

SAN DIEGO UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2012



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

**SAN DIEGO, CALIFORNIA**

**JUNE 30, 2012**

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The San Diego Unified School District (the "District") began operations in 1854 under the laws of the State of California. The San Diego Unified School District serves nearly 132,000 students in pre-school through grade 12. The District's educational facilities include 107 traditional elementary schools, 11 K-8 schools, 24 traditional middle schools, 28 high schools, 41 charter schools and 13 alternative schools.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
John Lee Evans	President	December 2012
Scott Barnett	Vice President	December 2014
Kevin Beiser	Member	December 2014
Shelia Jackson	Member	December 2012
Richard Barrera	Member	December 2012

**DISTRICT ADMINISTRATORS**

William Kowba  
*Superintendent*

Nellie Meyer, Ed.D.  
*Deputy Superintendent of Academics*

Phil Stover  
*Deputy Superintendent of Business*

Bernie Rhinerson  
*Chief of Staff*

Wayne Oetken  
*Interim Chief Financial Officer*

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
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**FOR THE YEAR ENDED JUNE 30, 2012**

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## FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

Christy White, CPA

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Licensed by the California  
State Board of Accountancy

Governing Board  
San Diego Unified School District  
San Diego, California

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the San Diego Unified School District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that the required supplementary information, such as management's discussion and analysis on pages 3 through 12, the budgetary comparison information on page 69, and the schedule of funding progress on page 70 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.

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Diego Unified District's basic financial statements. The Continuing Disclosure is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance to it.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California

November 15, 2012

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

## INTRODUCTION

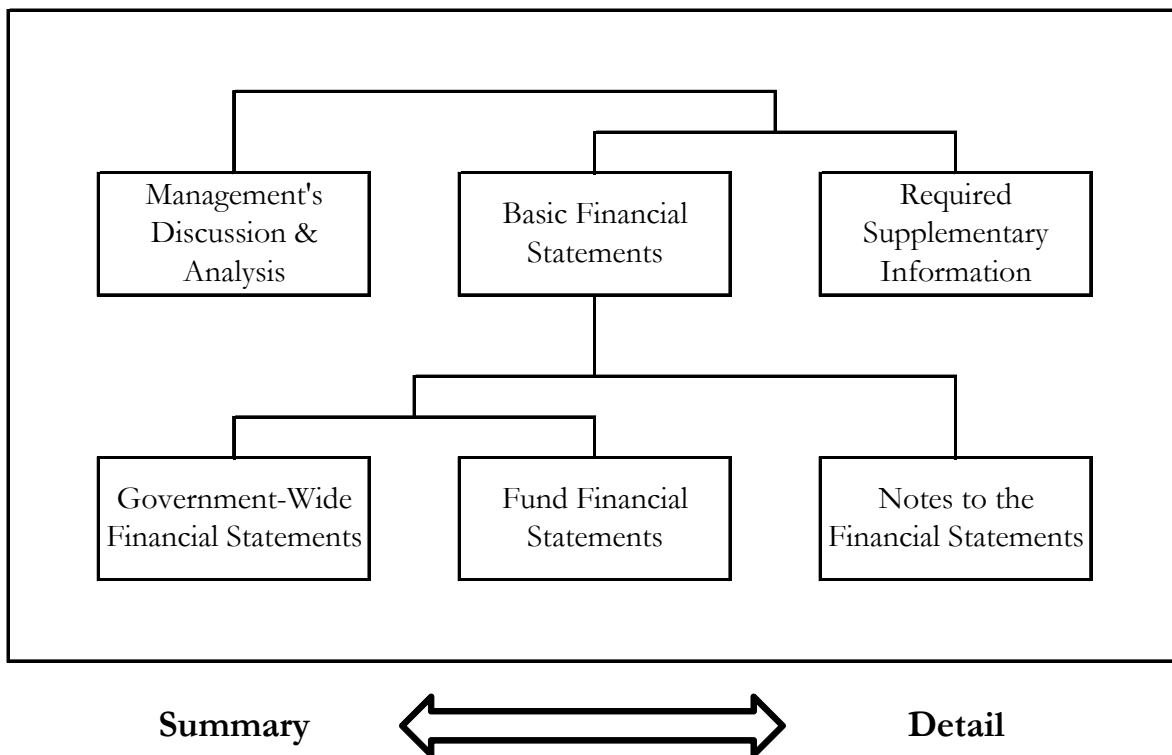
Our discussion and analysis of San Diego Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- Total net assets were \$823.1 million at June 30, 2012. This was an increase of \$8.4 million from the prior year.
- Overall revenues were \$1,294.6 million which were less than expenses of \$1,299.1 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, 2012**

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

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

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

### **Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets 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 assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets 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, 2012**

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

**Net Assets**

The District's combined net assets were \$823.1 million at June 30, 2012, as reflected in Table A-1 below. Of this amount, \$(80.0) was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use those net assets for day-to-day operations.

**Table A-1  
San Diego Unified School District's Net Assets  
(In Millions)**

	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	<b>2011</b>	<b>2012</b>	<b>2011-12</b>
Current assets	\$ 724.2	\$ 695.1	-4%
Noncurrent assets	2,220.6	2,307.1	4%
Total assets	2,944.8	3,002.2	2%
Current liabilities	234.3	164.7	-30%
Noncurrent liabilities	1,895.8	2,014.4	6%
Total liabilities	2,130.1	2,179.1	2%
Invested in capital assets, net of related debt	531.6	619.3	16%
Restricted	245.4	283.8	16%
Unrestricted	37.7	(80.0)	-312%
<b>Total net assets</b>	<b>\$ 814.7</b>	<b>\$ 823.1</b>	<b>1%</b>

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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

**Changes in Net Assets**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table A-2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year.

**Table A-2  
Changes in San Diego Unified School District's Net Assets  
(In Millions)**

	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	<b>2011</b>	<b>2012</b>	<b>2011-12</b>
Revenues:			
<i>Program revenues</i>			
Charges for services	\$ 7.3	\$ 11.4	56%
Operating grants and contributions	394.6	325.7	-17%
Capital grants and contributions	7.9	4.0	-49%
<i>General revenues</i>			
Property taxes	574.7	874.9	52%
Other revenues	354.6	78.6	-78%
Total revenues	1,339.1	1,294.6	-3%
Expenses:			
Instruction-related	860.3	853.3	-1%
Student support services	190.4	184.3	-3%
Maintenance and operations	73.1	81.9	12%
Administration	48.4	53.2	10%
Other expenses	163.5	126.4	-23%
Total expenses	1,335.7	1,299.1	-3%
<b>Change in net assets</b>	<b>\$ 3.4</b>	<b>\$ (4.5)</b>	<b>-232%</b>

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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

**Changes in Net Assets (continued)**

As reported in the Statement of Activities on page 14, the cost of all our governmental activities this year was \$1,299.1 million (refer to Table A-3). The amount ultimately financed for these activities through taxes and State Aid was \$874.9 million, the cost paid by those who benefited from the programs was \$11.4 million, the costs from capital grants and contributions is \$4.0 million, the costs paid by other governments and organizations who subsidized certain programs with grants and contributions was \$325.7 million and other revenues contributed \$72.6 million.

**Table A-3  
Net Costs of San Diego Unified School District's  
Governmental Activities  
(In Millions)**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instructional services	\$ 853.3	\$ 624.0
Pupil support services	184.3	83.0
Maintenance and operations	81.9	79.3
Administration	53.2	47.2
Other expenses	126.4	124.5
<b>Total expenses</b>	<b>\$ 1,299.1</b>	<b>\$ 958.0</b>

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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**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 \$525.1 million, which is greater than last year's ending fund balance of \$495.7 million not including the prior period restatement of \$12.9 million. The District's General Fund had \$26.5 million less in operating revenues than expenditures for the year ended June 30, 2012.

**CURRENT YEAR BUDGET 2011-12**

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, 2012**

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

- Revenues that were received during the year that were not included in the originally adopted budget – Revenue Limit Sources of \$.4 million, Federal grants and special projects of \$33.4 million, State grants and special projects of \$3.2 million, and Local grants and special projects of \$7.9 million.
- Expenditures that were appropriated during the year which were not included in the originally adopted budget – Salaries and Benefits of \$5.4 million, Books and Supplies of \$24.5 million, and Services and Other Operating Expenses of \$18.9 million.

Even with these adjustments, actual revenues available were \$43.9 million below the final budgeted amounts. The most significant variances resulted from:

- Revenue Limit Sources were \$10.9 million below final budget amounts.
- Federal revenues were \$28.2 million below final budget amounts. NCLB/IASA grants were \$8.4 million below appropriations and Special Education Entitlement and Discretionary grants were \$1.2 million below appropriations. Other Federal grants were \$18.6 million below appropriations which largely represents grant money that has been received but not spent by June 30, 2012.
- State and local revenues were \$4.8 million below final budget amounts. Other State grants were \$2.5 million below appropriations and Lottery increased by \$.2 million above appropriations. Leases and Rentals were \$.5 million above appropriations, Special Education Master Plan and Special Education Transportation were \$.4 million above appropriations, SELPA transfers from other Districts were \$.3 million above appropriations and various other Local grants and miscellaneous revenues were \$3.8 million below appropriations.

Actual expenditures were \$67.3 million below the final budgeted amounts. The most significant positive variances resulted from:

- Salaries and benefits were \$16.4 million below final budget amounts. The variance is broken down as follows:
  - Unrestricted resources - \$2.8 million
  - Federal, state, and local restricted resources - \$13.6 million
- Books and supplies were \$40.2 million below final budget amounts. The variance is broken down as follows:
  - Unrestricted resources - \$8.1 million
  - Federal, state, and local restricted resources - \$32.1 million
- Services and other operating expenses were \$10.1 million below final budget amounts. The variance is broken down as follows:
  - Unrestricted resources - \$8.1 million
  - Federal, state, and local restricted resources - \$2.0 million

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2011-12 the District had invested \$3,109.8 million in capital assets.

On January 19, 2012, San Diego Unified School District sold .99 acres located at 3900 Armstrong Street, San Diego CA to the San Diego Community College District. Total proceeds received by San Diego Unified were \$1,595,118.

On June 27, 2012, San Diego Unified School District sold 13.39 acres located at Fairbrook Rd and Rue Fontenay, San Diego, CA to Ryland Homes of California, Inc. Total proceeds received by San Diego Unified were \$4,389,816.

**Table A-4  
San Diego Unified School District's Capital Assets  
(In Millions)**

	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	<b>2011</b>	<b>2012</b>	<b>2011-12</b>
Land	\$ 273.3	\$ 271.2	-1%
Site improvements	217.1	220.8	2%
Buildings	1,333.3	1,357.2	2%
Furniture and equipment	253.9	251.5	-1%
Construction in progress	866.7	1,009.1	16%
<b>Total capital assets</b>	<b>\$ 2,944.3</b>	<b>\$ 3,109.8</b>	<b>6%</b>

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-Term Debt**

At year-end, the District had \$2,021.5 million in long-term debt, an increase of 6% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

**Table A-5  
San Diego Unified School District's Long-Term Debt  
(In Millions)**

	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	<b>2011</b>	<b>2012</b>	<b>2011-12</b>
Compensated absences	\$ 24.4	\$ 25.2	3%
Arbitrage liability	0.1	-	-100%
General Obligation (GO) Bonds	1,679.3	1,819.0	8%
Accreted interest	105.5	104.2	-1%
Issuance costs/premiums	36.0	34.0	-6%
Net OPEB obligations	4.8	5.8	21%
Early retirement incentive	42.5	28.3	-33%
Capital lease	15.0	5.0	-67%
<b>Total long-term debt</b>	<b>\$ 1,907.6</b>	<b>\$ 2,021.5</b>	<b>6%</b>

In order to create debt capacity the San Diego Unified School District refinanced various previous bond debt. The District intends to use the proceeds from the sale of the Bonds to purchase or defease certain of the District's previously issued bonds under the Prop MM authorization and the Prop S authorization. Those maturities of the bonds or indebtedness evidenced thereon to be defeased or purchased and cancelled with a portion of the proceeds of the Bonds are hereinafter referred to collectively as the 'Prior Bonds'.

The bonds issued in the current year were as follows:

- R-1 \$65,434,441 mature 7/1/2031
- R-2 \$56,869,830 mature 7/1/2041
- Series E \$149,998,824 mature 7/1/2051



**SAN DIEGO UNIFIED SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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

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

- At the state level, the budget situation continues to reflect challenging economic times. A major key to higher funding for education is the recovery of the economy. There were two tax initiatives on the November 2012 ballot – the Governor's Proposition 30 and a rival tax initiative, Proposition 38. Since the Governor's proposal was approved by voters in November 2012, K-12 spending will remain flat at roughly the 2011-12 level. State categorical program flexibility continues for the 2011-12 and 2012-13 fiscal years with no anticipated changes. School districts are currently authorized to use funding from Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed through 2013-14 and school agencies maintain the flexibility to shorten the school year until 2014-15.
- 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 2012-13 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 ASSETS**  
**JUNE 30, 2012**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 516,058,135
Accounts receivable	169,829,144
Inventory	3,283,155
Prepaid expenses	964,691
Deferred charges	5,000,000
Capital assets, not depreciated	1,280,302,722
Capital assets, net of accumulated depreciation	1,026,807,995
<b>Total Assets</b>	<b>3,002,245,842</b>
<b>LIABILITIES</b>	
Accrued liabilities	96,494,651
Deferred revenue	5,510,627
Long-term liabilities, current portion	62,704,587
Long-term liabilities, non-current portion	2,014,425,984
<b>Total Liabilities</b>	<b>2,179,135,849</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	619,283,052
Restricted for	
Capital projects	196,539,514
Debt service	65,251,179
Educational programs	22,002,409
Unrestricted	(79,966,161)
<b>Total Net Assets</b>	<b>\$ 823,109,993</b>

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

						Net (Expenses)
						Revenues and
						Changes in
						Net Assets
		Program Revenues				
		Charges for	Operating	Capital		
Function/Programs	Expenses	Services	Grants and Contributions	Grants and Contributions		Governmental Activities
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 715,543,384	\$ 6,807,523	\$ 176,600,591	\$ 3,988,858		\$ (528,146,412)
Instruction-related services						
Instructional supervision and administration	48,421,176	1,079,077	33,983,757	-		(13,358,342)
Instructional library, media, and technology	10,429,897	91,294	2,145,845	-		(8,192,758)
School site administration	78,915,126	289,007	4,341,366	-		(74,284,753)
Pupil services						
Home-to-school transportation	37,735,860	844,329	17,718,581	-		(19,172,950)
Food services	58,203,690	18,971	46,422,925	-		(11,761,794)
All other pupil services	88,372,537	1,643,511	34,637,176	-		(52,091,850)
General administration						
Centralized data processing	18,884,928	-	71,458	-		(18,813,470)
All other general administration	34,363,043	174,796	5,837,024	-		(28,351,223)
Plant services	81,913,696	220,013	2,352,331	-		(79,341,352)
Ancillary services	3,070,616	181	695	-		(3,069,740)
Community services	521,971	-	-	-		(521,971)
Enterprise activities	544,139	-	156,976	-		(387,163)
Interest on long-term debt	47,237,797	-	-	-		(47,237,797)
Other Outgo	36,597	279,466	1,473,343	-		1,716,212
Depreciation (unallocated)	74,956,029	-	-	-		(74,956,029)
<b>Total Governmental Activities</b>	<b>\$ 1,299,150,486</b>	<b>\$ 11,448,168</b>	<b>\$ 325,742,068</b>	<b>\$ 3,988,858</b>		<b>(957,971,392)</b>
General revenues						
Taxes and subventions						
Property taxes, levied for general purposes						484,310,769
Property taxes, levied for debt service						95,576,793
Property taxes, levied for other specific purposes						25,301,544
Federal and state aid not restricted for specific purposes						269,684,048
Interest and investment earnings						6,323,103
Interagency revenues						4,485,071
Miscellaneous						61,809,159
<b>Subtotal, General Revenue</b>						<b>947,490,487</b>
<b>Change in net assets before transfers &amp; special items</b>						<b>(10,480,905)</b>
Special and extraordinary items						5,984,934
<b>Total Transfers &amp; Special Items</b>						<b>5,984,934</b>
<b>CHANGE IN NET ASSETS</b>						<b>(4,495,971)</b>
<b>Net Assets - Beginning</b>						<b>814,732,847</b>
<b>Prior Period Adjustment</b>						<b>12,873,117</b>
<b>Net Assets - Ending</b>						<b>\$ 823,109,993</b>

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2012**

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 63,277,886	\$ 179,219,990	\$ 93,599,494	\$ 90,997,671	\$ 55,403,365	\$ 482,498,406
Accounts receivable	156,795,780	102,498	132,101	76,730	12,690,129	169,797,238
Due from other funds	34,945,614	3,334,772	70,057,421	-	6,214,467	114,552,274
Stores inventory	2,558,379	-	-	-	724,776	3,283,155
Prepaid expenditures	959,974	-	187	-	4,530	964,691
<b>Total Assets</b>	<b>\$ 258,537,633</b>	<b>\$ 182,657,260</b>	<b>\$ 163,789,203</b>	<b>\$ 91,074,401</b>	<b>\$ 75,037,267</b>	<b>\$ 771,095,764</b>
<b>LIABILITIES</b>						
Accrued liabilities	\$ 56,305,145	\$ 11,646,210	\$ 980,775	\$ 25,823,222	\$ 1,682,415	\$ 96,437,767
Due to other funds	105,201,987	820,076	4,960,305	-	33,114,322	144,096,690
Deferred revenue	5,497,242	-	-	-	13,385	5,510,627
<b>Total Liabilities</b>	<b>167,004,374</b>	<b>12,466,286</b>	<b>5,941,080</b>	<b>25,823,222</b>	<b>34,810,122</b>	<b>246,045,084</b>
<b>FUND BALANCES</b>						
Nonspendable	3,572,351	-	188	-	729,307	4,301,846
Restricted	21,728,240	170,190,974	157,847,935	65,251,179	38,965,744	453,984,072
Committed	-	-	-	-	438,741	438,741
Assigned	10,074,359	-	-	-	93,353	10,167,712
Unassigned	56,158,309	-	-	-	-	56,158,309
<b>Total Fund Balances</b>	<b>91,533,259</b>	<b>170,190,974</b>	<b>157,848,123</b>	<b>65,251,179</b>	<b>40,227,145</b>	<b>525,050,680</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 258,537,633</b>	<b>\$ 182,657,260</b>	<b>\$ 163,789,203</b>	<b>\$ 91,074,401</b>	<b>\$ 75,037,267</b>	<b>\$ 771,095,764</b>

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT**  
**OF NET ASSETS**  
**JUNE 30, 2012**

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**Total Fund Balance - Governmental Funds** \$ 525,050,680

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

**Capital assets:**

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

Capital assets	\$ 3,109,834,520	
Accumulated depreciation	(802,723,803)	2,307,110,717

**Unamortized costs:**

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the governmental-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in net long-term debt on the statement of net assets are:

5,000,000

**Long-term liabilities:**

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

Compensated absences	\$ 25,198,368	
General Obligation (GO) Bonds	1,819,028,696	
Accreted Interest	104,229,356	
Issuance costs/ premiums	33,989,943	
Net OPEB obligations	5,840,945	
Early retirement incentive	28,312,263	
Capital lease	5,000,000	(2,021,599,571)

**Internal service funds:**

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

7,548,167

**Total Net Assets - Governmental Activities** \$ 823,109,993

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, 2012**

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Revenue limit sources						
State aid	\$ 154,746,492	\$ -	\$ -	\$ -	\$ -	\$ 154,746,492
Local sources	480,682,709	-	-	-	-	480,682,709
Transfers	(54,422,103)	-	-	-	-	(54,422,103)
Federal sources	118,431,588	-	-	-	47,466,712	165,898,300
Other state sources	314,221,554	-	3,156,821	730,655	24,790,444	342,899,474
Other local sources	48,396,134	579,156	954,700	95,073,323	53,861,396	198,864,709
<b>Total Revenues</b>	<b>1,062,056,374</b>	<b>579,156</b>	<b>4,111,521</b>	<b>95,803,978</b>	<b>126,118,552</b>	<b>1,288,669,581</b>
<b>EXPENDITURES</b>						
Current						
Instruction	700,257,809	-	-	-	21,724,680	721,982,489
Instruction-related services						
Instructional supervision and administration	46,245,105	-	-	-	3,275,205	49,520,310
Instructional library, media, and technology	10,714,743	-	-	-	-	10,714,743
School site administration	79,154,032	-	-	-	1,320,749	80,474,781
Pupil services						
Home-to-school transportation	39,153,728	-	-	-	-	39,153,728
Food services	332,687	-	-	-	58,093,035	58,425,722
All other pupil services	88,073,481	-	-	-	372,058	88,445,539
General administration						
Centralized data processing	20,526,680	-	-	-	-	20,526,680
All other general administration	25,082,101	-	-	-	2,903,955	27,986,056
Plant services	63,798,986	36,551	205,038	-	13,323,921	77,364,496
Facilities acquisition and maintenance	5,600,647	130,140,343	35,771,309	-	10,649,111	182,161,410
Ancillary services	3,071,301	-	-	-	-	3,071,301
Community services	521,971	-	-	-	-	521,971
Enterprise activities	406,751	-	-	-	137,388	544,139
Transfers to other agencies	1,681,553	-	-	-	-	1,681,553
Debt service						
Principal	-	-	-	1,150,554	-	1,150,554
Interest and other	4,378,169	349,506	-	55,520,627	15,164	60,263,466
<b>Total Expenditures</b>	<b>1,088,999,744</b>	<b>130,526,400</b>	<b>35,976,347</b>	<b>56,671,181</b>	<b>111,815,266</b>	<b>1,423,988,938</b>
<b>Excess (Deficiency) of Revenues</b>						
<b>Over Expenditures</b>	<b>(26,943,370)</b>	<b>(129,947,244)</b>	<b>(31,864,826)</b>	<b>39,132,797</b>	<b>14,303,286</b>	<b>(135,319,357)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers In	8,275,000	-	-	-	2,975,670	11,250,670
Other Sources	-	150,875,186	-	1,911,395	5,984,942	158,771,523
Transfers Out	(7,843,979)	-	-	-	(9,832,691)	(17,676,670)
Other Uses	-	(526,856)	-	-	-	(526,856)
<b>Net Financing Sources (Uses)</b>	<b>431,021</b>	<b>150,348,330</b>	<b>-</b>	<b>1,911,395</b>	<b>(872,079)</b>	<b>151,818,667</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(26,512,349)</b>	<b>20,401,086</b>	<b>(31,864,826)</b>	<b>41,044,192</b>	<b>13,431,207</b>	<b>16,499,310</b>
<b>Fund Balance - Beginning</b>	<b>118,045,608</b>	<b>149,789,888</b>	<b>176,839,832</b>	<b>24,206,987</b>	<b>26,795,938</b>	<b>495,678,253</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>12,873,117</b>	<b>-</b>	<b>-</b>	<b>12,873,117</b>
<b>Fund Balance - Ending</b>	<b>\$ 91,533,259</b>	<b>\$ 170,190,974</b>	<b>\$ 157,848,123</b>	<b>\$ 65,251,179</b>	<b>\$ 40,227,145</b>	<b>\$ 525,050,680</b>

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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**Net Change in Fund Balances - Governmental Funds** \$ 16,499,310

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:	\$ 178,937,700	
Depreciation expense:	<u>(74,956,029)</u>	103,981,671

**Debt service:**

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

49,670,555

**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:

(189,391,939)

**Arbitrage liability:**

Arbitrage liability is classified as a long-term liability in the government-wide statements and decreased in the current period by:

118,404

**Accreted interest on long-term debt:**

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

1,307,682

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, 2012**

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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: (2,520,428)

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: (829,509)

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: (1,056,327)

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: 14,223,773

Amortization of debt issue premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: 1,975,148

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: 1,525,689

**Change in Net Assets of Governmental Activities**

**\$ (4,495,971)**

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



**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

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	Governmental Activities					
	Internal Service Funds					
	Workers'					
	Liability Insurance	Property Insurance	Compensation Fund	Vision Fund	Total	
ASSETS						
Cash and cash equivalents	\$ 660,829	\$ 998,621	\$ 31,302,328	\$ 597,951	\$ 33,559,729	
Accounts receivable	1,364	771	29,121	650	31,906	
Due from other funds	-	-	28,553,115	1,150,723	29,703,838	
Total assets	662,193	999,392	59,884,564	1,749,324	63,295,473	
LIABILITIES						
Accrued liabilities	56,852	-	33	-	56,885	
Claims payable	2,895,000	-	52,636,000	-	55,531,000	
Due to other funds	38,290	23,457	97,674	-	159,421	
Total liabilities	2,990,142	23,457	52,733,707	-	55,747,306	
NET ASSETS						
Unrestricted	(2,327,949)	975,935	7,150,857	1,749,324	7,548,167	
Total Net Assets	\$ (2,327,949)	\$ 975,935	\$ 7,150,857	\$ 1,749,324	\$ 7,548,167	

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 ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Governmental Activities				
	Internal Service Funds				
	Workers'				
	Liability Insurance	Property Insurance	Compensation Fund	Vision Fund	Total
OPERATING REVENUE					
Transfers in from other funds	\$ 3,741,000	\$ 2,035,000	\$ 650,000	\$ -	\$ 6,426,000
Self-insurance premiums	77,426	281,186	18,138,740	1,654,567	20,151,919
Total operating expenses	3,818,426	2,316,186	18,788,740	1,654,567	26,577,919
OPERATING EXPENSE					
Salaries and benefits	443,323	232,899	584,321	-	1,260,543
Supplies and materials	6,126	11,630	13,165	-	30,921
Payments for claims	5,061,238	2,210,362	15,394,200	1,264,739	23,930,539
Total operating expenses	5,510,687	2,454,891	15,991,686	1,264,739	25,222,003
OPERATING GAIN/(LOSS)	(1,692,261)	(138,705)	2,797,054	389,828	1,355,916
NON-OPERATING REVENUES/(EXPENSES)					
Interest income	11,303	4,578	150,195	3,697	169,773
Total non-operating revenues/(expenses)	11,303	4,578	150,195	3,697	169,773
CHANGE IN NET ASSETS	(1,680,958)	(134,127)	2,947,249	393,525	1,525,689
Net Assets - Beginning	(646,991)	1,110,062	4,203,608	1,355,799	6,022,478
Net Assets - Ending	\$ (2,327,949)	\$ 975,935	\$ 7,150,857	\$ 1,749,324	\$ 7,548,167

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, 2012**

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	<u>Governmental Activities</u>	<u>Internal Service Funds</u>
	<u>Total</u>	
<b>Cash flows from operating activities</b>		
Cash received from user charges	\$	20,162,388
Cash received/(paid) from assessments made to/ (from) other funds		1,659,352
Cash payments for insurance claims		(22,799,681)
Cash payments to employees for services		(1,183,474)
Net cash used by operating activities		(2,161,415)
<b>Cash flows from investing activities</b>		
Interest received		169,773
Net cash provided by investing activities		169,773
 NET DECREASE IN CASH		(1,991,642)
<b>CASH</b>		
Beginning of year		35,551,371
End of year	\$	33,559,729
 <b>Reconciliation of operating loss to cash used in operating activities</b>		
Operating gain	\$	1,355,916
Decrease in accounts receivable		10,469
Increase in due from other funds		(4,766,648)
Increase in accounts payable		(1,095,142)
Decrease in due to other funds		107,990
Increase in claims liabilities		2,226,000
Net cash used by operating activities	\$	(2,161,415)

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

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	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,391,205
Accounts receivable	136,427
Stores inventory	293,150
Prepaid expenses	13,274
<b>Total Assets</b>	<u>\$ 7,834,056</u>
<b>LIABILITIES</b>	
Due to student groups	\$ 7,834,056
<b>Total Liabilities</b>	<u>\$ 7,834,056</u>

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**A. Financial Reporting Entity**

The San Diego Unified School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

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

**B. Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The following are those aspects of the relationship between the District and the component units that satisfy GASB Statement No. 14 criteria.

***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, 2012**

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

**B. Component Units (continued)**

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

**Charter Schools** – There are 42 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, 2012 is presented below:

	Total Not-for Profit	Total Governmental	Total Charter School
Total assets	\$ 73,783,754	\$ 1,030,379	\$ 74,814,133
Total liabilities	16,599,072	423,411	17,022,483
Totals	<u>\$ 57,184,682</u>	<u>\$ 606,968</u>	<u>\$ 57,791,650</u>
Total revenues	130,685,127	2,943,932	133,629,059
Total expenses	122,218,728	3,306,298	125,525,026
Totals	<u>\$ 8,466,399</u>	<u>\$ (362,366)</u>	<u>\$ 8,104,033</u>

**C. Basis of Presentation**

**Government-Wide Statements.** The statement of net assets 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, 2012

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

C. Basis of Presentation (*continued*)

**Fund Financial Statements.** The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds and blended component units. 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.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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.*).

**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]*).



SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

**Special Revenue Funds (continued)**

**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*).

**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*).

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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 assets should be reported as restricted when constraints placed on net asset 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 assets restricted for other activities result from special revenue funds and the restrictions on their net asset 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.

All governmental activities of the District follow the FASB and AICPA pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

**Governmental Funds**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. 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.

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.

**Deferred Revenue**

Deferred 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 deferred revenue is removed from the balance sheet and revenue is recognized.

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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

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

**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 Assets**

**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.

**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.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Fund Balance and Net Assets (continued)

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net assets, 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 assets.

**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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Fund Balance and Net Assets (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.

However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

**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 assets. 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, 2012

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

E. Assets, Liabilities, Fund Balance and Net Assets (*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.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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, 2012**

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

**G. Estimates**

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

**H. Budgetary Data**

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

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

**I. Property Tax**

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 2 – CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

	Governmental	Internal Service	Total Governmental	Fiduciary
	Funds	Funds	Activities	Funds
Cash in county	\$ 479,663,989	\$ 33,059,729	\$ 512,723,718	\$ -
Cash on hand and in banks	2,780,417	-	2,780,417	7,391,205
Cash with fiscal agent	-	500,000	500,000	-
Cash in revolving fund	54,000	-	54,000	-
<b>Total cash and cash equivalents</b>	<b>\$ 482,498,406</b>	<b>\$ 33,559,729</b>	<b>\$ 516,058,135</b>	<b>\$ 7,391,205</b>

**B. Policies and Practices**

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

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

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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

**C. General Authorizations**

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

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 \$514,233,434 and an amortized book value of \$512,723,718. The average weighted maturity for this pool is 370 days.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**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, 2012, 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, 2012, the District's bank balance was not exposed to custodial credit risk.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2012 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities	Total Fiduciary
Federal Government								
Categorical aid	\$ 22,222,170	\$ -	\$ -	\$ -	\$ 9,182,486	\$ -	\$ 31,404,656	\$ -
State Government								
Apportionment	60,478,863	-	-	-	-	-	60,478,863	-
Categorical aid	40,649,753	-	-	-	1,729,583	-	42,379,336	-
Lottery	5,309,393	-	-	-	-	-	5,309,393	-
Local Government								
Other Local Sources	28,135,601	102,498	132,101	76,730	1,778,060	31,906	30,256,896	136,427
<b>Total</b>	<b>\$ 156,795,780</b>	<b>\$ 102,498</b>	<b>\$ 132,101</b>	<b>\$ 76,730</b>	<b>\$ 12,690,129</b>	<b>\$ 31,906</b>	<b>\$ 169,829,144</b>	<b>\$ 136,427</b>

**NOTE 4 – DEFERRED CHARGES**

As of April 19, 2010 the San Diego Unified School District entered into agreement with the City of San Diego for a portion of the building known as the "New San Diego Central Library". The District will prepay a total of \$20.0 million to assist the City of San Diego in the construction of the facilities. As of June 30, 2012 \$15.0 million has been paid.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 01, 2011	Additions	Deletions	Balance June 30, 2012
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 273,284,132	\$ -	\$ 2,119,644	\$ 271,164,488
Construction in progress	866,710,869	178,937,700	36,510,335	1,009,138,234
Total Capital Assets not Being Depreciated	1,139,995,001	178,937,700	38,629,979	1,280,302,722
Capital assets being depreciated				
Land improvements	217,093,717	3,684,137	-	220,777,854
Buildings & improvements	1,333,329,923	28,260,472	4,355,658	1,357,234,737
Furniture & equipment	253,933,054	4,565,726	6,979,573	251,519,207
Total Capital Assets Being Depreciated	1,804,356,694	36,510,335	11,335,231	1,829,531,798
Less Accumulated Depreciation				
Land improvements	103,841,224	7,770,791	-	111,612,015
Buildings & improvements	444,952,603	54,548,891	4,049,604	495,451,890
Furniture & equipment	189,908,394	12,636,347	6,884,843	195,659,898
Total Accumulated Depreciation	738,702,221	74,956,029	10,934,447	802,723,803
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 2,205,649,474</b>	<b>\$ 140,492,006</b>	<b>\$ 39,030,763</b>	<b>\$ 2,307,110,717</b>

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

**NOTE 6 – INTERFUND TRANSACTIONS**

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

Individual interfund receivable and payable balances at June 30, 2012 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	\$ 2,701,358	\$ -	\$ 70,022,955	\$ 2,773,836	\$ 29,703,838	\$	105,201,987
Building Fund	785,610	-	34,466	-	-		820,076
County School Facilities Fund	1,625,533	3,334,772	-	-	-		4,960,305
Non-Major Governmental Funds	29,673,699	-	-	3,440,631	-		33,114,330
Self-Insurance Fund	159,421	-	-	-	-		159,421
<b>Total Due From Other Funds</b>	<b>\$ 34,945,621</b>	<b>\$ 3,334,772</b>	<b>\$ 70,057,421</b>	<b>\$ 6,214,467</b>	<b>\$ 29,703,838</b>	<b>\$</b>	<b>144,256,119</b>

Stores Revolving and SIM Revolving Fund due to General Fund for temporary loan and reimbursement of expenses.	\$ 463,775
General Fund due to Stores Revolving and Sim Revolving Fund for reimbursement of expenses.	2,233,487
SIM Revolving Fund due to Stores Revolving Fund for reimbursement of expenses.	4,096
Child Development Fund due to General Fund for indirect cost, reimbursement of job cost, expenses, and for salary and employee benefits.	2,197,833
State Preschool Fund due to General Fund for indirect cost, reimbursement of job cost, expenses, and for salary and employee benefits.	6,652,414
State Preschool Fund due to Stores Revolving for reimbursement of expenses.	91
Prop S Building Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.	785,610
County School Facilities Fund due to General Fund for reimbursement of job cost and expense.	1,628,077
Adult Education Fund due to General Fund for indirect cost, reimbursement of job cost, expenses, and for salary and employee benefits.	59,047
Cafeteria Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.	18,147,545
Deferred Maintenance Fund due to General Fund for reimbursement of job cost expenses.	1,837
Capital Facilities Redevelopment Agency Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee bene	755,811
Developer Fees Capital Facilities Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.	191,707
Balboa Stadium Fund due to General Fund for reimbursement of expenses.	3,565
Property Management Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.	1,554,680
Facilities Master Plan/Prop O due to General Fund for reimbursement of expenses.	10,279
Cafeteria Fund due to Stores Revolving for reimbursement of expenses.	84,659
Cafeteria Fund due to SIM Revolving for reimbursement of expenses.	9,934
Property Management Fund due to Stores Revolving Fund for inventory expenditure transfers.	1,751
Liability Insurance Fund due to General Fund for reimbursement of salary and employee benefits.	38,290
Property Insurance fund due to General Fund for reimbursement of job cost and for salary and employee benefits.	23,457
Workers Compensation Fund due to General Fund for reimbursement of expenses and for salary and employee benefits.	97,675
General Fund due to State Preschool Fund to cover required expenses.	2,524,659
General Fund due to Child Development Fund for expenditure transfers.	79,814
Child Development Fund due to State Preschool for expenditure transfers.	1,041,034
State Preschool Fund due to Child Development Fund for expenditure transfers.	2,399,597
Prop S State Facility Matching Funds due to Prop S Building Bond for reimbursement of expenses.	2,993,400
County School Facilities Fund due to Prop S Building Bond for reimbursement of expenses.	338,830
Facilities Master Plan/Prop O due to Prop S Building Bond for reimbursement of expenses.	2,542
General Fund due to County School Facilities Fund for loan and interest expense and PPO inventory expense.	70,022,954
Prop S Building Bond due to County School Facilities Fund for expenditure transfers.	34,467
Stores Revolving due to Cafeteria Fund for reimbursement of expenses.	(197)
General Fund due to Adult Education Fund for prior year adj to state apportionment and Tier III Flexibility transfers.	166,107
General Fund due to Cafeteria Fund for PERS recap credit.	3,378
General Fund due to Property Management Fund for PPO inventory expenditures.	68
General Fund due to Facilities Master Plan/Prop O Fund for PPO inventory expenses.	16
General Fund due to Workers Compensation Fund for monthly premiums.	28,553,108
General Fund due to Self Insured Vision Care Fund for monthly premiums.	1,150,722
<b>Total</b>	<b>\$ 144,256,119</b>

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

**NOTE 6 – INTERFUND TRANSACTIONS (continued)**

**B. Operating Transfers**

Interfund transfers for the year ended June 30, 2012 consisted of the following:

		Interfund Transfers In			
		Non-Major Governmental			Total
Interfund Transfers Out		General Fund	Funds	Self-Insurance	
General Fund		\$ 150,000	\$ 1,267,979	\$ 6,426,000	\$ 7,843,979
Non-Major Fund		8,125,000	1,707,691	-	9,832,691
<b>Total Interfund Transfers</b>		<b>\$ 8,275,000</b>	<b>\$ 2,975,670</b>	<b>\$ 6,426,000</b>	<b>\$ 17,676,670</b>

Transfer from the General Fund to the State Preschool Fund to cover required expenses.	\$ 1,263,495
Transfer from the General Fund to the Liability Insurance Fund for premiums and insurance costs.	3,891,000
Transfer from the General Fund to the Property Insurance Fund for premiums and insurance costs.	2,035,000
Transfer from the General Fund to the Workers Comp Insurance Fund for premiums and insurance costs.	500,000
Transfer from the General Fund to the Balboa Stadium Fund for rental receipts received from Civic Center Rent.	4,484
Transfer from the Property Management Fund to the General Fund for ADA 504 expenses.	825,000
Transfer from the Facilities Master Plan Fund to the Property Management Fund for land proceeds.	1,500,000
Transfer from the Mesa CC Mid College Fund to the Property Management Fund for Instructional Facilities Planning.	207,691
Transfer from the Liability Insurance Fund to the General Fund per Board approval.	150,000
Transfer from the Capital Facilities Redevelopment Agency Fund to the General Fund for CCDC monies per Original Budget.	7,300,000
<b>Total</b>	<b>\$ 17,676,670</b>

**NOTE 7 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2012 consisted of the following:

			County School		Bond Interest &		Non-Major		Internal Service		Total	
	General Fund	Building Fund	Facilities Fund	Redemption Fund	Funds	Governmental	Funds	Governmental	Funds	Governmental	Activities	
Payroll	\$ 37,896,881	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,896,881
Construction	327,491	11,646,210	980,775	-	-	396,332	-	-	-	-	-	13,350,808
Vendors payable	18,080,773	-	-	-	-	1,286,083	56,885	-	-	-	-	19,423,741
Other liabilities	-	-	-	25,823,222	-	-	-	-	-	-	-	25,823,222
<b>Total</b>	<b>\$ 56,305,145</b>	<b>\$ 11,646,210</b>	<b>\$ 980,775</b>	<b>\$ 25,823,222</b>	<b>\$ 1,682,415</b>	<b>\$ 56,885</b>	<b>\$ 96,494,652</b>					

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 8 – DEFERRED REVENUE**

Deferred revenue at June 30, 2012, consisted of the following:

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Activities</b>
Federal sources	\$ 3,489,269	\$ -	\$ 3,489,269
State categorical sources	2,001,006	-	2,001,006
Other deferrals	6,967	13,385	20,352
<b>Total</b>	<b>\$ 5,497,242</b>	<b>\$ 13,385</b>	<b>\$ 5,510,627</b>

**NOTE 9 – TAX AND REVENUE ANTICIPATION NOTES (TRANS)**

On July 7, 2011, the District issued \$218,000,000 of Tax and Revenue Anticipation Notes. The notes mature on August 7, 2012 and yield .023% 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 \$218,000,000 principal plus \$4,723,333.33 interest will be set aside in a repayment fund at the County Treasury and that the note is to be paid on August 7, 2012.

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, 2012**

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**NOTE 10 – 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, 2012 is as follows:

	Balance July 01, 2011	Accretion/ Additions	Deductions	Balance June 30, 2012	Balance Due In One Year
<b>Governmental Activities</b>					
Compensated absences	\$ 24,368,859	\$ 829,509	\$ -	\$ 25,198,368	\$ 20,469,842
General Obligation (GO) Bonds	1,679,307,312	272,303,097	132,581,713	1,819,028,696	21,080,917
Accreted interest	105,537,038	17,978,831	19,286,513	104,229,356	-
Issuance costs/premiums	35,965,091	-	1,975,148	33,989,943	1,975,149
Net OPEB obligations	4,784,618	1,056,327	-	5,840,945	-
Early retirement incentive	42,536,036	-	14,223,773	28,312,263	14,178,679
Arbitrage liability	118,404	-	118,404	-	-
Capital lease	15,000,000	-	10,000,000	5,000,000	5,000,000
<b>Total</b>	<b>\$ 1,907,617,358</b>	<b>\$ 292,167,764</b>	<b>\$ 178,185,551</b>	<b>\$ 2,021,599,571</b>	<b>\$ 62,704,587</b>

**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.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

**NOTE 10– LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

The outstanding general obligation bonded debt of the District at June 30, 2012 is summarized in the following:

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue		Outstanding July 1, 2011	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2012					
<u>Proposition MM</u>														
1998, Series A	5/27/1999	4.20 - 5.34	2023	\$	139,995,085	\$	79,401,389	\$	-	\$	14,570,901	\$	64,830,488	
A - Accreted Interest							68,163,057		7,760,962		6,535,259		69,388,760	
1998, Series B	12/14/2000	4.40 - 5.35	2025		149,999,084		131,201,988		-		3,886,800		127,315,188	
B - Accreted Interest							15,044,637		1,044,305		3,698,200		12,390,742	
1998, Series C	11/21/2001	2.95 - 5.00	2026		199,995,712		178,265,306		-		16,760,306		161,505,000	
C - Accreted Interest							2,874,420		185,276		3,059,696		-	
1998, Series D	9/12/2002	2.10 - 5.25	2027		274,995,346		245,350,000		-		18,425,000		226,925,000	
D - Accreted Interest							-		-		-		-	
1998, Series E	8/19/2003	1.90 - 5.25	2028		349,993,599		321,504,959		-		19,645,337		301,859,622	
E - Accreted Interest							8,011,802		628,177		4,199,664		4,440,315	
1998, Series F	9/2/2004	1.95 - 5.00	2029		199,996,373		183,211,306		-		1,741,306		181,470,000	
F - Accreted Interest							1,488,058		305,636		1,793,694		-	
1998, Series G	9/8/2005	3.00 - 5.00	2030		195,024,802		170,375,000		-		5,080,000		165,295,000	
Subtotal of Original Issue Before Refunding						1,510,000,001		1,404,891,922		9,924,356		99,396,163		1,315,420,115
R-1 Refunding (Various)	3/15/2012		2030		65,434,442		-		65,434,442		-		65,434,442	
Total Proposition MM						1,575,434,443		1,404,891,922		75,358,798		99,396,163		1,380,854,557
<u>Proposition S</u>														
Series A	5/7/2009	2.50 - 6.19	2033		131,157,581		131,157,581		-		1,150,555		130,007,026	
A - Accreted Interest							7,684,817		3,903,172		-		11,587,989	
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		163,869,783		56,869,830		51,321,508		169,418,105	
C - Accreted Interest	8/18/2010						2,270,247		4,151,303		-		6,421,550	
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		379,952,428		214,923,130		52,472,063		542,403,495
Grand Total					\$	2,095,430,632	\$	1,784,844,350	\$	290,281,928	\$	151,868,226	\$	1,923,258,052

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 10 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**1998 Series A**

Year Ended June 30,	Principal	Accreted Interest	Total
2013	\$ -	\$ -	\$ -
2014	7,051,795	7,963,205	15,015,000
2015	6,921,036	8,693,963	15,614,999
2016	6,786,371	9,453,629	16,240,000
2017	6,647,904	10,242,096	16,890,000
2018-2022	31,420,763	63,724,238	95,145,001
2023-2027	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 \$69,388,760 has been reflected in the long-term debt balance.

**1998 Series B**

Year Ended June 30,	Principal	Current Interest	Accreted Interest	Total
2013	\$ 1,266,295	\$ 6,204,078	\$ 4,198,705	\$ 11,669,078
2014	1,225,978	6,204,078	4,719,022	12,149,078
2015	1,182,915	6,204,078	5,262,085	12,649,078
2016	6,685,000	6,204,078	-	12,889,078
2017	7,560,000	5,869,828	-	13,429,828
2018-2022	54,910,000	21,860,078	-	76,770,078
2023-2027	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 \$12,390,742 has been reflected in the long-term debt balance.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 10 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**1998 Series B (continued)**

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

**1998 Series C**

Year Ended June 30,	Principal	Current Interest	Accreted Interest	Total
2013	\$ 3,790,000	\$ 8,790,025	\$ 6,067,075	\$ 18,647,100
2014	4,490,000	8,505,725	-	12,995,725
2015	5,250,000	8,281,225	-	13,531,225
2016	7,180,000	8,018,725	-	15,198,725
2017	8,115,000	7,659,725	-	15,774,725
2018-2022	52,285,000	31,274,125	-	83,559,125
2023-2027	80,395,000	12,097,800	-	92,492,800
Total	\$ 161,505,000	\$ 84,627,350	\$ 6,067,075	\$ 252,199,425

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 2011-12 year.

In addition, the associated issuance costs are netted against the premium on the statement of net assets 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 2011-12 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 accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component.

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

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012

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NOTE 10 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 Series D

Year Ended June 30,	Principal	Current Interest	Total
2013	\$ 5,040,000	\$ 11,789,650	\$ 16,829,650
2014	5,865,000	11,537,650	17,402,650
2015	6,750,000	11,244,400	17,994,400
2016	7,700,000	10,906,900	18,606,900
2017	7,895,000	10,521,900	18,416,900
2018-2022	57,390,000	44,838,000	102,228,000
2023-2027	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 2011-12 year.

In addition, the associated issuance costs are netted against the premium on the statement of net assets 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 2011-12 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 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 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. The Series D Bonds to be redeemed will remain outstanding until July 1, 2012 (the Series D Crossover Date), upon which time proceeds of the Series D Refunding Bonds will be used to redeem the principal and premium, if any, of the specific maturities to be redeemed. Principal of \$240,610,000 of the Series D Bonds is expected to be redeemed on July 1, 2012.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 10 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**1998 Series E**

Year Ended June 30,	Principal	Current Interest	X-Over Escrow	Total
2013	\$ 2,559,622	\$ 15,329,980	\$ (14,646,350)	\$ 3,243,252
2014	7,805,000	15,329,980	-	23,134,980
2015	8,295,000	14,994,365	-	23,289,365
2016	9,180,000	14,596,385	-	23,776,385
2017	10,120,000	14,147,588	-	24,267,588
2018-2022	66,800,000	62,160,975	-	128,960,975
2023-2027	145,270,000	40,130,200	-	185,400,200
2028-2032	51,830,000	2,461,925	-	54,291,925
Total	\$ 301,859,622	\$ 179,151,398	\$ (14,646,350)	\$ 466,364,670

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 2011-12 year.

In addition, the associated issuance costs are netted against the premium on the statement of net assets 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 2011-12 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 accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued of \$4,440,315 has been 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 is expected to be redeemed on July 1, 2013.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 10 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**1998 Series F**

Year Ended June 30,	Principal	Current Interest	Total
2013	\$ 3,450,000	\$ 8,519,928	\$ 11,969,928
2014	3,475,000	8,399,178	11,874,178
2015	3,485,000	8,273,209	11,758,209
2016	3,520,000	8,113,719	11,633,719
2017	3,545,000	7,943,681	11,488,681
2018-2022	17,150,000	37,377,963	54,527,963
2023-2027	39,470,000	32,779,910	72,249,910
2028-2032	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 2011-12 year.

In addition, the remaining discount issuance costs are netted against the premium on the statement of net assets 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 2011-12 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, 2012**

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**NOTE 10 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**1998 Series G**

Year Ended June 30,	Principal	Current Interest	Total
2013	\$ 4,975,000	\$ 7,819,849	\$ 12,794,849
2014	4,900,000	7,571,099	12,471,099
2015	4,800,000	7,394,699	12,194,699
2016	4,650,000	7,202,699	11,852,699
2017	4,450,000	7,030,649	11,480,649
2018-2022	18,895,000	32,312,184	51,207,184
2023-2027	36,910,000	27,564,844	64,474,844
2028-2032	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 2011-12 year.

In addition, the remaining discount issuance costs are netted against the premium on the statement of net assets 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 2011-12 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, 2012**

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**NOTE 10 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**2008 Series A**

Year Ended June 30,	Principal	Current Interest	Accreted Interest	Total
2013	\$ 1,336,515	\$ -	\$ 163,485	\$ 1,500,000
2014	1,305,735	-	234,265	1,540,000
2015	1,085,319	-	264,681	1,350,000
2016	1,004,269	-	315,731	1,320,000
2017	848,543	-	336,457	1,185,000
2018-2022	5,747,681	23,999,400	3,442,319	33,189,400
2023-2027	22,853,991	39,999,000	36,971,009	99,824,000
2028-2032	68,385,973	75,429,263	67,183,864	210,999,100
2033-2037	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 2011-12 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 \$11,587,989 has been reflected in the long-term debt balance.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 10 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**2008 Series B**

Year Ended			Tax Credit	
June 30,	Principal		Amount	Total
2013	\$ -	\$	3,056,708	\$ 3,056,708
2014	-		3,056,708	3,056,708
2015	-		3,056,708	3,056,708
2016	-		3,056,078	3,056,078
2017	-		3,056,078	3,056,078
2018-2022	29,340,000		12,227,462	41,567,462
2023-2027	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, 2012**

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**NOTE 10 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**2008 Series C**

Year Ended June 30,	Principal	Current Interest	Accreted Interest	Accreted Conv. CAB Value	Total
2013	\$ -	\$ -	\$ -	\$ -	-
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	-	-
2018-2022	-	-	-	-	-
2023-2027	-	-	-	-	-
2028-2032	15,463,959	23,868,550	38,266,041	-	77,598,550
2033-2037	24,443,911	90,706,188	97,261,089	-	212,411,188
2038-2042	86,647,793	214,598,646	175,127,037	-	476,373,476
2043-2047	28,631,118	28,636,563	255,918,883	-	313,186,564
2048-2052	14,231,324	3,674,889	-	37,728,676	55,634,889
Total	\$ 169,418,105	\$ 361,484,836	\$ 566,573,050	\$ 37,728,676	\$ 1,135,204,667

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 2011-12 year.

In addition, the discount issuance costs are netted against the premium on the statement of net assets 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 2011-12 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 accreting through the applicable maturity \$6,421,550 has been reflected in the long-term debt balance.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 10 – LONG-TERM DEBT (continued)**

**General Obligation Bonds (continued)**

**2008 Series D**

Year Ended June 30,	Principal	Current Interest	Total
2013	\$ -	\$ 1,900,438	\$ 1,900,438
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
2018-2022	-	9,502,190	9,502,190
2023-2027	25,000,000	9,502,190	34,502,190
2028-2032	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, 2012**

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**NOTE 10 – 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
2013	\$ -	\$ -	\$ -	\$ -	\$ -
2014	-	-	-	-	-
2015	-	-	-	-	-
2016	-	-	-	-	-
2017	-	-	-	-	-
2018-2022	-	-	-	-	-
2023-2027	-	-	-	-	-
2028-2032	7,798,224	-	15,141,776	-	22,940,000
2033-2037	20,595,186	70,319,938	32,321,207	9,843,608	133,079,939
2038-2042	22,388,193	59,520,425	-	41,066,807	122,975,425
2043-2047	63,631,678	31,945,238	-	121,188,322	216,765,238
2048-2052	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 2011-12 year.

**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 payments outstanding as of June 30, 2012 are as follows:

	Payments
July 10, 2012	\$ 14,178,679
July 10, 2013	14,133,584
Total	\$ 28,312,263

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 10 – LONG-TERM DEBT (continued)**

**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, 2012 \$5,000,000 remains outstanding.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

**NOTE 11 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2012:

	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	2,558,379	-	-	-	724,777	3,283,156
Prepaid expenditures	959,972	-	188	-	4,530	964,690
Total non-spendable	3,572,351	-	188	-	729,307	4,301,846
Restricted						
Educational programs	21,728,240	-	-	-	32,972	21,761,212
Capital projects	-	170,190,974	157,847,935	-	38,691,579	366,730,488
Debt service	-	-	-	65,251,179	-	65,251,179
All others	-	-	-	-	241,193	241,193
Total restricted	21,728,240	170,190,974	157,847,935	65,251,179	38,965,744	453,984,072
Committed						
Adult education	-	-	-	-	257,871	257,871
Deferred maintenance	-	-	-	-	180,870	180,870
Total committed	-	-	-	-	438,741	438,741
Assigned						
Child development	-	-	-	-	10,878	10,878
Food service	-	-	-	-	1,417	1,417
Pupil transportation	-	-	-	-	81,058	81,058
General Fund	10,074,359	-	-	-	-	10,074,359
Total assigned	10,074,359	-	-	-	93,353	10,167,712
Unassigned						
Reserve for economic uncertainties	21,514,000	-	-	-	-	21,514,000
Remaining unassigned	34,644,309	-	-	-	-	34,644,309
Total unassigned	56,158,309	-	-	-	-	56,158,309
<b>Total</b>	<b>\$ 91,533,259</b>	<b>\$ 170,190,974</b>	<b>\$ 157,848,123</b>	<b>\$ 65,251,179</b>	<b>\$ 40,227,145</b>	<b>\$ 525,050,680</b>

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

**NOTE 12 –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**

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, 1,196 retirees received a monthly stipend.



**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 12 –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	\$ 3,877,882
Interest on net OPEB obligation	215,308
Adjustment to annual required contribution	<u>(222,614)</u>
Annual OPEB cost (expense)	3,870,576
Contributions made	<u>(2,814,250)</u>
Increase (decrease) in net OPEB obligation	1,056,326
Net OPEB obligation, beginning of the year	<u>4,784,619</u>
Net OPEB obligation, end of the year	<u>\$ 5,840,945</u>

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 12 – 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, 2012 and the preceding two years were as follows:

<b>Year Ended June 30,</b>	<b>Annual OPEB Cost</b>	<b>Percentage Contributed</b>	<b>Net OPEB Obligation</b>
2012	\$ 3,870,576	73%	\$ 5,840,945
2011	\$ 3,789,517	71%	\$ 4,784,619
2010	\$ 3,596,300	67%	\$ 3,690,505

**Funded Status and Funding Progress**

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 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 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, 2012**

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**NOTE 12 – 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	26 years
Actuarial Assumptions:	
Discount rate	4.5%

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 13 – 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 2012 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:

	Contribution	Percent of Required Contribution
2011-12	\$ 42,099,065	100%
2010-11	\$ 43,516,268	100%
2009-10	\$ 44,524,756	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 \$21,361,577 to CalSTRS (4.267% of salaries subject to CalSTRS in 2011-12).

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 13 – 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 2012 was 10.923% 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:

	Contribution	Percent of Required Contribution
2011-12	\$ 23,643,982	100%
2010-11	\$ 24,290,928	100%
2009-10	\$ 22,150,014	100%

SAN DIEGO UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2012

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NOTE 14 – 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, 2012.

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, 2012.

C. Construction Commitments

	<b>Remaining Construction Commitment</b>
Capital Projects	
Clairemont High School Stadium ADA (Phase 2)	\$ 195,725
Serra High School Data Center	9,168,000
Encanto Elementary School New Classroom	5,440,321
Hoover High School Athletic Facilities	1,170,903
Knox Elementary Modernization Project	17,266,029
Madison High School Stadium Project	3,014
Mira Mesa High School Broadcast Journalism Project	2,470,500
Mira Mesa High School Screen Print & Graphic Design Project	794,600
Morse High School Child Development Program	9,614
Point Loma High School Motion Picture Project	213,429
Point Loma High School Weight Room	1,460
Point Loma High School Music Room Conversion	31,302
Scripps Ranch High School Sustainable Technology Building	231,326
University City High School Stadium Project	55,425
Zamorano Elementary School Project	8,618,740
Eulcid Elementary School Project	6,999,999
Point Loma High School Track and Field Project	1,326,091
Total	<u>\$ 53,996,478</u>

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 15 – 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, 2012 is \$3,830,126. 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.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 16 – 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, 2012, 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 \$55.5 million. Changes in the reported liability are shown below:

	Beginning Liability July 01, 2011	Current Year Claims and Changes in Estimated	Claims Payments	Ending Liability June 30, 2012
Liability	\$ 2,529,000	\$ 5,427,238	\$ 5,061,238	\$ 2,895,000
Workers' Compensation	50,776,000	17,254,200	15,394,200	52,636,000
Total	\$ 53,305,000	\$ 15,001,040	\$ 13,193,040	\$ 55,531,000

**NOTE 17 – PRIOR PERIOD ADJUSTMENT**

The District made a restatement to increase the fund balance of the County School Facilities in the amount of \$12,873,117 to reverse an accounts payable accrual made in the prior year. The expenditures are related to savings on the State ORG grants and will be considered payable after the final reports are submitted to the State. The final expenditure reports have not been submitted for the State ORG funds, thus the District is unable to determine the proper accrual of funds payable to the State for the unused portion of the grants.



**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2012**

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**NOTE 18 – SUBSEQUENT EVENTS**

**Tax Revenue Anticipation Notes**

The District issued \$240,000,000 of Tax Revenue Anticipation Notes dated August 1, 2012. The Notes were issued in two sub-series with different maturity dates set forth as follows:

- Series A-1 Notes amount to \$155,000,000 with a yield rate of .19% and maturity date on January 31, 2013.
- Series A-2 Notes amount to \$85,000,000 with a yield rate of .23% and a maturity date on June 28, 2013.

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 \$240,000,000 in principal plus \$2,907,500 in interest.

**Land Sale**

On June 22, 2012 the Board Education approved a resolution of the intent to sell the District real estate properties listed below in the 2012-13 fiscal year. The total anticipated revenue from the sale of these properties is \$26,735,000.

- Barnard Elementary School
- Single Residence lots at Revere Center
- Mission Beach Center
- Bay Terraces #11 Site
- Camp Elliott #3 Site

**Proposition Z Bond Measure**

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.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**GENERAL FUND – BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final to Actual</b>
<b>REVENUES</b>				
Revenue limit sources				
State aid	\$ 172,266,009	\$ 166,677,614	\$ 154,746,492	\$ (11,931,122)
Local sources	469,394,763	475,379,946	480,682,709	5,302,763
Transfers	(50,211,910)	(50,181,913)	(54,422,103)	(4,240,190)
Federal sources	113,290,526	146,673,326	118,431,588	(28,241,738)
Other State sources	291,781,468	295,020,409	292,859,975	(2,160,434)
Other local sources	43,130,608	51,060,856	48,389,099	(2,671,757)
<b>Total Revenues</b>	<b>1,039,651,464</b>	<b>1,084,630,238</b>	<b>1,040,687,760</b>	<b>(43,942,478)</b>
<b>EXPENDITURES</b>				
Certificated salaries	507,952,369	514,108,156	509,945,312	4,162,844
Classified salaries	178,253,520	183,139,835	179,296,047	3,843,788
Employee benefits	285,212,625	279,558,897	271,173,877	8,385,020
Books and supplies	48,746,797	73,295,566	33,092,317	40,203,249
Services and other operating expenditures	59,914,745	78,797,126	68,738,272	10,058,854
Capital outlay	6,377,500	6,608,373	6,287,254	321,119
Other outgo				
Excluding transfers of indirect costs	1,150,000	1,660,912	1,681,546	(20,634)
Transfers of indirect costs	(1,976,890)	(1,270,367)	(2,903,958)	1,633,591
<b>Total Expenditures</b>	<b>1,085,630,666</b>	<b>1,135,898,498</b>	<b>1,067,310,667</b>	<b>68,587,831</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(45,979,202)</b>	<b>(51,268,260)</b>	<b>(26,622,907)</b>	<b>24,645,353</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	8,145,425	8,870,425	8,785,605	(84,820)
Transfers Out	(7,859,488)	(7,133,472)	(8,396,967)	(1,263,495)
<b>Net Financing Sources (Uses)</b>	<b>285,937</b>	<b>1,736,953</b>	<b>388,638</b>	<b>(1,348,315)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(45,693,265)</b>	<b>(49,531,307)</b>	<b>(26,234,269)</b>	<b>23,297,038</b>
<b>Fund Balance - Beginning</b>	<b>116,766,378</b>	<b>116,766,378</b>	<b>116,766,378</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 71,073,113</b>	<b>\$ 67,235,071</b>	<b>\$ 90,532,109</b>	<b>\$ 23,297,038</b>

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

- On behalf payments of \$21,361,577 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, 2012**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Valuation of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 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, 2012**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

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

**Schedule of Funding Progress**

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

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

For the year ended June 30, 2012, the District incurred the following expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Other outgo			
Excluding transfers of indirect costs	\$ 1,660,912	\$ 1,681,546	\$ 20,634

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# **SUPPLEMENTARY INFORMATION**

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**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster</b>	<b>CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
U. S. DEPARTMENT OF EDUCATION:			
Emergency Response to Crisis Management	84.184E	*	\$ 125,084
Emergency Response Secure Our School	84.184E	*	48,406
Striving Readers	84.371A	*	705,961
Advanced Placement Incentive Program Grant	84.330C	14504	419,294
Magnet School Assistance Program	84.165	*	2,542,664
Arts in Education Model Development and Dissemination Grants	84.351D	*	136,825
JROTC	*	*	1,311,736
Civil Rights Training and Advisory Services (TASAP) Program.	*	*	38,743
Federal Impact Aid	84.041	10015	14,086,800
Subtotal Direct Programs			19,415,513
<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	43,373,048
Title I, Even Start Family Literacy	84.213	14331	24,867
Title I, School Improvement Grant	84.377	15127	156,156
Title I, Part A, Program Improvement LEA Corrective Action Plan	84.01	14955	178,466
ARRA Title I, School Improvement Grant	84.388	15020	1,449,786
ARRA Title I, Part A, Basic Grants Low Income and Neglected	84.389	15005	1,480,759
Subtotal Title 1, Part A Cluster			46,663,082
Title II, Part A, Administrator Training	84.367	14344	16,596
Title II, Part A, Teacher Quality	84.367A	14341	7,066,613
Educational Technology State Grants Cluster			
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	249,403
ARRA Title II, Part D, Enhancing Education Through Technology	84.386	15019	331,563
ARRA Title II, Part D, Enhancing Education Through Technology, Competitive Grants	84.386	15126	435,060
Subtotal Education Technology State Grants Cluster			1,016,026
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	4,453,773
Title III, Immigrant Education Program	84.365	15146	520,842
Title IV, Part A, Drug-Free Schools	84.186	14347	86,607
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681	3,447,659
Indian Education	84.060	10011	74,894
Federal Impact Aid/ SPED	84.041	14792	958,397
Education Jobs Fund	84.410	25152	433,610
Safe and Supportive Schools Programmatic Intervention	84.184	15164	54,386
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	21,197,328
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	212,402
IDEA Preschool Grants, Part B, Sec 619	84.173	13430	826,914
State Improvement Grant, Improving Special Ed Systems	84.323	14920	5,077
ARRA - Basic Local Assistance Entitlement, Part B	84.391	15003	2,300,025
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	1,213,106
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	12,359
IDEA Mental Health Allocation Plan Part B, Sec 611	84.027A	14468	610,220
IDEA Quality Assurance & Focused Monitoring	84.027A	13693	5,431
Subtotal Special Education Cluster			26,382,862

See accompanying note to supplementary information.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued**  
**FOR THE YEAR ENDED JUNE 30, 2012**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster</b>	<b>CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
IDEA Early Intervention Grants	84.181	23761	297,053
Carl D. Perkins Career and Technical Education: Secondary, Section 131 [1]	84.048	14894	944,934
Title X, McKinney-Vento Homeless Assistance	84.196	14332	38,406
ARRA - State Fiscal Stabilization Fund	84.394	24997	56,943
Department of Rehab: Workability II, Transition Partnership [1]	84.158	10006	768,216
<b>Total U. S. Department of Education</b>			<b>112,696,412</b>
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
Needy School Breakfast Program [1]	10.553	13526	12,070,230
National School Lunch Program [1]	10.555	13523	30,916,674
Child Care Food Program (CCFP) [1]	*	*	1,526,931
Subtotal Child Nutrition Cluster			<u>44,513,835</u>
USDA Commodities	10.558	13389	2,920,483
ARRA - Child Nutrition Equipment Assistance Grants	10.579	15006	69,841
<b>Total U. S. Department of Agriculture</b>			<b>47,504,159</b>
<b>U. S. DEPARTMENT OF DEFENSE:</b>			
<i>Direct Federal to Local Funding:</i>			
Operation Student Virtual Learning	*	*	139,113
College Career Technical Education	*	*	145,006
OP Student Success	*	*	664,321
OP Student Achievement	*	*	675,450
<b>Total U. S. Department of Defense</b>			<b>1,623,890</b>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
<i>Direct Federal to Local Funding:</i>			
AIDS Prevention Instruction	*	23044	206,907
Asthma Management Prevention	*	*	210,181
Youth Risky Behavior Survey	*	*	17,601
Adolescent Family Life Program [1]	93.995	*	534,655
Infant/Toddler Child Care	*	*	134
Federal Child Care Center Based	*	*	364,123
Subtotal Direct Programs			<u>1,333,601</u>
<i>Passed through Neighborhood House Association:</i>			
Head Start Program	*	*	5,600,000
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Billing Option [1]	93.778	10013	1,920,147
<b>Total U. S. Department of Health &amp; Human Services</b>			<b>8,853,748</b>
<b>Total Federal Expenditures</b>			<b>\$ 170,678,209</b>

[1] - Major Program

[2] - In-Kind Contribution

\* - 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, 2012**

	<b>Second Period Report</b>	<b>Revised Second Period Report*</b>	<b>Annual Report</b>	<b>Revised Annual Report*</b>
<b>ELEMENTARY</b>				
Kindergarten	9,480	9,480	9,469	9,452
First through third	27,747	27,747	27,705	27,644
Fourth through sixth	24,492	24,492	24,447	24,414
Seventh through eighth	14,472	14,471	14,421	14,409
Opportunity Schools	2	2	2	2
Home and hospital	42	42	40	40
Special education	1,450	1,450	1,437	1,428
Nonpublic, Nonsectarian	109	108	110	111
Mandatory Expelled Pupils	-	1	1	1
All Other Pupils	19	19	22	22
Extended Year - Special Education	39	39	39	38
Extended Year - Nonpublic, Nonsectarian	12	12	12	12
Total Elementary	77,864	77,863	77,705	77,573
<b>SECONDARY</b>				
Regular classes	29,229	29,229	28,818	28,804
Continuation education	540	540	533	533
Home and hospital	22	22	22	22
Special education	1,243	1,244	1,201	1,203
Nonpublic, Nonsectarian	201	197	192	192
All Other Pupils	17	17	18	18
Extended Year - Special Education	69	69	101	101
Extended Year - Nonpublic, Nonsectarian	26	26	25	25
Total Secondary	31,347	31,344	30,910	30,898
Average Daily Attendance Total	109,211	109,207	108,615	108,471

\* Revisions due to the audit adjustments as well as other revisions made by the District.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2012**

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Grade Level	1982-83		1986-87		2011-12 Actual Minutes	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced			
Kindergarten	35,400	33,040	36,000	33,600	53,565	175	Complied
Grade 1	50,445	47,082	50,400	47,040	52,514	175	Complied
Grade 2	50,445	47,082	50,400	47,040	52,514	175	Complied
Grade 3	53,985	50,386	50,400	47,040	52,514	175	Complied
Grade 4	53,985	50,386	54,000	50,400	52,514	175	Complied
Grade 5	53,985	50,386	54,000	50,400	52,514	175	Complied
Grade 6	53,985	50,386	54,000	50,400	52,514	175	Complied
Grade 7	62,835	58,646	54,000	50,400	61,906	175	Complied
Grade 8	62,835	58,646	54,000	50,400	61,906	175	Complied
Grade 9	62,835	58,646	64,800	60,480	63,003	175	Complied
Grade 10	62,835	58,646	64,800	60,480	63,003	175	Complied
Grade 11	62,835	58,646	64,800	60,480	63,003	175	Complied
Grade 12	62,835	58,646	64,800	60,480	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, 2012**

	2013 (Budget)	2012	2011	2010
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 1,010,220,752	\$ 1,049,473,365	\$ 1,128,990,178	\$ 1,077,193,150
Expenditures And Other Financing Uses	1,044,732,885	1,075,707,634	1,109,236,747	1,140,788,249
Net change in Fund Balance	\$ (34,512,133)	\$ (26,234,269)	\$ 19,753,431	\$ (63,595,099)
Ending Fund Balance	\$ 56,019,976	\$ 90,532,109	\$ 116,766,378	\$ 97,014,189
Available Reserves*	\$ 29,391,718	\$ 56,158,309	\$ 34,908,878	\$ 22,960,926
Available Reserves As A Percentage Of Outgo	2.81%	5.22%	3.15%	2.01%
Long-term Debt	\$ 1,958,894,984	\$ 2,021,599,571	\$ 1,907,617,358	\$ 1,730,357,299
Average Daily Attendance At P-2	107,852	109,207	110,355	110,834

The General Fund balance has decreased by \$6.5 million over the past two years. The fiscal year 2012-13 budget projects a further decrease of \$34.5 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 2012-13 fiscal year. Total long term obligations have increased by \$307.6 million over the past two years.

Average daily attendance has decreased by 1,627 ADA over the past two years. ADA is expected to decrease during the 2012-13 fiscal year by 1,355.

\*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, 2012**

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	General Fund	Special Revenue Fund for Postemployment Benefits	Building Fund	County School Facilities Fund
June 30, 2012, annual financial and budget report fund balance	\$ 90,532,109	\$ 1,328,648	\$ 174,651,704	\$ 158,247,436
Adjustments and reclassifications:				
Increase (decrease) in total fund balances:				
Accounts payable adjustment	(327,498)	-	(4,460,730)	(399,313)
Fund balance transfer (GASB54)	1,328,648	(1,328,648)	-	-
Net adjustments and reclassifications	1,001,150	(1,328,648)	(4,460,730)	(399,313)
June 30, 2012, audited financial statement fund balance	\$ 91,533,259	\$ -	\$ 170,190,974	\$ 157,848,123

See accompanying note to supplementary information.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2012**

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<b>Charter School</b>	<b>Status</b>	<b>Inclusion in Financial Statements*</b>
Albert Einstein Academy Middle	Active	No
America's Finest Charter	Active	No
Arroyo Paseo Charter High	Active	No
Audeo Charter	Active	No
Charter School of San Diego	Active	No
Coleman Tech Charter High	Active	No
Darnall Charter	Active	No
Einstein Academy	Active	No
Evangeline Roberts Institute of Learning	Active	No
Explorer Elementary	Active	No
Gompers Preparatory Academy	Active	No
Harriet Tubman Village Charter	Active	No
Health Sciences High	Active	No
High Tech High	Active	No
High Tech High International	Active	No
High Tech High Media Arts	Active	No
High Tech Middle	Active	No
High Tech Middle Media Arts	Active	No
Holly Drive Leadership Academy	Active	No
Iftin Charter	Active	No
Iftin High	Active	No
Innovations Academy	Active	No
Keiller Leadership Academy	Active	No
King-Chavez Academy of Excellence	Active	No
King-Chavez Arts Academy	Active	No
King-Chavez Athletics Academy	Active	No
King-Chavez Community High	Active	No
King-Chavez Preparatory Academy	Active	No
King-Chavez Primary Academy	Active	No
KIPP Adelante	Active	No
Learning Choice Academy	Active	No
Magnolia Science Academy San Diego	Active	No
McGill School of Success	Active	No
Museum	Active	No
Nubia Leadership Academy	Active	No
O'Farrell Community Center for Advanced Academy	Active	No
Old Town Academy K-8 Charter	Active	No
Pacific American Academy	Active	No
Preuss School UCSD	Active	No
San Diego Cooperative Charter	Active	No
San Diego Global Vision Academy	Active	No
Urban Discovery Academy Charter	Active	No

*\* Each Charter is subject to a separate annual independent audit. For more information, refer to Note 1 in the Financial Statements.*

See accompanying note to supplementary information.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2012**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 187,001	\$ 3,986,746	\$ 9,380,798	\$ 182,541	\$ 80,985	\$ 30,947,694	\$ 10,637,600	\$ 55,403,365
Investments								
Accounts receivable	540	2,652,628	10,013,849	167	73	16,049	6,823	12,690,129
Due from other funds	166,106	6,045,104	3,182	(1)	-	-	76	6,214,467
Stores inventory	-	-	724,776	-	-	-	-	724,776
Prepaid expenditures	-	4,530	-	-	-	-	-	4,530
<b>Total Assets</b>	<b>\$ 353,647</b>	<b>\$ 12,689,008</b>	<b>\$ 20,122,605</b>	<b>\$ 182,707</b>	<b>\$ 81,058</b>	<b>\$ 30,963,743</b>	<b>\$ 10,644,499</b>	<b>\$ 75,037,267</b>
<b>LIABILITIES</b>								
Accrued liabilities	\$ 3,757	\$ 382,631	\$ 899,695	\$ -	\$ -	\$ 184,117	\$ 212,215	\$ 1,682,415
Due to other funds	59,047	12,290,969	18,242,138	1,837	-	947,519	1,572,812	33,114,322
Deferred revenue	-	-	13,385	-	-	-	-	13,385
<b>Total Liabilities</b>	<b>62,804</b>	<b>12,673,600</b>	<b>19,155,218</b>	<b>1,837</b>	<b>-</b>	<b>1,131,636</b>	<b>1,785,027</b>	<b>34,810,122</b>
<b>FUND BALANCES</b>								
Non-spendable	-	4,530	724,777	-	-	-	-	729,307
Restricted	32,972	-	241,193	-	-	29,832,107	8,859,472	38,965,744
Committed	257,871	-	-	180,870	-	-	-	438,741
Assigned	-	10,878	1,417	-	81,058	-	-	93,353
<b>Total Fund Balances</b>	<b>290,843</b>	<b>15,408</b>	<b>967,387</b>	<b>180,870</b>	<b>81,058</b>	<b>29,832,107</b>	<b>8,859,472</b>	<b>40,227,145</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 353,647</b>	<b>\$ 12,689,008</b>	<b>\$ 20,122,605</b>	<b>\$ 182,707</b>	<b>\$ 81,058</b>	<b>\$ 30,963,743</b>	<b>\$ 10,644,499</b>	<b>\$ 75,037,267</b>

See accompanying note to supplementary information.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
<b>REVENUES</b>								
Federal sources	\$ -	\$ 364,258	\$ 47,102,454	\$ -	\$ -	\$ -	\$ -	\$ 47,466,712
Other State sources	728,000	20,143,064	3,919,380	-	-	-	-	24,790,444
Other local sources	13,042	6,414,768	7,722,233	1,611	379	32,610,852	7,098,511	53,861,396
<b>Total Revenues</b>	<b>741,042</b>	<b>26,922,090</b>	<b>58,744,067</b>	<b>1,611</b>	<b>379</b>	<b>32,610,852</b>	<b>7,098,511</b>	<b>126,118,552</b>
<b>EXPENDITURES</b>								
Current								
Instruction	348,154	21,376,526	-	-	-	-	-	21,724,680
Instruction-related services								
Instructional supervision and administration	147,200	3,128,005	-	-	-	-	-	3,275,205
School site administration	170,517	1,150,232	-	-	-	-	-	1,320,749
Pupil services								
Food services	-	-	58,093,035	-	-	-	-	58,093,035
All other pupil services	11,041	361,017	-	-	-	-	-	372,058
General administration								
All other general administration	21,717	958,503	1,923,735	-	-	-	-	2,903,955
Plant services	-	1,173,686	295,035	-	-	7,773,958	4,081,242	13,323,921
Facilities acquisition and maintenance	-	411,575	-	44,281	-	5,381,820	4,811,435	10,649,111
Enterprise activities	-	-	137,388	-	-	-	-	137,388
Debt service								
Interest and other	-	13,194	-	-	-	-	1,970	15,164
<b>Total Expenditures</b>	<b>698,629</b>	<b>28,572,738</b>	<b>60,449,193</b>	<b>44,281</b>	<b>-</b>	<b>13,155,778</b>	<b>8,894,647</b>	<b>111,815,266</b>
<b>Excess (Deficiency) of Revenues</b>								
<b>Over Expenditures</b>	<b>42,413</b>	<b>(1,650,648)</b>	<b>(1,705,126)</b>	<b>(42,670)</b>	<b>379</b>	<b>19,455,074</b>	<b>(1,796,136)</b>	<b>14,303,286</b>
<b>Other Financing Sources (Uses)</b>								
Transfers In	-	1,263,495	-	-	-	-	1,712,175	2,975,670
Other Sources	-	-	-	-	-	-	5,984,942	5,984,942
Transfers Out	-	-	-	-	-	(7,300,000)	(2,532,691)	(9,832,691)
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>1,263,495</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,300,000)</b>	<b>5,164,426</b>	<b>(872,079)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>42,413</b>	<b>(387,153)</b>	<b>(1,705,126)</b>	<b>(42,670)</b>	<b>379</b>	<b>12,155,074</b>	<b>3,368,290</b>	<b>13,431,207</b>
<b>Fund Balance - Beginning</b>	<b>248,430</b>	<b>402,561</b>	<b>2,672,513</b>	<b>223,540</b>	<b>80,679</b>	<b>17,677,033</b>	<b>5,491,182</b>	<b>26,795,938</b>
<b>Fund Balance - Ending</b>	<b>\$ 290,843</b>	<b>\$ 15,408</b>	<b>\$ 967,387</b>	<b>\$ 180,870</b>	<b>\$ 81,058</b>	<b>\$ 29,832,107</b>	<b>\$ 8,859,472</b>	<b>\$ 40,227,145</b>

See accompanying note to supplementary information.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2012**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2012 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2012.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 165,898,300
Title II, Part A, Administrator Training	84.367	5,888
Title II, Part D, Enhancing Education Through Technology, Competitive Grants	84.318	(59,970)
Indian Education	84.060	3,126
Safe and Supportive Schools Programmatic Intervention	84.184	(299)
State Improvement Grant, Improving Special Ed Systems	84.323	5,077
IDEA Early Intervention Grants	84.181	796
Carl D. Perkins Career and Technical Education: Secondary, Section 131 [1]	84.048	(284,032)
Child Care Food Program (CCFP)	*	401,703
ARRA - State Fiscal Stabilization Fund	84.394	56,943
Medi-Cal Billing Option [1]	93.778	(949,323)
Head Start Program	*	5,600,000
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 170,678,209</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, 2012

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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. For 2011-12, the instructional day and minute requirements have been reduced pursuant to *Education Code Sections* 46201.2 and 46201.3.

**Schedule of Financial Trends and Analysis**

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

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

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

**Schedule of Charter Schools**

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

**Combining Statements – Non-Major Funds**

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

**Local Education Agency Organization Structure**

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

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**OTHER INDEPENDENT  
AUDITORS' REPORTS**

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**INDEPENDENT AUDITORS' 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**

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

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Governing Board  
San Diego Unified School District  
San Diego, California

We have audited 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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 2012. 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.

**Internal Control over Financial Reporting**

Management of San Diego Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered San Diego Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the San Diego Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the San Diego Unified School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 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 *material weakness* is a deficiency, or 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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses, refer to Finding #2012-4.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies, refer to Findings #2012-1 through #2012-3.

### **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 responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned costs. We did not audit the San Diego Unified School District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing board, management, others within the entity, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



San Diego, California  
November 15, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

Governing Board  
San Diego Unified School District  
San Diego, California

**Compliance**

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 its major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of San Diego Unified School District's management. Our responsibility is to express an opinion on San Diego Unified School District's compliance based on our audit.

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. Our audit does not provide a legal determination of San Diego Unified School District's compliance with those requirements.

In our opinion, San Diego Unified School District complied, in all material respects, with the 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, 2012.

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## Internal Control over Compliance

Management of San Diego Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered San Diego Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 the 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 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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses* as defined above.

This report is intended solely for the information and use of the governing board, management, others within the entity, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



San Diego, California  
November 15, 2012

## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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Erin Sacco Pineda, CPA

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San Diego Unified School District  
San Diego, California

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 2011-12*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of San Diego Unified School District's management. Our responsibility is to express an opinion on San Diego Unified School District's compliance based on our audit.

We conducted our audit 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 2011-12*, 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 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. Our audit does not provide a legal determination on San Diego Unified School District's compliance with the state laws and regulations referred to above.

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:

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
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

<b>PROGRAM NAME</b>	<b>PROCEDURES IN AUDIT GUIDE</b>	<b>PROCEDURES PERFORMED</b>
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	Yes
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
After School Education and Safety Program:		
General requirements	4	Not Applicable
After school	5	Not Applicable
Before school	6	Not Applicable
Contemporaneous Records of Attendance; for charter schools	3	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).

In our opinion, San Diego Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2011-12* and which is reported in the accompanying Schedule of Findings and Questioned Costs as finding #2012-5 and #2012-6.

This report is intended solely for the information and use of the governing board, management, others within the entity, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Christy White Associates*

San Diego, California  
November 15, 2012



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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>Yes</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>Unqualified</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>84.048</u>	<u>Carl D. Perkins Career and Technical Education: Secondary, Section 131</u>
<u>84.158</u>	<u>Department of Rehab: Workability II, Transition Partnership</u>
<u>10.553, 10.555</u>	<u>Child Development Cluster</u>
<u>93.995</u>	<u>Adolescent Family Life Program</u>
<u>93.778</u>	<u>Medi-Cal Billing Option</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 weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unqualified</u>

SAN DIEGO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012

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FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

**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 schoolsite 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.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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**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  
FINANCIAL STATEMENT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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**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**  
**FINANCIAL STATEMENT FINDINGS, continued**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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**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 <sup>th</sup> .	Reconcile data at the Central Office. Reviewed by Fiscal Control.	Provide Internal controls for Cash Handling at Sites.	ECE Business Manager Central Office.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2012

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**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  
FINANCIAL STATEMENT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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**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.



**SAN DIEGO UNIFIED SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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**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.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

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FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

*There were no audit findings or questioned costs related to federal awards in 2011-12.*

SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

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FIVE DIGIT CODE

10000  
40000  
41000  
60000  
61000  
70000  
71000  
72000

AB 3627 FINDING TYPE

Attendance  
State Compliance  
CalSTRS  
Miscellaneous  
Classroom Teacher Salaries  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

**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.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued  
FOR THE YEAR ENDED JUNE 30, 2012**

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

**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.

SAN DIEGO UNIFIED SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2012

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**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.

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**STATE AWARD FINDINGS AND QUESTIONED COSTS, continued**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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

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

**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.

**SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012**

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**Finding #2011-1: Associated Student Body Internal Controls (30000)**

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

**Condition:** Overall, the middle schools had the majority of findings as compared to the elementary and high 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.
- Lack of evidence of timely deposit.
- Expenditures are lacking proper approval by all three required persons (the principal, the advisor and the student representative).

**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 28 associated student body (ASB) funds at the school sites selected for testing in fiscal year 2010-11. 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 schoolsite 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.

**Current Status:** See Finding #2012-01

SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2012

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**Finding #2011-2: 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.

**Cause:** The District attempted to correct the finding last year by instituting a lock box system, whereby the clerk and a teacher would count the cash together. But we found that the new system was not in use and that procedures surrounding the use of the lock box may need refinement. 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).

**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.

The CDC Clerks collect, process, enter the information into the system, and prepare the deposit. The District attempted to correct the finding last year by instituting a lock box system, whereby the clerk and a teacher would count the cash together. But we found that the new system was not in use and that procedures surrounding the use of the lock box may need refinement.

**Recommendation:** We recommend that: (1) the lock box system, once refined, is used; (2) a person independent of the collection, receipting, and billing reviews the final deposit against the lock box counts; and, (3) the issuance of pre-numbered receipts to the parents when the fees are collected.

**Current Status:** See Finding #2012-02



SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2012

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**Finding #2011-3: 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.

**Condition:** In performing a physical inventory count of the SDUSD warehouse we found that 8 out of 40 items on the inventory listing did not match what the auditor counted during the physical inventory count on June 2, 2011. The net quantity impact of the errors was 2.7% between the system count and the physical count. But, dollar-wise the physical count of inventory was net over the system value by \$87. In other words, there was a surplus of some high dollar items "on the floor" that offset the loss of some smaller dollar items.

It appears that the discrepancies between the inventory listing and CWA's count are due to errors in the counting by the District and/or shrinkage.

**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. We selected forty work orders for testing and found fifteen exceptions. All of the exceptions were work orders that had remained open near or more than three months.

**Effect:** After further inquiry of District personnel, they reported that an approximate \$30,000 adjustment to inventory is needed out of a \$500,000 inventory balance. While the variance is relatively small, we then found that the work order system is not fully operational and is one cause of the discrepancies.

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

**Recommendation:** We recommend the District improve the accuracy of its physical inventory count and its controls over the warehouse to ensure that shrinkage is minimized and inventory is valued at the appropriate balance. 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.

**Current Status:** See Finding #2012-03

SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2012

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**Finding #2011-4: Attendance Accounting (10000)**

**State Funding Source:** Revenue limit ADA.

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

**Condition:** We found 4 of 620 students at all sites tested were marked present instead of absent; absent notes or tardy logs indicate the students were absent. Auditor requested the Attendance Clerk change the record in the attendance system and revise P-2. Additionally, at 1 out of 28 sites tested, Hawthorne Elementary, there appears to be incomplete documentation of the absence verifications. Absence logs were missing for a few months, and phone call verification was not completely filled out, the reason for absence and the person who the clerk talked to was not documented.

**Cause:** Unknown.

**Effect:** The District overstated four days of attendance, which appears to be isolated and very minor. The District then made the requested changes and revised P-2. In the case where Hawthorne Elementary did not have complete documentation on absences, an internal audit and the site administrator reviewed records and procedures to determine that there was no additional misstatement of ADA. Based on their follow-up work, we were able to conclude the correction action was taken and ADA was materially correct.

**ADA Impact:** The District's 2010-11 P-2 report was overstated by the 4 pupils attendance for 4 days. Given 125 days in the 2010-11 P-2 attendance period and a 2010-11 base revenue limit per ADA of \$6,373.85, the fiscal impact of the **ADA Impact:** The District's 2010-11 P-2 report was overstated by the 4 pupils attendance for 4 days. Given 125 days in the 2010-11 P-2 attendance period and a 2010-11 base revenue limit per ADA of \$6,373.85, the fiscal impact of the ADA overstatement is \$203.96. The District revised P-2 to include the change. No further ADA impact noted.

**Recommendation:** During the audit, we recommended the District Attendance Department audit the records to determine the total amount of ADA that was miss-reported and revise the P-2 accordingly. This was done to our satisfaction. We recommend training to help improve controls and compliance at the District sites.

**Current Status:** Implemented

SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, *continued*  
FOR THE YEAR ENDED JUNE 30, 2012

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**Finding #2011-5: 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 3 of 123 independent study contracts sampled recorded did not have a completed contract (missing signatures, work samples and contracts).

**Cause:** Procedures were not fully followed to obtain all required elements of the independent study agreement on or before the independent study start date.

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

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

**ADA Impact:** 14 attendance days were overstated as tested. Given 125 days in the 2010-11 P-2 attendance period and a 2010-11 base revenue limit per ADA of \$6,373.85, the fiscal impact of the ADA overstatement is \$713.87. The District revised P-2 to include the change. The errors appear isolated to minor short-term independent study programs.

**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. Also teachers should evaluate work and assign attendance credit periodically through the year, not just at the end of the contract date.

**Current Status:** See Finding #2012-05

SAN DIEGO UNIFIED SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS, continued  
FOR THE YEAR ENDED JUNE 30, 2012

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**Finding #2011 - 6: Kindergarten Retention (40000)**

**Criteria:** For pupils that continued in kindergarten after completing one school year of kindergarten the local education agency is required to have a signed parental “agreement to continue” form, approved in form and content by the California Department of Education, ref. Education Code Sections 46300 and 48011.

**Condition:** We found that 3 out of 28 of the kindergarten retention forms tested were insufficient to claim apportionment for the days generated after one full year of kindergarten.

**Effect:** Ineligible ADA claimed.

**Cause:** Procedures were not followed to obtain all required elements of the kindergarten retention forms on or before the anniversary date.

**Questioned Costs:** \$19,121.55 – comprised of 125 apportionment days, or 3 ADA, at a base revenue limit of \$6,373.85. The District revised P-2 to include the change prior to release of this report.

**Recommendation:** ADA associated with ineligible kindergarten attendance must be excluded from the P2 and Annual attendance reports. We recommend more training with school site personnel in the completion of kindergarten retention forms.

**Current Status:** Implemented

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**CONTINUING DISCLOSURE  
INFORMATION**

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**SAN DIEGO UNIFIED SCHOOL DISTRICT  
CONTINUING DISCLOSURE INFORMATION (Unaudited)  
FOR THE YEAR ENDED JUNE 30, 2011**

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

	Audit Report Page(s)
1. General fund budget and actual results	69
2. Assessed valuations	109
3. Outstanding bonded indebtedness	44
4. Balance in the Debt Service Fund	15
5. Balance in the Improvement Fund (Building Fund)	15
6. Tax levy under Teeter Plan	109
7. Largest local secured taxpayers	110

**SAN DIEGO UNIFIED SCHOOL DISTRICT**  
**CONTINUING DISCLOSURE INFORMATION (Unaudited), continued**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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**Assessed Valuations**

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

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

Secured taxes collected in fiscal year 2011-12 amounted to \$505,157,231.

**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, 2012**

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The largest taxpayers in San Diego County and the taxes assessed in 2010-11 are listed below.

<b>PROPERTY OWNER</b>	<b>AMOUNT OF TAX</b>
1. SAN DIEGO GAS & ELECTRIC CO	\$ 72,700,025.44
2. SOUTHERN CALIFORNIA EDISON CO	\$ 29,326,274.24
3. SAN DIEGO FAMILY HOUSING LLC	\$ 14,971,826.50
4. KILROY REALTY LLP	\$ 14,827,845.54
5. QUALCOMM INC	\$ 14,298,177.46
6. IRVINE CO	\$ 13,623,557.94
7. PACIFIC BELL TELEPHONE COMPANY	\$ 11,548,983.00
8. O C/S D HOLDINGS LLC	\$ 6,426,526.52
9. ARDEN REALTY LLP	\$ 6,213,805.72
10. GENENTECH INC	\$ 5,604,150.68
11. CAMP PENDLETON & QUANTICO HOUSING LLC	\$ 5,241,017.44
12. PFIZER INC	\$ 5,186,038.04
13. OTAY MESA GENERATING CO LLC	\$ 5,179,334.50
14. FASHION VALLEY MALL LLC	\$ 5,085,585.32
15. SEAWORLD PARKS AND ENTERTAINMENT	\$ 4,608,426.18
16. ONE PARK BOULEVARD LLC	\$ 4,504,614.40
17. PREBYS CONRAD TRUST	\$ 4,441,348.72
18. SOLAR TURBINES INC	\$ 4,181,812.08
19. MANCHESTER RESORTS L P	\$ 4,062,115.06
20. B S K DEL PARTNERS L L C	\$ 3,855,900.52
21. LAJOLLA CROSSROADS 1 LLC	\$ 3,809,162.40
22. E R P OPERATING LLP	\$ 3,719,895.08
23. CHELSEA SAN DIEGO FINANCE LLC	\$ 3,222,823.72
24. PACIFIC GATEWAY LTD	\$ 3,211,986.34
25. SAN DIEGO EXPRESSWAY LLP	\$ 2,980,211.46
26. SORRENTO WEST PROPERTIES INC	\$ 2,912,823.62
27. CELLCO PARTNERSHIP*DBA VERIZON W	\$ 2,725,219.48
28. EQR-VANTAGE POINTE LTD*PARTNERSH	\$ 2,711,614.12
29. HOST SAN DIEGO HOTEL LLC	\$ 2,650,689.60
30. NATIONAL STEEL&SHIPBUILDING CO	\$ 2,501,882.86