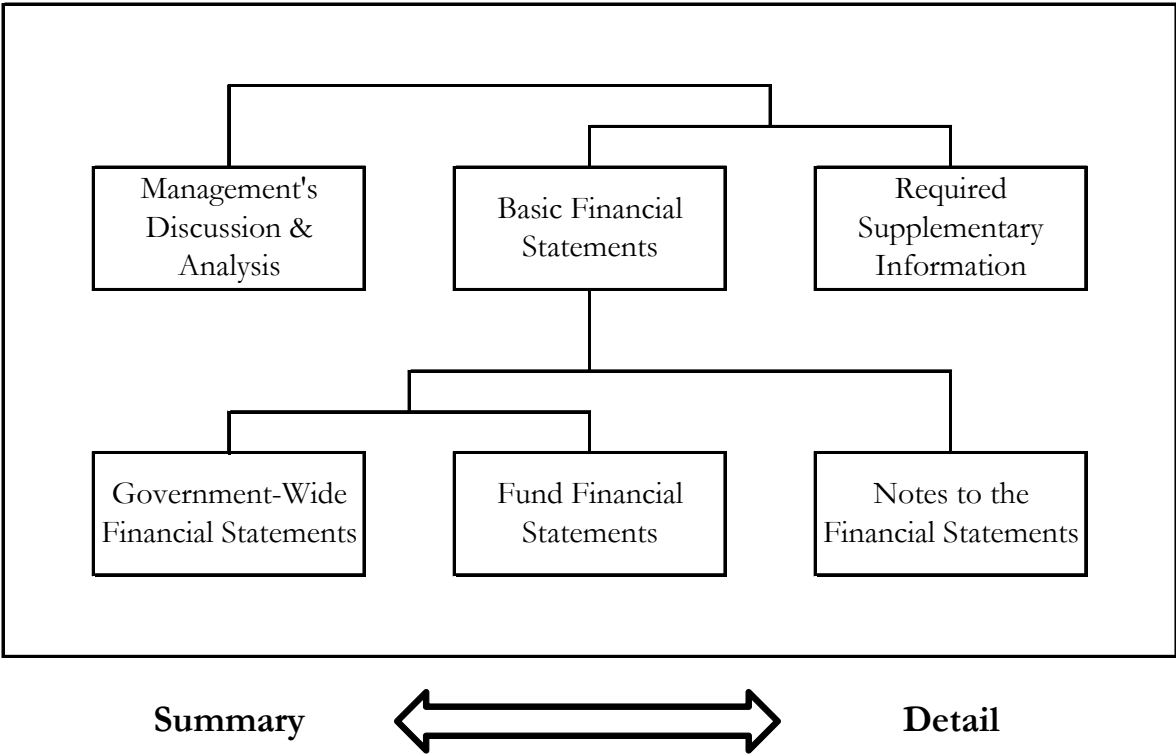
Our discussion and analysis of San Diego Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- ▶ Total net position was \$845.2 million at June 30, 2013. This was an increase of \$22.1 million from the prior year.
- ▶ Overall revenues were \$1,309.8 million which were greater than expenses of \$1,287.6 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, 2013**

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. Revenue limit 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, 2013**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$845.2 million at June 30, 2013, as reflected in the table below. Of this amount, \$(134.1) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2013	2012	Net Change
ASSETS			
Current and other assets	1,168,631,663	\$ 695,135,125	\$ 473,496,538
Capital assets	2,410,869,891	2,307,110,717	103,759,174
Total Assets	3,579,501,554	3,002,245,842	577,255,712
LIABILITIES			
Current liabilities	160,536,835	164,709,865	4,173,030
Long-term liabilities	2,573,730,280	2,014,425,984	(559,304,296)
Total Liabilities	2,734,267,115	2,179,135,849	(555,131,266)
NET POSITION			
Net investment in capital assets	639,544,350	619,283,052	20,261,298
Restricted	339,789,025	283,793,102	55,995,923
Unrestricted	(134,098,936)	(79,966,161)	(54,132,775)
Total Net Position	845,234,439	\$ 823,109,993	\$ 22,124,446

**SAN DIEGO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

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.

	Governmental Activities		
	2013	2012	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 29,665,703	\$ 11,448,168	\$ 18,217,535
Operating grants and contributions	294,770,170	325,742,068	(30,971,898)
Capital grants and contributions	14,575,163	3,988,858	10,586,305
General revenues			
Property taxes	667,042,357	605,189,106	61,853,251
Unrestricted federal and state aid	236,730,389	276,007,151	(39,276,762)
Other	66,988,743	72,279,164	(5,290,421)
Total Revenues	1,309,772,525	1,294,654,515	15,118,010
EXPENSES			
Instruction	721,298,351	715,543,384	5,754,967
Instruction-related services	132,310,938	137,766,199	(5,455,261)
Pupil services	183,499,167	184,312,087	(812,920)
General administration	54,003,610	53,247,971	755,639
Plant services	85,858,098	81,913,696	3,944,402
Ancillary and community services	3,706,511	3,592,587	113,924
Debt service	27,263,119	47,237,797	(19,974,678)
Other Outgo	1,951,406	36,597	1,914,809
Depreciation	77,455,815	74,956,029	2,499,786
Other	301,064	544,139	(243,075)
Total Expenses	1,287,648,079	1,299,150,486	(11,502,407)
Change in net position	22,124,446	(4,495,971)	26,620,417
Net Position - Beginning	823,109,993	827,605,964	(4,495,971)
Net Position - Ending	\$ 845,234,439	\$ 823,109,993	\$ 22,124,446

**SAN DIEGO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

As reported in the Statement of Activities on page 13, the cost of all our governmental activities this year was \$1,287.6 million. The amount ultimately financed for these activities through taxes and State Aid was \$903.8 million, the cost paid by those who benefited from the programs was \$29.7 million, the costs from capital grants and contributions is \$14.6 million, the costs paid by other governments and organizations who subsidized certain programs with grants and contributions was \$294.8 million and other revenues contributed \$67.0 million.

	Net Cost of Services	
	2013	2012
Instruction	\$ 557,569,858	\$ 528,146,412
Instruction-related services	100,344,071	95,835,853
Pupil services	84,593,175	83,026,594
General administration	47,191,119	47,164,693
Plant services	49,694,954	79,341,352
Ancillary and community services	3,706,365	3,591,711
Debt service	27,263,119	47,237,797
Transfers to other agencies	656,632	(1,716,212)
Depreciation	77,455,815	74,956,029
Other	161,935	387,163
Total Expenses	\$ 948,637,043	\$ 957,971,392

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 \$980.2 million, which is greater than last year's ending fund balance of \$525.1 million. The District's General Fund had \$39.7 million less in operating revenues than expenditures for the year ended June 30, 2013.

CURRENT YEAR BUDGET 2012-13

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, 2013**

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 – Revenue Limit Sources of \$48.3 million, Federal grants and special projects of \$10.9 million, State grants and special projects of (\$2.1) million, and Local grants and special projects of \$29.9 million.
- Expenditures that were appropriated during the year which were not included in the originally adopted budget – Salaries and Benefits of \$69.5 million, Books and Supplies of \$12.3 million, and Services and Other Operating Expenses of \$10.1 million.

Even with these adjustments, actual revenues available were \$24.5 million below the final budgeted amounts. The most significant variances resulted from:

- Revenue Limit Sources were \$5.1 million below final budget amounts.
- Federal revenues were \$9.6 million below final budget amounts. Impact Aid increased by \$7.7 million and NCLB/IASA grants was \$11.4 million below appropriations. Other Federal grants were \$5.4 million below appropriations which largely represents grant money that has been received but not spent by June 30, 2013.
- State and local revenues were \$11.3 million below final budget amounts. Lottery increased by \$1.4 million, Special Education Master Plan was \$4.2 million below appropriations and Other State grants were \$2.5 million below appropriations. Leases and Rentals were \$1.1 million above appropriations, Interest was \$1.2 million below appropriations, Interagency Services was \$.8 million below appropriations and various other Local grants and miscellaneous revenues were \$5.1 million below appropriations.

Actual expenditures were \$55.5 million below the final budgeted amounts. The most significant positive variances resulted from:

- Salaries and benefits were \$11.3 million below final budget amounts. The variance is broken down as follows:
 - Unrestricted resources - \$8.7 million above
 - Federal, state, and local restricted resources - \$20.0 million below
- Books and supplies were \$27.5 million below final budget amounts. The variance is broken down as follows:
 - Unrestricted resources - \$8.9 million below
 - Federal, state, and local restricted resources - \$18.6 million below
- Services and other operating expenses were \$13.4 million below final budget amounts. The variance is broken down as follows:
 - Unrestricted resources - \$2.5 million above
 - Federal, state, and local restricted resources – \$15.9 million below

**SAN DIEGO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2012-13 the District had invested \$2,410.9 million in capital assets, net of depreciation.

	Governmental Activities		
	2013	2012	Net Change
CAPITAL ASSETS			
Land	\$ 271,184,488	\$ 271,164,488	\$ 20,000
Construction in progress	1,097,384,777	1,009,138,234	88,246,543
Land improvements	237,538,508	220,777,854	16,760,654
Buildings & improvements	1,422,523,233	1,357,234,737	65,288,496
Furniture & equipment	247,185,748	251,519,207	(4,333,459)
Accumulated depreciation	(864,946,863)	(802,723,803)	(62,223,060)
Total Capital Assets	\$ 2,410,869,891	\$ 2,307,110,717	\$ 103,759,174

Long-Term Debt

At year-end, the District had \$2,553.2 million in long-term debt, an increase from last year – as shown in the tables below (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2013	2012	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 2,504,804,567	\$ 1,957,247,995	\$ 547,556,572
Capital lease (Note 9)	2,000,000	5,000,000	(3,000,000)
Early retirement incentive	14,132,940	28,312,263	(14,179,323)
Compensated absences	25,148,400	25,198,368	(49,968)
Net OPEB obligation	7,137,745	5,840,945	1,296,800
Total Long-term Liabilities	\$ 2,553,223,652	\$ 2,021,599,571	\$ 531,624,081

In order to create debt capacity the San Diego Unified School District passed Proposition Z. The Series A and A-1 bonds are short term bonds that will mature in two years or less. The series will primarily be used for information technology related projects approved in the ballot measure. The Series B and C are longer term bonds and will be used for construction projects consistent with the ballot language.

The bonds issued in the current year were as follows:

- 2013, Series A \$52,500,000
- 2013, Series A-1 \$3,000,000
- 2013, Series B \$60,000,000
- 2013, Series C \$414,000,000

**SAN DIEGO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

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.

Assembly Bill 97 (Chapter 47, Statutes of 2013), as amended by Senate Bills 91 and 97, enacted landmark legislation reform in California school district finance by creating the new Local Control Funding Formula (LCFF). The District is analyzing 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.

Factors related to LCFF that the District is in the process of evaluating include estimates of new funding in the next budget year and beyond; creation of the Local Control and Accountability Plan (LCAP) for fiscal year 2014-15 that aims to link student accountability measurements to funding allocations; ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, meeting new compliance and audit requirements.

The State's economy "mirrors the slow growth of the nation", this is according to the UCLA Newsroom reporting on the September 2013 Anderson Economic Forecast. "While the economy is returning to normal, it is still operating well below what would have been expected prior to the recession." The ability of the State to fund the new LCFF is largely dependent on the strength of the State's economy and remains uncertain.

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 2013-14 fiscal year.

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, 2013

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,050,574,529
Accounts receivable	114,904,980
Inventory	2,641,585
Prepaid expenses	510,569
Capital assets, not depreciated	1,368,569,265
Capital assets, net of accumulated depreciation	1,042,300,626
Total Assets	3,579,501,554
LIABILITIES	
Accrued liabilities	108,359,696
Unearned revenue	13,626,767
Long-term liabilities, current portion	38,550,372
Long-term liabilities, non-current portion	2,573,730,280
Total Liabilities	2,734,267,115
NET POSITION	
Net investment in capital assets	639,544,350
Restricted:	
Capital projects	163,082,091
Debt service	158,098,114
Educational programs	18,608,820
Unrestricted	(134,098,936)
Total Net Position	\$ 845,234,439

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, 2013**

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
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 721,298,351	\$ 5,865,271	\$ 143,288,059	\$ 14,575,163	\$ (557,569,858)
Instruction-related services					
Instructional supervision and administration	47,765,809	1,000,607	26,273,701	-	(20,491,501)
Instructional library, media, and technology	9,701,571	24,749	2,317,884	-	(7,358,938)
School site administration	74,843,558	150,180	2,199,746	-	(72,493,632)
Pupil services					
Home-to-school transportation	38,444,176	994,007	16,372,646	-	(21,077,523)
Food services	56,033,700	33,547	47,403,237	-	(8,596,916)
All other pupil services	89,021,291	1,225,060	32,877,495	-	(54,918,736)
General administration					
Centralized data processing	23,893,626	-	-	-	(23,893,626)
All other general administration	30,109,984	200,197	6,612,294	-	(23,297,493)
Plant services	85,858,098	19,644,439	16,518,705	-	(49,694,954)
Ancillary services	3,053,323	90	56	-	(3,053,177)
Community services	653,188	-	-	-	(653,188)
Enterprise activities	301,064	4,527	134,602	-	(161,935)
Interest on long-term debt	27,263,119	-	-	-	(27,263,119)
Other Outgo	1,951,406	523,029	771,745	-	(656,632)
Depreciation (unallocated)	77,455,815	-	-	-	(77,455,815)
Total Governmental Activities	\$ 1,287,648,079	\$ 29,665,703	\$ 294,770,170	\$ 14,575,163	(948,637,043)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes 549,894,493					
Property taxes, levied for debt service 97,360,351					
Property taxes, levied for other specific purposes 19,787,513					
Federal and state aid not restricted for specific purposes 236,730,389					
Interest and investment earnings 3,958,827					
Interagency revenues 5,503,617					
Miscellaneous 57,526,299					
Subtotal, General Revenue 970,761,489					
CHANGE IN NET POSITION 22,124,446					
Net Position - Beginning 823,109,993					
Net Position - Ending \$ 845,234,439					

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013**

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 158,862,985	\$ 597,993,632	\$ 53,416,753	\$ 158,098,114	\$ 68,163,652	\$ 1,036,535,136
Accounts receivable	101,674,790	351,343	82,590	-	12,785,138	114,893,861
Due from other funds	46,700,352	5,585,422	80,068,914	-	2,978,437	135,333,125
Stores inventory	1,910,848	-	-	-	730,737	2,641,585
Prepaid expenditures	502,980	-	-	-	7,589	510,569
Total Assets	\$ 309,651,955	\$ 603,930,397	\$ 133,568,257	\$ 158,098,114	\$ 84,665,553	\$ 1,289,914,276
LIABILITIES						
Accrued liabilities	\$ 83,564,999	\$ 20,077,637	\$ 2,255,145	\$ -	\$ 2,119,656	\$ 108,017,437
Due to other funds	136,490,506	4,149,605	5,341,866	-	42,091,343	188,073,320
Unearned revenue	13,497,722	-	-	-	129,045	13,626,767
Total Liabilities	233,553,227	24,227,242	7,597,011	-	44,340,044	309,717,524
FUND BALANCES						
Nonspendable	2,455,702	-	-	-	738,206	3,193,908
Restricted	18,527,489	579,703,155	125,971,246	158,098,114	37,192,176	919,492,180
Committed	-	-	-	-	486,855	486,855
Assigned	9,856,866	-	-	-	1,908,272	11,765,138
Unassigned	45,258,671	-	-	-	-	45,258,671
Total Fund Balances	76,098,728	579,703,155	125,971,246	158,098,114	40,325,509	980,196,752
Total Liabilities and Fund Balances	\$ 309,651,955	\$ 603,930,397	\$ 133,568,257	\$ 158,098,114	\$ 84,665,553	\$ 1,289,914,276

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
Revenue limit sources	\$ 574,422,513	\$ -	\$ -	\$ -	\$ -	\$ 574,422,513
Federal sources	116,012,148	-	-	-	51,595,376	167,607,524
Other state sources	302,477,085	-	14,027,786	717,385	18,804,308	336,026,564
Other local sources	63,146,218	952,539	975,151	96,896,711	69,745,305	231,715,924
Total Revenues	1,056,057,964	952,539	15,002,937	97,614,096	140,144,989	1,309,772,525
EXPENDITURES						
Current						
Instruction	709,089,254	-	-	-	16,011,802	725,101,056
Instruction-related services						
Instructional supervision and administration	44,195,616	-	-	-	4,329,245	48,524,861
Instructional library, media, and technology	10,018,725	-	-	-	-	10,018,725
School site administration	76,203,932	-	-	-	199,281	76,403,213
Pupil services						
Home-to-school transportation	39,869,162	-	-	-	-	39,869,162
Food services	284,737	-	-	-	56,023,015	56,307,752
All other pupil services	88,649,278	-	-	-	468,846	89,118,124
General administration						
Centralized data processing	20,467,337	-	-	-	-	20,467,337
All other general administration	25,556,920	-	-	-	2,590,560	28,147,480
Plant services	70,689,667	931	130,233	-	16,845,251	87,666,082
Facilities acquisition and maintenance	1,974,838	129,216,112	38,972,897	-	12,007,534	182,171,381
Ancillary services	3,059,896	-	-	-	-	3,059,896
Community services	653,188	-	-	-	-	653,188
Enterprise activities	183,477	-	-	-	131,766	315,243
Transfers to other agencies	1,398,329	-	-	-	-	1,398,329
Debt service						
Interest and other	3,470,906	705,000	-	28,670,840	21,558	32,868,304
Total Expenditures	1,095,765,262	129,922,043	39,103,130	28,670,840	108,628,858	1,402,090,133
Excess (Deficiency) of Revenues						
Over Expenditures	(39,707,298)	(128,969,504)	(24,100,193)	68,943,256	31,516,131	(92,317,608)
Other Financing Sources (Uses)						
Transfers in	33,868,032	7,797,447	20,763	-	1,444,935	43,131,177
Other sources	-	532,611,505	-	24,853,898	-	557,465,403
Transfers out	(9,595,265)	(20,763)	(7,797,447)	-	(32,862,702)	(50,276,177)
Net Financing Sources (Uses)	24,272,767	538,481,685	(7,776,684)	23,903,679	(31,417,767)	547,463,680
NET CHANGE IN FUND BALANCE						
(15,434,531)	409,512,181	(31,876,877)	92,846,935	98,364	455,146,072	
Fund Balance - Beginning	91,533,259	170,190,974	157,848,123	65,251,179	40,227,145	525,050,680
Fund Balance - Ending	\$ 76,098,728	\$ 579,703,155	\$ 125,971,246	\$ 158,098,114	\$ 40,325,509	\$ 980,196,752

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, 2013**

Net Change in Fund Balances - Governmental Funds \$ 455,146,072

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:	\$ 183,796,745	
Depreciation expense:	<u>(77,455,815)</u>	106,340,930

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:

(553,964,291)

Debt issuance costs:

In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issuance costs are amortized over the life of the debt. The difference between debt issuance costs recognized in the current period and issue costs amortized for the period is:

Issuance costs incurred during the period:	2,611,503
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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:

(2,193,261)

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.

4,245,332

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 BALANCE TO THE STATEMENT OF
ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2013**

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:	49,968
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:	(1,296,800)
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:	14,179,323
Deferred charges:	
In governmental funds, deferred charges are recognized as expenditures in the period they are incurred. In the government-wide statements, deferred charges are expensed when they are incurred. The difference between the expense recognized in the current period and deferred charges for the period is:	(5,000,000)
Amortization of debt issuance premium net of issuance:	
In governmental funds, if debt is issued at a premium or at a discount, the premium net the issuance costs 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:	2,162,389
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:	(156,719)
Change in Net Position of Governmental Activities	<u>\$ 22,124,446</u>

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2013**

	Governmental Activities					Total
	Internal Service Funds					
	Liability	Property	Workers'		Vision Fund	
			Insurance	Insurance		
ASSETS						
Cash and cash equivalents	\$ 2,199,811	\$ 55,632	\$ 11,247,516	\$ 536,434		\$ 14,039,393
Accounts receivable	2,082	183	8,322	532		11,119
Due from other funds	-	-	51,900,427	1,573,964		53,474,391
Total assets	2,201,893	55,815	63,156,265	2,110,930		67,524,903
LIABILITIES						
Accrued liabilities	36,058	306,201	-	-		342,259
Claims payable	2,639,000		56,418,000	-		59,057,000
Due to other funds	46,687	589,983	97,526	-		734,196
Total liabilities	2,721,745	896,184	56,515,526	-		60,133,455
NET POSITION						
Unrestricted	(519,852)	(840,369)	6,640,739	2,110,930		7,391,448
Total Net Position	\$ (519,852)	\$ (840,369)	\$ 6,640,739	\$ 2,110,930		\$ 7,391,448

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, 2013**

	Governmental Activities					Total
	Internal Service Funds				Total	
	Liability Insurance	Property Insurance	Workers'			
			Compensation Fund	Vision Fund		
OPERATING REVENUE						
Transfers in from other funds	\$ 5,110,000	\$ 2,035,000	\$ -	\$ -	\$ 7,145,000	
Self-insurance premiums	626,856	552,084	19,580,753	1,596,356	22,356,049	
Total operating expenses	5,736,856	2,587,084	19,580,753	1,596,356	29,501,049	
OPERATING EXPENSE						
Salaries and benefits	507,009	248,645	599,641	-	1,355,295	
Supplies and materials	3,087	11	11,169	-	14,267	
Payments for claims	3,428,072	4,156,296	19,589,805	1,236,173	28,410,346	
Total operating expenses	3,938,168	4,404,952	20,200,615	1,236,173	29,779,908	
OPERATING GAIN/(LOSS)	1,798,688	(1,817,868)	(619,862)	360,183	(278,859)	
NON-OPERATING REVENUES/(EXPENSES)						
Interest income	9,409	1,564	109,744	1,423	122,140	
Total non-operating revenues/(expenses)	9,409	1,564	109,744	1,423	122,140	
CHANGE IN NET POSITION	1,808,097	(1,816,304)	(510,118)	361,606	(156,719)	
Net Position - Beginning	(2,327,949)	975,935	7,150,857	1,749,324	7,548,167	
Net Position - Ending	\$ (519,852)	\$ (840,369)	\$ 6,640,739	\$ 2,110,930	\$ 7,391,448	

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, 2013**

	<u>Governmental Activities</u>
	<u>Internal Service Funds</u>
	<u>Total</u>
Cash flows from operating activities	
Cash received from user charges	\$ 22,376,836
Cash received/(paid) from assessments made to/ (from) other funds	(16,625,553)
Cash payments for insurance claims	(24,598,972)
Cash payments to employees for services	(794,787)
Net cash used by operating activities	(19,642,476)
Cash flows from investing activities	
Interest received	122,140
Net cash provided by investing activities	122,140
 NET DECREASE IN CASH	 (19,520,336)
CASH	
Beginning of year	33,559,729
End of year	\$ 14,039,393
 Reconciliation of operating loss to cash used in operating activities	
Operating loss	\$ (278,859)
Decrease in accounts receivable	20,787
Increase in due from other funds	(23,770,553)
Increase in accounts payable	285,374
Increase in due to other funds	574,775
Increase in claims liabilities	3,526,000
Net cash used by operating activities	\$ (19,642,476)

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2013

	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 7,447,327
Accounts receivable	9,200
Stores inventory	326,809
Total Assets	<u>\$ 7,783,336</u>
LIABILITIES	
Accrued liabilities	\$ 72,339
Due to student groups	7,710,997
Total Liabilities	<u>\$ 7,783,336</u>

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013

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 44 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, 2013 is presented below:

	Total Not-for Profit	Total Governmental	Total Charter School
Total assets	\$ 84,407,709	\$ 379,604	\$ 84,787,313
Total liabilities	20,597,973	371,991	20,969,964
Totals	<u>\$ 63,809,736</u>	<u>\$ 7,613</u>	<u>\$ 63,817,349</u>
Total revenues	\$ 143,731,608	\$ 1,371,001	\$ 145,102,609
Total expenses	137,995,267	1,563,334	139,558,601
Totals	<u>\$ 5,736,341</u>	<u>\$ (192,333)</u>	<u>\$ 5,544,008</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, 2013

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, 2013

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, 2013

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, 2013

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, Liabilities, 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, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, 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, 2013

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

E. Assets, Liabilities, 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.

Deferred Issuance Costs, 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

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, 2013

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

E. Assets, Liabilities, 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, 2013

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.

J. New Accounting Pronouncements

GASB Statement No. 61 – In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No.14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity and modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement is effective for periods beginning after June 15, 2012. The District has implemented GASB Statement No. 61 for the year ended June 30, 2013.

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 62 – In December 2010, GASB issued Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedures that were issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The Statement is effective for periods beginning after December 15, 2011. The District has implemented GASB Statement No. 62 for the year ended June 30, 2013.

GASB Statement No. 63 - In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred inflows of resources and amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definition of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Statement is effective for periods beginning after December 15, 2011. The District has implemented GASB Statement No. 63 for the year ended June 30, 2013.

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 not yet determined the impact on the financial statements.

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.

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental	Internal Service	Total	Fiduciary
	Funds	Funds	Governmental	Funds
			Activities	
Cash in county	\$ 1,033,603,464	\$ 13,539,393	\$ 1,047,142,857	\$ -
Cash on hand and in banks	2,877,672	-	2,877,672	7,447,327
Cash with fiscal agent	-	500,000	500,000	-
Cash in revolving fund	54,000	-	54,000	-
Total cash and cash equivalents	\$ 1,036,535,136	\$ 14,039,393	\$ 1,050,574,529	\$ 7,447,327

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.

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

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

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 \$1,046,147,379 and an amortized book value of \$1,047,142,857. The average weighted maturity for this pool is 393 days.

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

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, 2013, the pooled investments in the County Treasury were rated AAAs/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, 2013, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 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	\$ 22,173,513	\$ -	\$ -	\$ 9,490,611	\$ -	\$ 31,664,124	\$ -
State Government							
Categorical aid	46,177,787	-	82,590	1,458,230	-	47,718,607	-
Lottery	9,661,848	-	-	-	-	9,661,848	-
Local Government							
Other local sources	23,661,642	351,343	-	1,836,297	11,119	25,860,401	9,200
Total	\$ 101,674,790	\$ 351,343	\$ 82,590	\$ 12,785,138	\$ 11,119	\$ 114,904,980	\$ 9,200

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance July 01, 2012	Additions	Deletions	Balance June 30, 2013
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 271,164,488	\$ 42,000	\$ 22,000	\$ 271,184,488
Construction in progress	1,009,138,234	183,818,743	95,572,200	1,097,384,777
Total Capital Assets not Being Depreciated	1,280,302,722	183,860,743	95,594,200	1,368,569,265
Capital assets being depreciated				
Land improvements	220,777,854	16,954,241	193,587	237,538,508
Buildings & improvements	1,357,234,737	71,256,420	5,967,924	1,422,523,233
Furniture & equipment	251,519,207	7,319,541	11,653,000	247,185,748
Total Capital Assets Being Depreciated	1,829,531,798	95,530,202	17,814,511	1,907,247,489
Less Accumulated Depreciation				
Land improvements	111,612,015	8,093,349	108,805	119,596,559
Buildings & improvements	495,451,890	55,764,524	3,588,346	547,628,068
Furniture & equipment	195,659,898	13,597,942	11,535,604	197,722,236
Total Accumulated Depreciation	802,723,803	77,455,815	15,232,755	864,946,863
Governmental Activities				
Capital Assets, net	\$ 2,307,110,717	\$ 201,935,130	\$ 98,175,956	\$ 2,410,869,891

**SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013**

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2013 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	\$ 1,123,272	\$ -	\$ 80,031,404	\$ 2,191,494	\$ 53,144,336	\$ 136,490,506
Building Fund	1,161,671	2,949,236	37,510	1,188	-	4,149,605
County School Facilities Fund	3,312,195	2,029,671	-	-	-	5,341,866
Non-Major Governmental Funds	40,699,073	606,515	-	785,755	-	42,091,343
Self-Insurance Fund	404,141	-	-	-	330,055	734,196
Total Due From Other Funds	\$ 46,700,352	\$ 5,585,422	\$ 80,068,914	\$ 2,978,437	\$ 53,474,391	\$ 188,807,516

Adult Education Fund due to General Fund for indirect cost, reimbursement of job cost, expenses, and for salary and employee benefits.						\$ 55,440
State Preschool Fund due to General Fund for indirect cost, reimbursement of job cost, expenses, and for salary and employee benefits.						4,661,347
Child Development Fund due to General Fund for indirect cost, reimbursement of job cost, expenses, and for salary and employee benefits.						784,611
Cafeteria Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.						15,576,268
Deferred Maintenance Fund due to General Fund for reimbursement of job cost expenses.						19
Prop S Building Bond Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.						156,195
Prop S Building 2012 Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.						856,507
Prop Z Building Fund due to General Fund for reimbursement of job cost and other expenses.						148,790
Capital Facilities Redevelopment Agency Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.						1,328,804
Developer Fees Capital Facilities Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.						408,135
County School Facilities Fund due to General Fund for reimbursement of job cost and expense.						3,312,105
Balboa Stadium Fund (Fund 40) due to General Fund for reimbursement of expenses.						4,766
Property Management Fund (Fund 40) due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.						782,303
Real Estate Sale Proceeds Fund (Fund 40) due to General Fund for sale of property and reimbursement of expenses.						17,074,734
Liability Insurance Fund due to General Fund for reimbursement of salary and employee benefits.						46,400
Property Insurance fund due to General Fund for reimbursement of job cost and for salary and employee benefits.						259,928
Workers Compensation Fund due to General Fund for reimbursement of expenses and for salary and employee benefits.						97,526
Liability Insurance Fund due to Stores Revolving Fund for reimbursement of expenses.						287
Stores Revolving and SIM Revolving Fund due to General Fund for temporary loan and reimbursement of expenses.						303,259
General Fund due to Stores Revolving and Sim Revolving Fund for reimbursement of expenses.						815,917
SIM Revolving Fund due to Stores Revolving Fund for reimbursement of expenses.						4,096
Prop S Building 2012 Fund due to Stores Revolving Fund for reimbursement of expenses.						179
County School Facilities Fund due to Stores Revolving Fund for reimbursement of expenses.						90
Cafeteria Fund due to Stores Revolving for reimbursement of expenses.						22,393
General Fund due to County School Facilities Fund for loan and interest expense and PPO inventory expense.						80,031,404
Prop S Building 2012 Fund due to Prop S Building Bond for expenditure transfers.						2,203,107
General Fund due to Adult Education Fund for prior year adj to state apportionment and Tier III Flexibility transfers.						166,394
General Fund due to State Preschool Fund to cover required expenses.						1,470,019
General Fund due to Child Development Fund for expenditure transfers.						3,900
State Preschool Fund due to Child Development Fund for expenditure transfers.						206,129
Child Development Fund due to State Preschool Fund for expenditure transfers.						154,058
General Fund due to Cafeteria Fund for PERS recap credit.						6,675
General Fund due to Property Management Fund (Fund 40) for transfers of salary expenditures.						544,506
Prop S Building 2012 Fund due to Property Management Fund for expense transfers.						1,188
General Fund due to Workers Compensation Fund for monthly premiums and for loan and interest.						51,570,373
General Fund due to Self Insured Vision Care Fund for monthly premiums.						1,573,963
Adult Ed Fund due to Stores Revolving for reimbursement of expenses.						253
County School Facilities Fund due to Prop S Building Bond for reimbursement of expenses.						11,652
County School Facilities Fund due to Prop S Building 2012 for reimbursement of expenses.						44,384
Prop S State Facility Matching Funds due to Prop S Building 2012 for reimbursement of expenses.						1,973,635
Prop Z Building Fund due to Prop S Building Bond for reimbursement of expenses.						58,084
Prop Z Building Fund due to Prop S Building 2012 for reimbursement of expenses.						688,045
Prop Z Building Fund due to County School Facilities Fund for reimbursement of expenses.						37,510
Capital Facilities Redevelopment Agency Fund due to Property Management Fund for reimbursement of expenses.						425,568
Developer Fees Capital Facilities Fund due to Prop S Building Bond for reimbursement of expenses						6,117
Developer Fees Capital Facilities Fund due to Prop S Building 2012 for reimbursement of expenses						600,398
Property Insurance Fund due to Workers Compensation Fund for reimbursement of expenses.						330,055
Total						\$ 188,807,516

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 5 – INTERFUND TRANSACTIONS (continued)

B. Operating Transfers

Interfund transfers for the year ended June 30, 2013 consisted of the following:

Interfund Transfers Out	Interfund Transfers In					Total
	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Self-Insurance	
General Fund	\$ 1,005,330	\$ -	\$ -	\$ 1,444,935	\$ 7,145,000	\$ 9,595,265
Building Fund	-	-	20,763	-	-	20,763
County School Facilities Fund	-	7,797,447	-	-	-	7,797,447
Non-Major Fund	32,862,702	-	-	-	-	32,862,702
Total Interfund Transfers	\$ 33,868,032	\$ 7,797,447	\$ 20,763	\$ 1,444,935	\$ 7,145,000	\$ 50,276,177

Transfer from the General Fund to the State Preschool Fund to cover required expenses.	\$ 1,444,935
Transfer from the General fund to the Postemployment Benefits Fund for annual contribution for retirees' medical benefits per union contract.	288,640
Transfer from the General Fund to the Postemployment Benefits Fund per Administrator's Association agreement.	263,375
Transfer from the General Fund to the Liability Insurance Fund for premiums and insurance costs.	5,110,000
Transfer from the General Fund to the Property Insurance Fund for premiums and insurance costs.	2,035,000
Transfer from the Postemployment Benefits Fund to the General Fund for reimbursement of premiums paid for retirees' medical benefits per union contract.	453,315
Transfer from the Facilities Master Plan Fund (Special Reserve for Capital Outlay) to the General Fund for Property Sales.	20,968,242
Transfer from the Facilities Master Plan Fund (Special Reserve for Capital Outlay) to the General Fund for Hourly Teacher Moves.	113,400
Transfer from the Mesa CC Mid College Fund to the General Fund as part of the budget solutions for FY 2012/2013.	1,400,000
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 Facilities Matching Fund (County School Facilities Fund) to the Prop S Building Bond Fund for old projects.	7,797,447
Transfer from the Prop S Building Bond Fund to the Prop S State Facilities Matching Fund for old projects.	20,763
Transfer from the Pupil Transportation Fund to the General Fund for the purchase of police vehicles.	81,060
Total	\$ 50,276,177

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2013 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Funds	Total
						Governmental Activities
Payroll	\$ 15,482,839	\$ 1,172,534	\$ 750,963	\$ 1,342,009	\$ 17,661	\$ 18,766,006
Construction	-	18,905,103	1,504,182	-	-	20,409,285
Vendors payable	68,082,160	-	-	777,647	324,598	69,184,405
Total	\$ 83,564,999	\$ 20,077,637	\$ 2,255,145	\$ 2,119,656	\$ 342,259	\$ 108,359,696

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2013, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	\$ 1,024,492	\$ -	\$ 1,024,492
State categorical sources	10,878,935	-	10,878,935
Local sources	1,594,295	129,045	1,723,340
Total	\$ 13,497,722	\$ 129,045	\$ 13,626,767

NOTE 8 – TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On August 1, 2012, the District issued \$155,000,000 and \$85,000,000 of Tax and Revenue Anticipation Notes. The notes mature on January 31, 2013 and June 28, 2013 respectively, yield .19% and .23% 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 \$240,000,000 principal plus \$2,907,500 interest 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, 2013**

NOTE 9 – LONG-TERM DEBT

A schedule of changes in long-term debt, excluding claims payable on self-insurance activities described in Note 16, for the fiscal year ended June 30, 2013 is as follows:

	Balance			Balance		Balance Due
	July 01, 2012	Additions	Deductions	June 30, 2013		In One Year
Governmental Activities						
General obligation bonds	\$ 1,819,028,696	\$ 530,000,000	\$ -	\$ 2,349,028,696	\$	22,417,432
Unamortized premium net of issuance costs	33,989,943	23,964,293	2,162,389	55,791,847		-
Accreted interest	104,229,356	-	4,245,332	99,984,024		-
Total general obligation bonds	1,957,247,995	553,964,293	6,407,721	2,504,804,567		22,417,432
Compensated absences	25,198,368	-	49,968	25,148,400	\$	-
Net OPEB obligation	5,840,945	1,296,800	-	7,137,745		-
Early retirement incentive	28,312,263	-	14,179,323	14,132,940		14,132,940
Capital leases	5,000,000	-	3,000,000	2,000,000		2,000,000
Total	\$ 2,021,599,571	\$ 555,261,093	\$ 23,637,012	\$ 2,553,223,652	\$	38,550,372

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 \$65.4 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 D totaling \$520.0 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, 2013

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, 2013 is summarized in the following:

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2012	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2013	Amount Due in One Year
<u>Proposition MM</u>									
1998, Series A	5/27/1999	4.20 - 5.34	2023	\$ 139,995,085	\$ 64,830,488	\$ -	\$ -	\$ 64,830,488	\$ -
A - Accreted Interest					69,388,760	7,477,998	7,208,839	69,657,919	-
1998, Series B	12/14/2000	4.40 - 5.35	2025	149,999,084	127,315,188	-	-	127,315,188	1,266,295
B - Accreted Interest					12,390,742	846,735	4,198,705	9,038,772	-
1998, Series C	11/21/2001	2.95 - 5.00	2026	199,995,712	161,505,000	-	-	161,505,000	3,790,000
C - Accreted Interest					-	-	-	-	-
1998, Series D	9/12/2002	2.10 - 5.25	2027	274,995,346	226,925,000	-	-	226,925,000	5,040,000
D - Accreted Interest					-	-	-	-	-
1998, Series E	8/19/2003	1.90 - 5.25	2028	349,993,599	301,859,622	-	-	301,859,622	2,559,622
E - Accreted Interest					4,440,315	335,063	4,775,378	-	-
1998, Series F	9/2/2004	1.95 - 5.00	2029	199,996,373	181,470,000	-	-	181,470,000	3,450,000
F - Accreted Interest					-	-	-	-	-
1998, Series G	9/8/2005	3.00 - 5.00	2030	195,024,802	165,295,000	-	-	165,295,000	4,975,000
Subtotal of Original Issue Before Refunding				1,510,000,001	1,315,420,115	8,659,796	16,182,922	1,307,896,989	21,080,917
R-1 Refunding (Various)	3/15/2012		2030	65,434,442	65,434,442	-	-	65,434,442	-
Total Proposition MM				1,575,434,443	1,380,854,557	8,659,796	16,182,922	1,373,331,431	21,080,917
<u>Proposition S</u>									
Series A	5/7/2009	2.50 - 6.19	2033	131,157,581	130,007,026	-	-	130,007,026	1,336,515
A - Accreted Interest					11,587,989	2,852,411	-	14,440,400	-
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					6,421,550	425,383	-	6,846,933	-
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	-
Total Proposition S				519,996,189	542,403,495	3,277,794	-	545,681,289	1,336,515
<u>Proposition Z</u>									
2013, Series A	4/30/2013	0.342	2014	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	-
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	-
Total Proposition Z				530,000,000	-	530,000,000	-	530,000,000	-
Grand Total				\$ 2,625,430,632	\$ 1,923,258,052	\$ 541,937,590	\$ 16,182,922	\$ 2,449,012,720	\$ 22,417,432

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 Series A

Year Ended	Principal		Accreted		Total
June 30,			Interest		
2014	\$	-	\$	-	\$ -
2015		7,051,795		7,963,205	15,015,000
2016		6,921,036		8,693,963	15,614,999
2017		6,786,371		9,453,629	16,240,000
2018		6,647,904		10,242,096	16,890,000
2019-2023		31,420,763		63,724,238	95,145,001
2024-2028		6,002,619		15,367,381	21,370,000
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 \$69,657,919 has been reflected in the long-term debt balance.

1998 Series B

Year Ended	Principal		Current	Accreted		Total	
June 30,			Interest	Interest			
2014	\$	1,266,295	\$	6,204,078	\$	4,198,705	\$ 11,669,078
2015		1,225,978		6,204,078		4,719,022	12,149,078
2016		1,182,915		6,204,078		5,262,085	12,649,078
2017		6,685,000		6,204,078		-	12,889,078
2018		7,560,000		5,869,828		-	13,429,828
2019-2023		54,910,000		21,860,078		-	76,770,078
2024-2028		54,485,000		5,465,588		-	59,950,588
Total	\$	127,315,188	\$	58,011,806	\$	14,179,812	\$ 199,506,806

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 \$9,038,772 has been reflected in the long-term debt balance.

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

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	Current		Total
June 30,	Principal	Interest	
2014	\$ 3,790,000	\$ 8,790,025	\$ 12,580,025
2015	4,490,000	8,505,725	12,995,725
2016	5,250,000	8,281,225	13,531,225
2017	7,180,000	8,018,725	15,198,725
2018	8,115,000	7,659,725	15,774,725
2019-2023	52,285,000	31,274,125	83,559,125
2024-2028	80,395,000	12,097,800	92,492,800
Total	\$ 161,505,000	\$ 84,627,350	\$ 246,132,350

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 2012-13 year.

In addition, the associated issuance costs are netted against the premium on the statement of net position and are amortized to interest expense over the life of the liability. Issuance costs of \$1,671,006 are amortized using the straight-line method. Amortization of \$67,927 was recognized during the 2012-13 year.

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 accruing 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, 2013

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 Series D

Year Ended June 30,	Principal	Current Interest	Total
2014	\$ 5,040,000	\$ 11,789,650	\$ 16,829,650
2015	5,865,000	11,537,650	17,402,650
2016	6,750,000	11,244,400	17,994,400
2017	7,700,000	10,906,900	18,606,900
2018	7,895,000	10,521,900	18,416,900
2019-2023	57,390,000	44,838,000	102,228,000
2024-2028	136,285,000	23,495,663	159,780,663
Total	\$ 226,925,000	\$ 124,334,163	\$ 351,259,163

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 2012-13 year.

In addition, the associated issuance costs are netted against the premium on the statement of net position and are amortized to interest expense over the life of the liability. Issuance costs of \$2,073,510 are amortized using the straight-line method. Amortization of \$83,609 was recognized during the 2012-13 year.

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, 2013

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 Series E

Year Ended June 30,	Principal	Current Interest	Total
2014	\$ 2,559,622	\$ 20,448,833	\$ 23,008,455
2015	7,805,000	15,162,173	22,967,173
2016	8,295,000	14,795,375	23,090,375
2017	9,180,000	14,371,986	23,551,986
2018	10,120,000	13,898,100	24,018,100
2019-2023	66,800,000	60,494,344	127,294,344
2024-2028	145,270,000	36,203,487	181,473,487
2029-2033	51,830,000	1,230,962	53,060,962
Total	\$ 301,859,622	\$ 176,605,260	\$ 481,011,020

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 2012-13 year.

In addition, the associated issuance costs are netted against the premium on the statement of net position and are amortized to interest expense over the life of the liability. Issuance costs of \$2,909,922 are amortized using the straight-line method. Amortization of \$116,864 was recognized during the 2012-13 year.

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 accruing 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 \$300,700,000 of the Series E Bonds was redeemed on July 1, 2013.

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 Series F

Year Ended June 30,	Principal	Current Interest	Total
2014	\$ 3,450,000	\$ 8,519,928	\$ 11,969,928
2015	3,475,000	8,399,178	11,874,178
2016	3,485,000	8,273,209	11,758,209
2017	3,520,000	8,113,719	11,633,719
2018	3,545,000	7,943,681	11,488,681
2019-2023	17,150,000	37,377,963	54,527,963
2024-2028	39,470,000	32,779,910	72,249,910
2029-2033	107,375,000	8,236,025	115,611,025
Total	\$ 181,470,000	\$ 119,643,613	\$ 301,113,613

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 2012-13 year.

In addition, the remaining discount issuance costs are netted against the premium on the statement of net position and are amortized to interest expense over the life of the liability. Issuance costs of \$442,063 are amortized using the straight-line method. Amortization of \$19,474 was recognized during the 2012-13 year.

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, 2013

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 Series G

Year Ended June 30,	Principal	Current Interest	Total
2014	\$ 4,975,000	\$ 7,819,849	\$ 12,794,849
2015	4,900,000	7,571,099	12,471,099
2016	4,800,000	7,394,699	12,194,699
2017	4,650,000	7,202,699	11,852,699
2018	4,450,000	7,030,649	11,480,649
2019-2023	18,895,000	32,312,184	51,207,184
2024-2028	36,910,000	27,564,844	64,474,844
2029-2033	85,715,000	6,200,238	91,915,238
Total	\$ 165,295,000	\$ 103,096,261	\$ 268,391,261

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 2012-13 year.

In addition, the remaining discount issuance costs are netted against the premium on the statement of net position and are amortized to interest expense over the life of the liability. Issuance costs of \$712,658 are amortized using the straight-line method. Amortization of \$31,391 was recognized during the 2012-13 year.

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, 2013

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

2008 Series A

Year Ended		Current	Accreted	
June 30,	Principal	Interest	Interest	Total
2014	\$ 1,336,515	\$ -	\$ 163,485	\$ 1,500,000
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
2019-2023	5,747,681	23,999,400	3,442,319	33,189,400
2024-2028	22,853,991	39,999,000	36,971,009	99,824,000
2029-2033	68,385,973	75,429,263	67,183,864	210,999,100
2034-2037	27,439,000	25,561,000	-	53,000,000
Total	\$ 130,007,026	\$ 164,988,663	\$ 108,911,811	\$ 403,907,500

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 and deferred charge amortization of \$144,758 for a net amortization of \$0 was recognized during the 2012-13 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 accreting through the applicable maturity \$14,440,400 has been reflected in the long-term debt balance.

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

2008 Series B

Year Ended		Tax Credit	
June 30,	Principal	Amount	Total
2014	\$ -	\$ 3,056,708	\$ 3,056,708
2015	-	3,056,708	3,056,708
2016	-	3,056,708	3,056,708
2017	-	3,056,078	3,056,078
2018	-	3,056,078	3,056,078
2019-2023	29,340,000	12,227,462	41,567,462
2024-2028	9,500,000	5,349,239	14,849,239
Total	\$ 38,840,000	\$ 32,858,981	\$ 71,698,981

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, 2013

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

2008 Series C

Year Ended June 30,	Principal	Current Interest	Total
2014	\$ -	\$ -	\$ -
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019-2023	-	-	-
2024-2028	-	-	-
2029-2033	15,463,959	52,584,323	68,048,282
2034-2038	24,443,911	125,897,652	150,341,563
2039-2043	86,647,793	203,763,599	233,541,562
2044-2048	28,631,118	283,412,963	312,044,081
2049-2053	14,231,324	39,682,388	53,913,712
Total	\$ 169,418,105	\$ 705,340,925	\$ 817,889,200

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 2012-13 year.

In addition, the discount issuance costs are netted against the premium on the statement of net position and are amortized to interest expense over the life of the liability. Issuance costs of \$2,149,921 are amortized using the straight-line method. Amortization of \$109,316 was recognized during the 2012-13 year.

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 accruing through the applicable maturity \$6,846,933 has been reflected in the long-term debt balance.

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

2008 Series D

Year Ended June 30,	Principal	Current Interest	Total
2014	\$ -	\$ 1,900,438	\$ 1,900,438
2015	-	1,900,438	1,900,438
2016	-	1,900,438	1,900,438
2017	-	1,900,438	1,900,438
2018	-	1,900,438	1,900,438
2019-2023	-	9,502,190	9,502,190
2024-2028	25,000,000	9,502,190	34,502,190
2029-2033	11,130,000	1,900,438	13,030,438
Total	\$ 36,130,000	\$ 30,407,008	\$ 66,537,008

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, 2013

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

2008 Series E

Year Ended June 30,	Principal	Current Interest	Accreted Interest	Accreted Conv. CAB Value	Total
2014	\$ -	\$ -	\$ -	\$ -	\$ -
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	-	-
2018	-	-	-	-	-
2019-2023	-	-	-	-	-
2024-2028	-	-	-	-	-
2029-2033	7,798,224	-	15,141,776	-	22,940,000
2024-2038	20,595,186	70,319,938	32,321,207	9,843,608	133,079,939
2039-2043	22,388,193	59,520,425	-	41,066,807	122,975,425
2044-2048	63,631,678	31,945,238	-	121,188,322	216,765,238
2049-2053	35,585,544	-	232,666,146	-	268,251,690
Total	\$ 149,998,825	\$ 161,785,601	\$ 280,129,129	\$ 172,098,737	\$ 764,012,292

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 2012-13 year.

2013 Series A

Year Ended June 30,	Principal	Current Interest	Total
2014	\$ -	\$ 120,199	\$ 120,199
2015	52,500,000	89,775	52,589,775
Total	\$ 52,500,000	\$ 209,974	\$ 52,709,974

2013 Series A-1

Year Ended June 30,	Principal	Current Interest	Total
2014	\$ -	\$ 8,556	\$ 8,556
2015	3,000,000	6,390	3,006,390
Total	\$ 3,000,000	\$ 14,946	\$ 3,014,946

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

2013 Series B

Year Ended June 30,	Principal	Current Interest	Total
2014	\$ -	\$ 492,042	\$ 492,042
2015	-	735,000	735,000
2016	60,500,000	367,500	60,867,500
Total	\$ 60,500,000	\$ 1,594,542	\$ 62,094,542

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 \$74,670 was recognized during the 2012-13 year.

In addition, the discount issuance costs are netted against the premium on the statement of net position and are amortized to interest expense over the life of the liability. Issuance costs of \$264,328 are amortized using the straight-line method. Amortization of \$20,333 was recognized during the 2012-13 year.

2013 Series C

Year Ended June 30,	Principal	Current Interest	Total
2014	\$ -	\$ 11,533,791	\$ 11,533,791
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
2019-2023	6,765,000	85,727,050	92,492,050
2024-2028	22,915,000	82,850,525	105,765,525
2029-2033	47,280,000	74,794,150	122,074,150
2034-2038	93,695,000	58,822,325	152,517,325
2039-2043	236,345,000	26,972,700	263,317,700
Total	\$ 414,000,000	\$ 409,528,641	\$ 823,528,641

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 \$156,315 was recognized during the 2012-13 year.

In addition, the discount issuance costs are netted against the premium on the statement of net position and are amortized to interest expense over the life of the liability. Issuance costs of \$2,347,177 are amortized using the straight-line method. Amortization of \$13,412 was recognized during the 2012-13 year.

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

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, the payment outstanding as of June 30, 2013 is \$14,132,940.

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, 2013 \$2,000,000 remains outstanding.

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 10 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2013:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable						
Revolving cash	\$ 54,000	\$ -	\$ -	\$ -	\$ -	\$ 54,000
Stores inventory	1,910,838	-	-	-	730,737	2,641,575
Prepaid expenditures	490,864	-	-	-	7,469	498,333
Total non-spendable	2,455,702	-	-	-	738,206	3,193,908
Restricted						
Educational programs	18,527,489	-	-	-	81,331	18,608,820
Capital projects	-	579,703,155	125,971,246	-	37,110,845	742,785,246
Debt service	-	-	-	158,098,114	-	158,098,114
Total restricted	18,527,489	579,703,155	125,971,246	158,098,114	37,192,176	919,492,180
Committed						
Adult education	-	-	-	-	306,620	306,620
Deferred maintenance	-	-	-	-	180,235	180,235
Total committed	-	-	-	-	486,855	486,855
Assigned						
Other assignments	9,856,866	-	-	-	-	9,856,866
Child development	-	-	-	-	14,033	14,033
Cafeteria	-	-	-	-	1,834,019	1,834,019
Pupil transportation	-	-	-	-	60,220	60,220
Total assigned	9,856,866	-	-	-	1,908,272	11,765,138
Unassigned						
Reserve for economic uncertainties	21,717,000	-	-	-	-	21,717,000
Remaining unassigned	23,541,671	-	-	-	-	23,541,671
Total unassigned	45,258,671	-	-	-	-	45,258,671
Total	\$ 76,098,728	\$ 579,703,155	\$ 125,971,246	\$ 158,098,114	\$ 40,325,509	\$ 980,196,752

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.

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

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, 2011, 1,303 retirees received a monthly stipend.

Defined Contribution Monthly Stipend Plan

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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, 2011, 1,196 retirees received a monthly stipend.

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

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

Membership of the plan consisted of the following:

Retirees implicit rate subsidy*	1,196
Total	<u>1,196</u>
Number of participating employers	1

*As of July 1, 2011 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	\$ 4,110,388
Interest on net OPEB obligation	262,842
Adjustment to annual required contribution	<u>(271,760)</u>
Annual OPEB cost (expense)	4,101,470
Contributions made	<u>(2,804,670)</u>
Increase (decrease) in net OPEB obligation	1,296,800
Net OPEB obligation, beginning of the year	5,840,945
Net OPEB obligation, end of the year	<u>\$ 7,137,745</u>

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

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, 2013 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2013	\$ 4,101,470	68%	\$ 7,137,745
2012	\$ 3,870,576	73%	\$ 5,840,945
2011	\$ 3,789,517	71%	\$ 4,784,619

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011	\$ -	\$ 44,363,640	\$ 44,363,640	0%	\$ 740,012,391	6%

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, 2013

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	7/1/2011
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level-percentage of payroll
Remaining Amortization Period	25 years
Actuarial Assumptions:	
Discount rate	4.5%

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

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 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 2013 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>
2012-13	\$ 42,199,685	100%
2011-12	\$ 42,099,065	100%
2010-11	\$ 43,516,268	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 \$27,299,269 to CalSTRS (5.176% of 2010-11 creditable compensation subject to CalSTRS).

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

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 are required to contribute 7.0% of their salary, 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 the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District’s contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2012-13	\$ 25,037,744	100%
2011-12	\$ 23,643,982	100%
2010-11	\$ 24,290,928	100%

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2013

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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, 2013.

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, 2013.

C. Construction Commitments

	<u>Remaining Construction Commitment</u>
Capital Projects	
Serra HS - Data Center	\$ 693,125
Marston MS Woodshop Ventilation	76,893
Point Loma Restroom/Concessions Bldg	64,165
Zamorano ES ORG	2,847,727
Euclid ES ORG	2,793,937
Knox MS WSM and New Classroom Bldg	7,664,340
Encanto ES ORG	1,711,066
CPMA WSM	6,044,497
CPMA VAPA	8,171,681
Language Academy ORG	2,837,951
Downtown Charter Tenant Improvement	5,851,487
K-2 Exiting - Boone ES	427,661
K-2 Exiting - Washington ES	614,732
K-2 Exiting - Balboa ES	343,000
K-2 Exiting - Miramar Ranch ES	104,000
K-2 Exiting - Vista Grande	109,000
K-2 Exiting - Chavez ES	478,000
K-2 Exiting - Jefferson ES	550,000
K-2 Exiting - Rosa Parks ES	571,568
Marshall MS Concrete Stairs	56,700
Dana MS Roof Replacement	1,091,400
Pac Total	121,455
Jefferson ES Front Entrance	735,000
	<u>\$ 43,959,385</u>

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

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, 2013 is \$3,978,272. 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, 2013, 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 \$59.1 million. Changes in the reported liability are shown below:

	General Liability	Workers' Compensation	Total
Liability Balance, July 01, 2012	\$ 2,895,000	\$ 52,636,000	\$ 55,531,000
Claims & changes in estimates	(3,684,072)	(15,807,805)	(19,491,877)
Claims payments	3,428,072	19,589,805	23,017,877
Liability Balance, June 30, 2013	<u>\$ 2,639,000</u>	<u>\$ 56,418,000</u>	<u>\$ 59,057,000</u>

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2013

NOTE 16 – NEGATIVE FUND BALANCE - INTERNAL SERVICE FUNDS

Liability Fund – Claims payable is the total outstanding claim liabilities as of June 30, 2013 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 \$220,000,000 of Tax Revenue Anticipation Notes dated July 18, 2013. The Notes were issued in two sub-series with different maturity dates set forth as follows:

- Series A-1 Notes amount to \$145,000,000 with a yield rate of .15% and maturity date on January 31, 2014.
- Series A-2 Notes amount to \$75,000,000 with a yield rate of .18% and a maturity date on June 30, 2014.

The notes were sold by the District to supplement its cash flow. The funds will be held with the trustee until the District needs to draw funds out. Repayment requirements are approximately \$220,000,000 in principal plus \$4,400,000 in interest.

Land Sale

The Board Education approved a resolution of the intent to sell the District real estate properties listed below in the 2013-14 fiscal year. The total anticipated revenue from the sale of these properties is \$104 million.

- MacMullen (closed 8/21/13)
- Porterfield (closed 9/18/13)
- Mission Beach Center
- Hale Junior High

**REQUIRED SUPPLEMENTARY
INFORMATION**

**SAN DIEGO UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$ 531,231,368	\$ 533,495,543	\$ 574,422,513	\$ 40,926,970
Federal sources	114,615,567	125,578,717	116,012,148	(9,566,569)
Other state sources	282,785,808	280,668,056	275,177,816	(5,490,240)
Other local sources	39,094,533	68,991,273	63,140,557	(5,850,716)
Total Revenues	967,727,276	1,008,733,589	1,028,753,034	20,019,445
EXPENDITURES				
Certificated salaries	464,766,096	515,064,479	507,032,612	8,031,867
Classified salaries	180,567,019	185,197,934	181,509,355	3,688,579
Employee benefits	268,826,489	283,349,670	275,486,905	7,862,765
Books and supplies	47,623,085	59,958,758	32,425,773	27,532,985
Services and other operating expenditures	74,508,601	84,651,226	71,295,619	13,355,607
Capital outlay	1,549,131	2,864,543	1,907,961	956,582
Other outgo				
Excluding transfers of indirect costs	1,275,000	1,792,321	1,398,329	393,992
Transfers of indirect costs	(2,084,352)	(724,348)	(2,590,561)	1,866,213
Total Expenditures	1,037,031,069	1,132,154,583	1,068,465,993	63,688,590
Excess (Deficiency) of Revenues				
Over Expenditures	(69,303,793)	(123,420,994)	(39,712,959)	83,708,035
Other Financing Sources (Uses)				
Transfers in	42,493,475	33,204,635	33,316,016	111,381
Transfers out	(7,701,816)	(7,697,016)	(9,141,950)	(1,444,934)
Net Financing Sources (Uses)	34,791,659	25,507,619	24,174,066	(1,333,553)
NET CHANGE IN FUND BALANCE	(34,512,134)	(97,913,375)	(15,538,893)	82,374,482
Fund Balance - Beginning	90,204,611	90,204,611	90,204,611	-
Fund Balance - Ending	\$ 55,692,477	\$ (7,708,764)	\$ 74,665,718	\$ 82,374,482

* 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 \$27,299,269 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.

See accompanying note to required supplementary information.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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%
July 1, 2007	\$ -	\$ 40,320,317	\$ 40,320,317	0%	\$ 765,499,371	5%

See accompanying note to required supplementary information.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013, the District did not incur expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

**SUPPLEMENTARY
INFORMATION**

**SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Magnet School Assistance Program	84.165	*	\$ 1,452,913
Arts in Education Model Development and Dissemination Grants	84.351D	*	383,965
CA Gear Up	*	*	10,798
S.O.S. Grant	*	*	125,841
JROTC	*	*	1,130,826
Contributions	*	*	137,602
Federal Impact Aid	84.041	10015	18,034,794
Subtotal Direct Programs			21,276,739
<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	38,725,795
Title I, Part A, Program Improvement LEA Corrective Action Plan	84.010	14955	6,886,066
Subtotal Title I, Part A Cluster			45,611,861
Title I, School Improvement Grant Cluster			
Title I, School Improvement Grant	84.377	15127	220,616
ARRA Title I, School Improvement Grant	84.388	15020	1,056,506
Subtotal Title I, Part School Improvement Grant Cluster			1,277,122
Title II, Part A, Administrator Training			
Title II, Part A, Teacher Quality	84.367	14344	9,127,597
Title II, Part A, Teacher Quality			
Educational Technology State Grants Cluster	84.367A	14341	619
Title II, Part D, Enhancing Education Through Technology, Formula Grants			
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	11,862
ARRA Title II, Part D, Enhancing Education Through Technology, Competitive Grants	84.386	15126	20,000
Subtotal Education Technology State Grants Cluster			31,862
Title III, Limited English Proficient (LEP) Student Program			
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	4,303,033
Title III, Immigrant Education Program			
Title III, Immigrant Education Program	84.365	15146	32,046
Title IV, Part B, 21st Century Community Learning Centers Program			
Indian Education	84.287	14681	201,115
Indian Education	84.060	10011	37,428
Federal Impact Aid/ SPED			
Federal Impact Aid/ SPED	84.041	14792	2,660,218
Safe and Supportive Schools Programmatic Intervention			
Safe and Supportive Schools Programmatic Intervention	84.184	15164	267,330
Operation Student Success			
Operation Student Success	12.030	*	
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	22,564,057
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	208,888
IDEA Preschool Grants, Part B, Sec 619	84.173	13430	1,008,586
State Improvement Grant, Improving Special Ed Systems	84.323	14920	3,834
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	1,352,437
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	5,738
IDEA Mental Health Allocation Plan Part B, Sec 611	84.027A	14468	777,285
IDEA Quality Assurance & Focused Monitoring	84.027A	13693	19,277
Subtotal Special Education Cluster			25,940,102

See accompanying note to supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2013

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	994,900
Department of Rehab: Workability II, Transition Partnership	84.158	10006	716,326
Total U. S. Department of Education			112,775,351
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
Needy School Breakfast Program	10.553	13526	13,005,039
National School Lunch Program	10.555	13523	30,574,032
Child Care Food Program (CCFP)	10.558	13394	4,102,708
Subtotal Child Nutrition Cluster			47,681,779
USDA Commodities	10.558	13389	2,856,277
Total U. S. Department of Agriculture			50,538,056
U. S. DEPARTMENT OF DEFENSE:			
<i>Direct Federal to Local Funding:</i>			
Operation Student Virtual Learning	*	*	344,240
College Career Technical Education	*	*	459,634
OP Student Success	*	*	508,171
OP Student Achievement	*	*	888,925
Operation World Language	*	*	98,486
Total U. S. Department of Defense			2,299,456
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Direct Federal to Local Funding:</i>			
AIDS Prevention Instruction	*	23044	280,795
Asthma Management Prevention	*	*	7,205
Youth Risky Behavior Survey	*	*	47,085
Adolescent Family Life Program	93.995	*	183,605
Subtotal Direct Programs			518,690
Child Development: Federal Child Care, Center-based	93.575	15136	322,310
<i>Passed through Neighborhood House Association:</i>			
Head Start Program	93.600	10016	5,600,000
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option	93.778	10013	1,584,196
Total U. S. Department of Health & Human Services			8,025,196
Total Federal Expenditures			\$ 173,638,059

* - PCS or CFDA Number not available or not applicable

See accompanying note to supplementary information.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2013**

	Second Period Report*	Annual Report
ELEMENTARY		
Kindergarten	9,617	9,632
First through third	27,119	27,122
Fourth through sixth	24,154	24,124
Seventh through eighth	14,165	14,149
Opportunity Schools	1	1
Home and hospital	38	38
Special education	1,343	1,356
Nonpublic, Nonsectarian	94	96
Mandatory Expelled Pupils	-	-
All Other Pupils	15	22
Extended Year - Special Education	53	53
Extended Year - Nonpublic, Nonsectarian	8	8
Total Elementary	76,607	76,601
SECONDARY		
Regular classes	28,384	28,045
Continuation education	470	473
Home and hospital	22	22
Special education	1,096	1,070
Nonpublic, Nonsectarian	175	171
All Other Pupils	12	15
Extended Year - Special Education	52	79
Extended Year - Nonpublic, Nonsectarian	22	22
Total Secondary	30,233	29,897
Average Daily Attendance Total	106,840	106,498

* District made changes from findings prior to submitting P-2

**SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2013**

Grade Level	1982-83		1986-87		2012-13 Actual Minutes	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced			
Kindergarten	35,400	34,417	36,000	35,000	54,586	175	Complied
Grade 1	50,445	49,044	50,400	49,000	52,591	175	Complied
Grade 2	50,445	49,044	50,400	49,000	52,591	175	Complied
Grade 3	53,985	52,485	50,400	49,000	52,591	175	Complied
Grade 4	53,985	52,485	54,000	52,500	52,591	175	Complied
Grade 5	53,985	52,485	54,000	52,500	52,591	175	Complied
Grade 6	53,985	52,485	54,000	52,500	63,025	175	Complied
Grade 7	62,835	61,090	54,000	52,500	63,025	175	Complied
Grade 8	62,835	61,090	54,000	52,500	63,025	175	Complied
Grade 9	62,835	61,090	64,800	63,000	63,003	175	Complied
Grade 10	62,835	61,090	64,800	63,000	63,003	175	Complied
Grade 11	62,835	61,090	64,800	63,000	63,003	175	Complied
Grade 12	62,835	61,090	64,800	63,000	63,003	175	Complied

See accompanying note to supplementary information.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

	2014 (Budget)	2013	2012	2011
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 1,135,907,229	\$ 1,062,069,050	\$ 1,049,473,365	\$ 1,128,990,178
Expenditures And Other Financing Uses	1,136,822,282	1,077,607,943	1,075,707,634	1,109,236,747
Net change in Fund Balance	\$ (915,053)	\$ (15,538,893)	\$ (26,234,269)	\$ 19,753,431
Ending Fund Balance	\$ 73,750,665	\$ 74,665,718	\$ 90,532,109	\$ 116,766,378
Available Reserves*	\$ 16,351,434	\$ 45,258,671	\$ 56,158,309	\$ 34,908,878
Available Reserves As A Percentage Of Outgo	1.44%	4.20%	5.22%	3.15%
Long-term Debt	\$ 2,514,673,280	\$ 2,553,223,652	\$ 2,021,599,571	\$ 1,907,617,358
Average Daily Attendance At P-2	105,596	106,840	109,207	110,355

The General Fund balance has decreased by \$42.1 million over the past two years. The fiscal year 2013-14 budget projects a further decrease of \$0.9 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 2013-14 fiscal year. Total long term obligations have increased by \$645.6 million over the past two years.

Average daily attendance has decreased by 3,515 ADA over the past two years. ADA is expected to decrease during the 2013-14 fiscal year by 1,244.

*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, 2013**

	General Fund	Special Reserve for Postemployment Benefits Fund
June 30, 2013, annual financial and budget report fund balance	\$ 74,665,718	\$ 1,433,010
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB54)	1,433,010	(1,433,010)
Net adjustments and reclassifications	1,433,010	(1,433,010)
June 30, 2013, audited financial statement fund balance	<u>\$ 76,098,728</u>	<u>\$ -</u>

See accompanying note to supplementary information.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2013**

Charter School	Status	Included in Audit Report
America's Finest	Active	No
Arroyo Paseo High	Active	No
Audeo	Active	No
Charter School Of San Diego	Active	No
City Heights Prep	Active	No
Coleman Tech	Active	No
Darnall E-Campus	Active	No
Einstein Elem	Active	No
Einstein Middle	Active	No
Evangeline Roberts	Active	No
Explorer	Active	No
Gompers Prep	Active	No
Health Sciences High	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 Charter School	Active	No
Iftin University Prep	Active	No
Innovation	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
Learning Choice Academy	Active	No
Magnolia Sci Acad Sd	Active	No
Mcgill	Active	No
Museum School	Active	No
Nubia Leadership Academy	Active	No
O'Farrell	Active	No
Old Town Charter	Active	No
Pacific American Academy	Active	No
Preuss	Active	No
Sd Cooperative	Active	No
Sd Global Vision	Active	No
Sd Global Vision Middle	Active	No
Tubman	Active	No
Urban Discovery	Active	No

See accompanying note to supplementary information.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2013**

	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
ASSETS								
Cash and cash equivalents	\$ 233,207	\$ 2,490,512	\$ 7,897,749	\$ 180,111	\$ 60,214	\$ 36,812,481	\$ 20,489,378	\$ 68,163,652
Accounts receivable	603	2,435,895	10,322,070	143	6	22,707	3,714	12,785,138
Due from other funds	166,394	1,834,106	6,675	-	-	-	971,262	2,978,437
Stores inventory	-	-	730,737	-	-	-	-	730,737
Prepaid expenditures	-	1,371	6,098	-	-	-	120	7,589
Total Assets	\$ 400,204	\$ 6,761,884	\$ 18,963,329	\$ 180,254	\$ 60,220	\$ 36,835,188	\$ 21,464,474	\$ 84,665,553
LIABILITIES								
Accrued liabilities	\$ 1,367	\$ 811,289	\$ 749,008	\$ -	\$ -	\$ 509,764	\$ 48,228	\$ 2,119,656
Due to other funds	55,693	5,806,145	15,598,661	19	-	2,769,022	17,861,803	42,091,343
Unearned revenue	-	129,045	-	-	-	-	-	129,045
Total Liabilities	57,060	6,746,479	16,347,669	19	-	3,278,786	17,910,031	44,340,044
FUND BALANCES								
Non-spendable	-	1,372	736,834	-	-	-	-	738,206
Restricted	36,524	-	44,807	-	-	33,556,402	3,554,443	37,192,176
Committed	306,620	-	-	180,235	-	-	-	486,855
Assigned	-	14,033	1,834,019	-	60,220	-	-	1,908,272
Total Fund Balances	343,144	15,405	2,615,660	180,235	60,220	33,556,402	3,554,443	40,325,509
Total Liabilities and Fund Balance	\$ 400,204	\$ 6,761,884	\$ 18,963,329	\$ 180,254	\$ 60,220	\$ 36,835,188	\$ 21,464,474	\$ 84,665,553

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, 2013**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Special Reserve for Post- Employment Benefits Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
REVENUES									
Federal sources	\$ -	\$ 319,021	\$ 51,276,355	\$ -	\$ -	\$ -	\$ -	\$ 51,595,376	
Other state sources	728,000	14,159,086	3,917,222	-	-	-	-	18,804,308	
Other local sources	4,929	6,810,726	7,190,634	655	60,222	-	31,506,961	24,171,178	
Total Revenues	732,929	21,288,833	62,384,211	655	60,222	-	31,506,961	140,144,989	
EXPENDITURES									
Current									
Instruction	344,185	15,667,617	-	-	-	-	-	16,011,802	
Instruction-related services									
Instructional supervision and administration	142,606	4,186,639	-	-	-	-	-	4,329,245	
School site administration	153,522	45,759	-	-	-	-	-	199,281	
Pupil services									
Food services	-	-	56,023,015	-	-	-	-	56,023,015	
All other pupil services	12,008	456,838	-	-	-	-	-	468,846	
General administration									
All other general administration	27,844	954,883	1,607,833	-	-	-	-	2,590,560	
Plant services	463	964,194	2,973,324	-	-	-	9,621,133	3,286,137	
Facilities acquisition and maintenance	-	438,253	-	1,290	-	-	7,861,533	3,706,458	
Enterprise activities	-	-	131,766	-	-	-	-	131,766	
Debt service									
Interest and other	-	19,588	-	-	-	-	-	1,970	
Total Expenditures	680,628	22,733,771	60,735,938	1,290	-	-	17,482,666	108,628,858	
Excess (Deficiency) of Revenues									
Over Expenditures	52,301	(1,444,938)	1,648,273	(635)	60,222	-	14,024,295	31,516,131	
Other Financing Sources (Uses)									
Transfers in	-	1,444,935	-	-	-	-	-	1,444,935	
Transfers out	-	-	-	-	(81,060)	-	(10,300,000)	(32,862,702)	
Net Financing Sources (Uses)	-	1,444,935	-	-	(81,060)	-	(10,300,000)	(31,417,767)	
NET CHANGE IN FUND BALANCE	52,301	(3)	1,648,273	(635)	(20,838)	-	3,724,295	98,364	
Fund Balance - Beginning	290,843	15,408	967,387	180,870	81,058	-	29,832,107	40,227,145	
Fund Balance - Ending	\$ 343,144	\$ 15,405	\$ 2,615,660	\$ 180,235	\$ 60,220	\$ -	\$ 33,556,402	\$ 40,325,509	

See accompanying note to supplementary information.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

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, 2013 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2013.

	CFDA	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 167,607,524
Medi-Cal Billing Option	93.778	(315,758)
Child Development: Federal Child Care, Ce	93.575	(3,289)
Child Care Food Program (CCFP)	10.558	749,582
Head Start Program	10016	<u>5,600,000</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 173,638,059</u>

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, 2013

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections 46200 through 46206*.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code Section 46201*. 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)

**OTHER INDEPENDENT
AUDITORS' REPORTS**

**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, 2013, 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, 2013.

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 #2013-1, #2013-2)

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, 2013

**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, 2013. 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, 2013.

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, 2013

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 2012-13*, 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, 2013, 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 2012-13*, 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, 2013.

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 #2013-3, #2013-4, #2013-5. 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	6	Yes
County Offices of Education	3	Not Applicable
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
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Yes
Districts or charter schools with only one school serving K - 3	4	Not Applicable

<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
Contemporaneous Records of Attendance; for charter schools	1	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

Testing for charter schools is performed by each charter’s respective auditor (refer to Note 1B on page 24)

Christy White Associates

San Diego, California
November 20, 2013

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

**SAN DIEGO UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013**

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>84.010</u>	<u>Title I, Part A Cluster</u>
<u>84.213, 84.377, 84.01</u>	<u>Title I, School Improvement Grant Including ARRA</u>
<u>84.365</u>	<u>Title III, Limited English Proficient (LEP) Student Program</u>
<u>93.600</u>	<u>Head Start Program</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, 2013**

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

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
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

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.

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.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

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

District Response:

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.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

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 30th. 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.

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.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

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

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 8th 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.

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 8th.
- b. Invoiced amount is accrued within 3 business days of July 8th.
- 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.

SAN DIEGO UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no audit findings or questioned costs related to federal awards 2012-13.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

<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 #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.

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, *continued*
FOR THE YEAR ENDED JUNE 30, 2013

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

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.

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.

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.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

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

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.

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2013

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.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

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.

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."

**SAN DIEGO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

FINDING #2012-01: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000)

Criteria: Proper internal controls are necessary to ensure safeguards over assets.

Condition: Overall, the middle and high schools had the majority of findings as compared to the elementary schools. A summary of the most common internal control deficiencies observed are listed below:

- Lack of adequate backup for cash deposits that shows all funds collected were deposited intact. Cash control backup might include, for example: ticket reconciliations; receipt books; tally sheets; revenue potentials; and inventory/cash reconciliations.
- Expenditures lack appropriate supporting documentation and proper signatures from the principal & financial clerk.

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 2011-12. 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 that handles student funds be reminded of the importance of good internal controls and 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:

We have made available on the district's website for the Office of Internal Audit and emailed principals that the FCMAT Manual is available. We notified site principals at the start of the school year to review the "ASB Top Ten Things You Should Know" with the responsible site staff.

Each year, the site staff is affected by employee movement due to bumping into these positions and this has an impact on performance. The Office of Internal Audit has stressed with site staff to contact our office to address questions and concerns on ASB processes.

Current Status: See finding #2012-1.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

FINDING #2012-02: CASH RECEIPTING AT THE CHILD DEVELOPMENT CENTERS (30000)

Criteria: Duties are segregated among different people to reduce the risk of error or inappropriate action. Normally, responsibilities for authorizing transactions, recording transactions (accounting), and handling the related asset (custody) are divided.

Condition: The CDC Clerks process the parent payments from start to finish without the review of a second person. This is a repeat finding from the prior year. In addition, in the testing of cash receipts, we found that Baby Sitter Receipts (BSRs) account for over 80% of all receipts per deposit, yet there is no follow-up with the Baby Sitter to verify the receipts and that many receipts were not properly filled out and signed.

Cause: The District attempted to correct the finding through reorganization and the use of standard Baby Sitter Receipts. In particular, there needs to be a final review by an independent person to ensure the ultimate cash deposited matches the lock box count(s) and Baby Sitter Receipts can be traced to invoices.

Effect: Without the segregation of duties there is a lack of preventative controls. The opportunity for one individual to access cash and the accounting records could lead to errors or fraud occurring

Perspective: We audited a sampling of four Child Development Centers at District school sites to test internal control procedures over cash receipts.

Recommendation: Despite the District holding several trainings for administrators, payments for school services should be clearly documented to directly reconcile with their cash deposits, and Accounts Receivable reports from QuickBooks should be run frequently to keep track of customers who have delinquent accounts.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

FINDING #2012-02: CASH RECEIPTING AT THE CHILD DEVELOPMENT CENTERS (30000) (continued)

District Response:

In order to improve controls over the cash receipting and babysitting receipt process at the Child Development centers, the Early Childhood Education program has put into place the following:

November 28, 2011 - San Diego Unified School district hired a Business Manager for the Early Childhood Education program.

February 24, 2012 – CDC Clerk and Center Administrator meeting was held to discuss the reporting requirements and expectations of each position at the Child Development centers. Internal control procedures regarding the acceptance of babysitting receipts were established.

February 29, 2012 - Three (3) CDC Clerks were reassigned to central office to focus on enrollment and recertification of families proving oversight to the fee assessment for families enrolled at Child Development centers.

March 22, 2012– CDC Center Administrator, Lead Teacher, and CDC Clerk meeting was held to discuss restructured enrollment processes and procedures, as well as, the internal controls over fees assessment and collection.

March 26, 2012 - Centralization of CDC Enrollment process took effect. Letters to parents regarding babysitting receipts were issued at each Child Development center.

April 10, 2012 – CDC Center Administrator meeting, agenda item to finalize reporting requirements.

April 20, 2012 – CDC Center Administrator training on the following: job reporting requirements, Zangle attendance and QuickBooks. Access to modules is granted. Review of Accounts Receivable aging reports.

April 20, 2012 – Site report binders distributed to retain weekly AR aging reports essential for business functions at the site level.

April 23, 2012 – Site QuickBooks bank accounts reconciled.

May 1, 2012 – Monthly Center Administrator meetings are held with a standing agenda item to discuss monthly reports.

July 2, 2012 – CDC Clerk Professional Development discussed the importance of accepting only completed babysitting receipts.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

FINDING #2012-02: CASH RECEIPTING AT THE CHILD DEVELOPMENT CENTERS (30000) (continued)

District Response (continued):

The following reports were established in spring 2012 to document and control customers who frequently have delinquent accounts. These reports are reviewed weekly by the CDC Clerk and monthly by the Center Administrator.

<u>REPORT</u>	<u>DUE DATE</u>	<u>SEND TO</u>	<u>PURPOSE</u>	<u>WHO</u>
QuickBooks Aging Report	Weekly	Administrator initials and file in site binder.	Provides an outlook on delinquent family fees.	CDC Clerk runs the report and Center Administrator Initials.
QuickBooks -Family Fee Invoices	Weekly	Provide Families the week prior to service.	Bill to family who incur family fee	CDC Clerk
Family Infraction Letters	Weekly	Family signs the infraction letters and they are filed in child file.	To establish responsibility for on-time payments.	CDC Clerk initiates and Center Administrator enforces.
QuickBooks- Family Fee Receipts	Weekly	Provide Families the week services are provided.	Provide family with receipt of service.	CDC Clerk
Copies of Payment receipts sent to ECE Central Office for reconciliation.	Weekly	Reconcile data to what has been received in QB and Wells Fargo.	Provides second level checking over data collection.	ECE Business Manager Central Office.
QuickBooks/ Wells Fargo Bank Statements	Monthly by the 10 th .	Reconcile data at the Central Office. Reviewed by Fiscal Control.	Provide Internal controls for Cash Handling at Sites.	ECE Business Manager Central Office.

Current Status: Implemented.

SAN DIEGO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2013

FINDING #2012-03: PHYSICAL PLANT OPERATIONS (PPO) INVENTORY AND WORK ORDER INTERNAL CONTROL (30000)

Criteria: Work orders are the key to providing plant services to District sites and ensuring proper internal controls over District materials and labor. Work orders show what needs to be done, what materials were used, where it is needed, who is responsible to perform the service and when it is scheduled to be performed. Proper internal controls are necessary to ensure that Physical Plant Operations (PPO) employees record accurate and reliable information in the work order system. Maintaining sound internal control procedures over work order recordkeeping reduces the opportunity for irregularities and shrinkage to go undetected, and ensure that system information is reliable.

Condition: Through our testing of the TMA work order processing system, we noted that 14 out of 80 work orders selected from the year-to-date work order listing appear to be recorded in the system using inaccurate information and a total of 11 of the aforementioned inventory items did not have a completion and were incorrectly left open, while the remaining 3 incorrectly charged no time or materials to the closed work order.

It appears that there are insufficient controls over the work order reporting process and a lack of oversight. This can lead to an increased potential for reports and information obtained from the TMA system to lack integrity. In addition, there is an increased potential for irregularities and shrinkage in inventory valuation to go undetected.

Cause: We found management did not fully monitor the status of open work orders, for example missing from the system might be the finished date or no labor and materials data was entered.

Effect: There is opportunity for irregularities and shrinkage to go undetected.

Perspective: There were over thirty thousand work orders generated during the audit period.

Recommendation: We recommend the Lead follow up with the Technician on the work order to ensure completion dates along labor and materials are correctly charged to the job. Additionally, management should develop and implement comprehensive policies and procedures for all essential inventory and work order transactions and operations. These should include work order completion standards and a practical monitoring process to ensure timely work order completion. When completed, the procedures should be communicated to the District PPO employees.

SAN DIEGO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2013

FINDING #2012-03: PHYSICAL PLANT OPERATIONS (PPO) INVENTORY AND WORK ORDER INTERNAL CONTROL (30000) (continued)

District Response:

We agree with the findings and recognize that the Leads are the first line of defense in providing basic work order control.

We found that the volume of work orders generated and the various methods in which the Supervisors and Leads distribute and schedule the work orders to individual Technicians contribute to these discrepancies.

Action:

In order to maintain a unified method of distributing the work assignments and conduct reviews, we have developed training specifically targeted to address these issues. The goal of the training is to prioritize, assign, schedule, review and document the completion of all work orders.

Beyond the technical training on how to use the Computerized Maintenance Management System (CMMS) to accomplish basic work order management, we also recognize that we need to address and include "non-wrench time" is an essential part of completing the work. We want to ensure that completion dates are updated and accurate, and that labor and materials are correctly charged to their respective jobs.

We are utilizing our weekly production review meetings as a forum to monitor and review our overall effectiveness on the work order completion process.

Goal:

The goal is to train and develop effective procedures to maintain a work order management control system. We are training our Supervisors and Leads in weekly meetings to review and report work orders to completion and provide sufficient oversight. We expect the training to be completed by December 14, 2012.

Current Status: Implemented.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

FINDING #2012-04: 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 22 out of 141 subsequent expenditure transactions were improperly recorded. All 22 of these transactions should have been accrued liabilities for the 2011-2012 year, but were instead expensed in the 2012-2013 school year. Upon further follow up with the appropriate department, it appears that District accrual procedures were followed and one accrual document provided by facilities department was not included in the accounts payable accrual, resulting in \$5,187,535 understatement of accounts payable.

Cause: A lack of internal control procedures that would insure AP is 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 96,437,767 in accrual liabilities.

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: We understand and concur with audit finding #2012-04. We are implementing additional controls beginning with fiscal year 2012-13 processing that will eliminate the possibility of a recurrence.

1. A checklist will be prepared showing names of all responsible parties from which accruals are expected to be received via e-mailed enclosures.
2. Files received will be recorded on the checklist including name of sender, date received, date transferred to our shared hard drive and by whom. The shared hard drive is the source from which accrual journals are compiled and formatted prior to uploading to the general ledger. The naming convention of the files always includes the senders' last names.
3. Follow-up will be performed by the A/P manager or A/P lead to contact all parties for which files have not been received by the established deadline date (typically the first week of July). Comments and initials of person following up will be noted on the checklist.
4. Verification between the checklist and the files on the shared hard drive will be performed on the established due date. The date and initials of the person conducting the verification will be noted on the checklist
5. The checklist will be stored on the shared hard drive where the accrual files are stored and will be retained until after the annual external audit is completed.

Current Status: Implemented.

**SAN DIEGO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2013**

FINDING #2012-05: SHORT-TERM INDEPENDENT STUDY (10000)

State Funding Source: Revenue Limit ADA, 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 9 of 124 independent study contracts sampled recorded did not have a completed contract (missing signatures, work samples and contracts) resulting in 36 days of apportionment that were overstated.

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. The District made the changes and revised P-2.

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: 36 attendance days were overstated as tested. Given 125 days in the 2011-12 P-2 attendance period and a 2011-12 base revenue limit per ADA of \$6,495.66, the fiscal impact of the ADA overstatement is \$1,870.75. The District revised P-2 to include the change.

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:

As noted above, the District reversed the 36 days of overstated attendance credit prior to submitting the P-2 report to the State. No further amendments should be needed to either P-2 or the Annual report, which also reflected the reduction in attendance credit.

Two methods are in use to satisfy the requirement for internal control procedures. The Attendance Office/Pupil Accounting staff visit schools regularly to review and audit attendance and enrollment documentation, including all Independent Study Contracts. Invalid contracts are written up and attendance credit is disallowed at the time of the audit. In addition to audit review, training on Independent Study contracts is held on an annual basis for all school staff responsible for creating and processing the paperwork for the Independent Study contracts.

Current Status: Implemented.

SAN DIEGO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2013

FINDING #2012-06: AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (40000)

Criteria: Per Education 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:

- **Chavez Elementary School**- In testing Chavez Elementary School, we found that 2 out of 82 student attendance days tested were understated for the before school program in testing from the *Cayen Afterschool 21* system generated reports to the source documentation (sign-in/sign-out sheets) for the before and after school program.
- **Fletcher Elementary School**- In testing Fletcher Elementary School, we found that 1 out of 79 student attendance days was understated for the after school program in testing from the *Cayen Afterschool 21* system generated reports to the source documentation (sign-in/sign-out sheets) for the before and after school program.
- **Hancock Elementary School**- In testing Hancock Elementary School, we found that 1 out of 84 student attendance days was overstated for the before school program in testing from the *Cayen Afterschool 21* system generated reports to the source documentation (sign-in/sign-out sheets) for the before and after school program.
- **Linda Vista Elementary School** - In testing Linda Vista Elementary School, we found that 8 out of 67 student attendance days were overstated and 1 out of the 67 student attendance days was understated in testing from the *Cayen Afterschool 21* system generated reports to the source documentation (sign-in/sign-out sheets) for the before and after school program.

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 met the minimum hour requirements based on the early release policy.

SAN DIEGO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, *continued*
FOR THE YEAR ENDED JUNE 30, 2013

FINDING #2012-06: AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (40000) (continued)

Context: 4 of 6 school sites tested.

Questioned Costs: \$21,813,973.75 was received for the ASES program in fiscal year 2011-12.

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.

The Extended Learning Opportunities Department staff 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 forms 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 #2013-3.

**CONTINUING DISCLOSURE
INFORMATION**

**SAN DIEGO UNIFIED SCHOOL DISTRICT
CONTINUING DISCLOSURE INFORMATION (Unaudited)
FOR THE YEAR ENDED JUNE 30, 2013**

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.

	Audit Report <u>Page(s)</u>
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5. Balance in the Improvement Fund (Building Fund)	14
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**SAN DIEGO UNIFIED SCHOOL DISTRICT
CONTINUING DISCLOSURE INFORMATION (Unaudited), continued
FOR THE YEAR ENDED JUNE 30, 2013**

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).

District's Fiscal Year	Assessed Value
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

Secured taxes collected in fiscal year 2011-12 (2012-13 data not available) amounted to \$518,768,594.

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, 2013**

The largest taxpayers in San Diego County and the taxes assessed in 2011-12 are listed below.

	PROPERTY OWNER	AMOUNT OF TAX
1.	SAN DIEGO GAS & ELECTRIC CO	88,731,907
2.	SOUTHERN CALIFORNIA EDISON CO	32,836,035
3.	IRVINE CO	16,970,522
4.	KILROY REALTY L P	14,829,918
5.	QUALCOMM INC	14,024,801
6.	HOST HOTELS AND RESORTS	13,929,215
7.	PACIFIC BELL TELEPHONE COMPANY	10,861,566
8.	B S K DEL PARTNERS L L C	8,921,787
9.	O C/S D HOLDINGS LLC	6,791,630
10.	SUNSTONE PARK LESSEES LLC	6,675,186
11.	FASHION VALLEY MALL LLC	5,194,786
12.	ARDEN REALTY LTD PTNSHP	5,025,567
13.	GENENTECH INC	4,998,816
14.	PREBYS CONRAD TRUST	4,970,437
15.	SEA WORLD PARKS AND ENTERTAINMENT	4,769,508
16.	OTAY MESA GENERATING CO, LLC	4,480,551
17.	SAN DIEGO FAMILY HOUSING LLC	4,478,466
18.	SOLAR TURBINES INC	4,359,741
19.	B R E PROPERTIES, INC	4,177,245
20.	LAJOLLA CROSSROADS 1 LLC	3,875,594
21.	E R P OPERATING LP	3,642,329
22.	SORRENTO WEST PROPERTIES INC	3,632,444
23.	PFIZER INC	3,484,368
24.	PACIFIC GATEWAY LTD	3,272,487
25.	U T C VENTURE L L C	2,910,230
26.	AT&T MOBILITY	2,770,959
27.	HORTON PLAZA L L C	2,683,016
28.	CELLCO PARTNERSHIP*DBA VERIZON WIRELESS	2,680,014
29.	HOST SAN DIEGO HOTEL L L C	2,662,674
30.	T-C FORUM AT CARLSBAD L L C	2,646,146