

SAN DIEGO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2019

SAN DIEGO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

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SAN DIEGO UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Diego Unified School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise San Diego Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Diego Unified School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 13 and the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 76 to 81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise San Diego Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2019 on our consideration of San Diego Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Diego Unified School District's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
December 4, 2019

SAN DIEGO UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Management's discussion and analysis of San Diego Unified School District's (District) financial performance provides an overview of the District's financial activities for the school year ended June 30, 2019. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position for the year ending June 30, 2019 was (\$284.70) million, compared to (\$397.82) million for the year ending June 30, 2018. The significant change in total net position is mainly due to an increase in revenue of \$126.9 million and a slight increase in expenditures of \$27.95 million as compared to the previous year, for a total change in net position of \$98.98 million.
- Overall revenues were \$1,879.18 million which were greater than expenses of \$1,766.06 million.

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

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

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

Government-Wide Statements

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

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

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was (\$284.70) million at June 30, 2019, as reflected in the table below. Of this amount, (\$1,718.78) million was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

			Governmental Activities		
			2019	2018	Net Change
Assets					
	Current and other assets		\$ 1,757,259,834	\$ 1,850,844,940	\$ (93,585,106)
	Capital assets		3,828,752,093	3,425,228,671	403,523,422
	Total Assets		5,586,011,927	5,276,073,611	309,938,316
DEFERRED OUTFLOWS OF RESOURCES			442,656,489	498,059,632	(55,403,143)
LIABILITIES					
	Current liabilities		233,309,717	226,042,012	7,267,705
	Long-term liabilities		5,903,131,585	5,851,855,834	51,275,751
	Total Liabilities		6,136,441,302	6,077,897,846	58,543,456
DEFERRED INFLOWS OF RESOURCES			176,930,060	94,054,919	82,875,141
NET POSITION					
	Net investment in capital assets		794,237,716	746,070,742	48,166,974
	Restricted		639,840,618	571,575,548	68,265,070
	Unrestricted		(1,718,781,280)	(1,715,465,812)	(3,315,468)
	Total Net Position		\$ (284,702,946)	\$ (397,819,522)	\$ 113,116,576

Changes in Net Position

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

		Governmental Activities		
REVENUES		2019	2018	Net Change
Program revenues				
	Charges for services	\$ 6,239,967	\$ 5,949,752	\$ 290,215
	Operating grants and contributions	434,213,992	385,881,218	48,332,774
	Capital grants and contributions	8,452,979	976,549	7,476,430
General revenues				-
	Property taxes	1,104,711,954	1,032,729,941	71,982,013
	Unrestricted federal and state aid	269,894,877	274,089,783	(4,194,906)
	Other	55,664,707	52,614,426	3,050,281
	Total Revenues	1,879,178,476	1,752,241,669	126,936,807
EXPENSES				
	Instruction	919,434,430	872,264,519	47,169,911
	Instruction-related services	157,448,178	153,702,089	3,746,089
	Pupil services	237,099,848	233,241,886	3,857,962
	General administration	59,113,709	58,783,313	330,396
	Plant services	127,044,897	128,912,706	(1,867,809)
	Ancillary and community services	6,066,137	5,252,462	813,675
	Debt service	131,819,329	141,652,704	(9,833,375)
	Other outgo	11,390,501	9,902,173	1,488,328
	Loss on defeasance	-	24,336,882	(24,336,882)
	Depreciation	116,791,532	107,691,677	9,099,855
	Enterprise activities	(146,661)	2,366,879	(2,513,540)
	Total Expenses	1,766,061,900	1,738,107,290	27,954,610
Change in net position		113,116,576	14,134,379	98,982,197
Net Position - Beginning		(397,819,522)	(295,255,476)	(102,564,046)
GASB 75 implementation		-	(116,698,425)	116,698,425
Net Position - Restated		(397,819,522)	(411,953,901)	14,134,379
Net Position - Ending		\$ (284,702,946)	\$ (397,819,522)	\$ 113,116,576

As reported in the Statement of Activities on page (14), the net cost of all our governmental activities this year was \$1,766.06 million. The amount ultimately that financed these activities through taxes and State Aid was \$1,374.61 million, the cost paid by those who benefitted from the programs was \$6.24 million, the costs from capital grants and contributions are \$8.45 million, the costs paid by other governments and organizations who subsidized certain programs with grants and contributions were \$434.21 million and other revenues contributed \$55.66 million.

	Net Cost of Services	
	2019	2018
Instruction	\$ 919,434,430	\$ 690,390,782
Instruction-related services	157,448,178	126,666,677
Pupil services	237,099,848	124,072,097
General administration	59,113,709	54,991,061
Plant services	127,044,897	60,200,181
Ancillary and community services	6,066,137	5,139,916
Debt service	131,819,329	141,652,704
Other outgo	11,390,501	8,303,369
Loss on defeasance	-	24,336,882
Depreciation	116,791,532	107,691,677
Enterprise activities	(146,661)	1,854,425
Total Expenses	\$ 1,766,061,900	\$ 1,345,299,771

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed this year, its governmental funds reported a combined fund balance of \$1,445.68 million, which is less than last year's ending fund balance of \$1,571.67 million. The District's General Fund had \$31.46 million more in operating revenues than expenditures for the year ended June 30, 2019. The District's Building Fund had \$473.59 million less in operating revenues than expenditures for the year ended June 30, 2019. The District's Bond Interest and Redemption Fund had \$34.71 million more in operating revenues than expenditures for the year ended June 30, 2019. The District's Non-Major Governmental Funds, which includes County School Facilities Fund, had \$33.41 million more in operating revenues than expenditures for the year ended June 30, 2019.

CURRENT YEAR BUDGET 2018-19

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Revenues that were received during the year that were not included in the originally adopted budget – Federal grants and special projects of \$47.06 million and Local grants and special projects of \$17.33 million and a reduction to State revenue of (\$1.32) million.
- Expenditures that were appropriated during the year which were not included in the originally adopted budget – Salaries and Benefits of (\$9.28) million, Books and Supplies of \$28.58 million, Services and Other Operating Expenses of \$21.47 million, and Capital Outlay of \$27.56 million.

With these adjustments, actual revenues available were \$24.95 million above the final budgeted amounts. The most significant variances resulted from:

- Federal revenues were \$28.54 million below final budget amounts. NCLB/IASA grants were \$14.92 million below appropriations and the Magnet School Assistant Program was \$4.40 million below appropriations. Two other Federal grants from the Department of Defense Office of Economic Adjustment had a combined total of \$5.15 million below appropriations which largely represents grant money that has been awarded but not spent by June 30, 2019. Federal Impact Aid was \$2.9 million above appropriations.
- State and local revenues were \$57.14 million above final budget amounts. STRS On-Behalf Pension Contribution was \$56.99 million above appropriations.

Actual expenditures were \$5.83 million below the final budgeted amounts. The most significant variances resulted from:

- Salaries and benefits were \$61.22 million above final budget amounts which includes the adjustment for STRS On-Behalf Pension Contribution.
- Books and Supplies were \$37.75 million below final budget amounts.
- Contract Services, Operating Expenditures and Other outgo were \$14.03 million below final budget amounts.
- Capital Outlay was \$15.27 million below final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018-19 the District had invested \$3,828.75 million in capital assets, net of depreciation.

		Governmental Activities		
		2019	2018	Net Change
CAPITAL ASSETS				
Land		\$ 290,471,459	\$ 275,891,432	\$ 14,580,027
Construction in progress		1,842,939,994	1,500,026,956	342,913,038.00
Land Improvements		330,956,849	326,846,560	4,110,289.00
Buildings & Improvements		2,473,920,514	2,331,282,447	142,638,067.00
Furniture & Equipment		276,320,036	273,448,377	2,871,659.00
Accumulated depreciation		(1,385,856,759)	(1,282,267,101)	(103,589,658.00)
Total Capital Assets		\$ 3,828,752,093	\$ 3,425,228,671	\$ 403,523,422

Long-Term Debt

At year-end, the District had \$5,903.13 million in long-term debt, an increase from last year – as shown in the table below. (More detailed information about the District’s long-term liabilities is presented in footnotes to the financial statements).

		Governmental Activities		
		2019	2018	Net Change
LONG-TERM LIABILITIES				
Total General Obligation Bonds		\$ 4,184,726,261	\$ 4,011,220,333	\$ 173,505,928
Net Pension Liability		1,438,498,000	1,539,630,000	(101,132,000.00)
Compensated Absences		34,507,093	29,644,037	4,863,056.00
SERP Liability		47,764,675	71,583,001	(23,818,326.00)
Claims Liability		69,533,000	72,450,000	(2,917,000.00)
Net OPEB obligation		128,102,556	127,328,463	774,093.00
Total Long-Term Liabilities		\$ 5,903,131,585	\$ 5,851,855,834	\$ 51,275,751

On November 4, 2008, San Diego voters authorized \$2.1 billion in general obligation bonds (Proposition S) to improve every neighborhood school. The bond is a Proposition 39 bond, which required approval from at least 55 percent of the voters to pass. Some of the improvements outlined in the bond are to repair outdated

student restrooms, deteriorated plumbing and roofs, upgrading career/vocational classrooms and labs, providing up-to-date classroom technology, improving school safety/security, replacing dilapidated portable classrooms, upgrading fire alarms, and removing hazardous substances. The District issued Series A through K totaling \$862 million. As of June 30, 2019, the principal balance, including outstanding accreted interest and refunding bonds, on the Proposition S Bonds was \$1.123 billion.

On November 6, 2012, San Diego voters approved Proposition Z, a \$2.8 billion bond proposition that the District will use to maintain safe and productive learning environments for students. The bond is a Proposition 39 bond, which required approval from at least 55 percent of voters to pass. The tax rate imposed to meet repayment of the proposed bonds will not exceed \$60 per year per \$100,000 of assessed valuation of taxable property. The District issued Series A through J totaling \$1.875 billion. As of June 30, 2019, the principal balance on the Proposition Z Bonds was \$1.509 billion.

On November 6, 2018, San Diego voters approved Measure YY, a \$3.5 billion bond proposition that the District will use to improve neighborhood and charter schools by improving school security, upgrading classrooms, repairing foundations, plumbing, and removing lead in drinking water and hazardous asbestos. The District issued Series A and B totaling \$250 million in May 2019.

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

		Fiscal Year 2018-2019		
		Proposition S	Proposition Z	Measure YY
Elementary Schools	\$	9,277,242	\$ 117,928,377	\$ 490,901
Middle Schools		39,760,954	66,949,118	1,210,918
High Schools		11,454,027	125,060,216	10,750
Program Expenditures		5,660,088	49,719,221	1,401,059
Atypical		89,103	4,407,145	37,794
Charter		3,316,728	55,750,366	-
Other District Sites		-	738,903	1,430,091
Total Expenditures	\$	69,558,142	\$ 420,553,346	\$ 4,581,513

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES FOR 2019/20

The annual process to develop the District’s budget begins in January, following the Governor’s proposed State budget. The majority of the District’s revenue comes from the State, therefore, the District formulates assumptions based on the Governor’s proposals, guidance from School Services of California, and from the San Diego County Office of Education. The release of the 2019-20 May Revision builds on the conceptual basic framework of the January Budget. The May Revision does not forecast an impending recession, Governor Newsom state spending plan is based on conservative economic and revenue assumptions and continues to

plan for a rainy day. The Governor remains focused on building reserves and limiting new ongoing obligations. The 2019-20 May Revision includes the statutory cost-of-living adjustment (COLA) of 3.26%. The increase is applied to the base, supplemental, and concentration grants for LCFF. Expenditures continue to rise, employer contribution rates to the California State Teacher' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) have increased each year to address the unfunded liability for these pension systems. The Governor's May revision provides for \$3.15 billion one-time non-Proposition 98 to reduce liabilities for employers reducing (CalSTRS and Cal PERS) in the 2019-2020 budget. Employer rates will continue to increase beyond full implementation of the LCFF so educational agencies must look for other solutions to control expenditures. Accurate position control and staffing formulas, avoiding excessive settlements at the bargaining table, commitments to maintain existing programs before adding new ones, and the use of capital expenditures to make facilities more efficient and reduce operating costs are just a few of the solutions the District has implemented.

The District continues to focus efforts on enhancing enrollment for fiscal year 2019-20, paying careful attention to student outcomes and equity. The District maintains fiscal and operational models to ensure the organization is financially healthy while remaining responsible fiscal stewards of taxpayer funds. The District has established the following guiding principles to create meaningful learning experiences for all students and to maintain long-term fiscal stability. The guiding principles are:

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

On June 25, 2019, the District's Board approved an Adopted Budget for Fiscal Year 2019-20 which included a 2% Unrestricted Reserve for Economic Uncertainties. The major assumptions used in developing the budget are as follows:

Revenues

- LCFF and Average Daily Attendance (ADA) – 97,207
- COLA – 3.26%
- Federal Impact Aid - \$10.0M
- Mandated Block Grant - \$3.9M
- Lottery (GFU - \$151; GFR - \$53) - \$204 per ADA
- Transfers In - \$21.0M

Expenditures

- Salaries Step and Column – Certificated 1.85%; Classified 1.05%
- Salary Increase – 3.5% (1% effective 7/1/2019, 1% effective 1/1/2020 and 1.5% effective 6/30/2020)
- STRS – 16.70%
- PERS – 20.733%
- Health and Welfare Premiums - 6.0%
- Utilities - \$27.8M
- Transfers Out - \$14.1M
- Contributions:
 - Special Education - \$211.5M
 - Restricted Routine Maintenance (RRM) - \$42.6M

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

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

On June 27, 2019, the Governor signed the Fiscal Year 2019-20 Budget. There were no major changes affecting the District's adopted budget, therefore a revision was not submitted to the Board of Education. The District's 2018-19 Unaudited Actuals ending fund balance is higher than projected at Estimated Actuals, which will be used to offset the 2019-20 deficit.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 1,664,927,645
Receivables	88,224,081
Prepaid expenses	364,135
Stores inventory	3,743,973
Non-depreciable capital assets (Note 4)	2,133,411,453
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>1,695,340,640</u>
Total assets	<u>5,586,011,927</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	371,893,937
Deferred outflows of resources - OPEB (Note 10)	6,739,308
Deferred loss from refunding of debt	<u>64,023,244</u>
Total deferred outflows	<u>442,656,489</u>
LIABILITIES	
Accounts payable and other current liabilities	211,777,319
Unearned revenue	21,532,398
Self-insurance claims liability - current portion (Note 5)	15,552,547
Long-term liabilities:	
Due within one year (Note 6)	196,720,823
Due after one year (Note 6)	5,636,877,762
Self-insurance claims liability - noncurrent portion (Note 5)	<u>53,980,453</u>
Total liabilities	<u>6,136,441,302</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	168,316,000
Deferred inflows of resources - OPEB (Note 10)	<u>8,614,060</u>
Total deferred inflows of resources	<u>176,930,060</u>
NET POSITION	
Net investment in capital assets	794,237,716
Restricted:	
Legally restricted programs	53,531,057
Capital projects	165,297,635
Debt service	367,869,899
Self-insurance	53,142,027
Unrestricted	<u>(1,718,781,280)</u>
Total net position	<u>\$ (284,702,946)</u>

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SHOOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenues and Change in Net Position
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
Governmental activities:					
Instruction	\$ 919,434,430	\$ 320,032	\$ 239,224,811	\$ 8,452,979	\$ (671,436,608)
Instruction-related services:					
Instructional supervision and administration	56,422,848	40,711	28,989,204	-	(27,392,933)
Instructional library, media and technology	8,521,377	1,252	884,145	-	(7,635,980)
School site administration	92,503,953	20,988	8,852,579	-	(83,630,386)
Pupil services:					
Home-to-school transportation	42,092,851	4,886	12,465,295	-	(29,622,670)
Food services	63,358,555	4,694,586	61,561,405	-	2,897,436
All other pupil services	131,648,442	127,140	42,351,056	-	(89,170,246)
General administration:					
Centralized data processing	18,214,226	-	383,195	-	(17,831,031)
All other general administration	40,899,483	24,385	6,720,022	-	(34,155,076)
Plant services	127,044,897	640,093	18,979,519	-	(107,425,285)
Ancillary services	4,529,698	10,696	549,192	-	(3,969,810)
Community services	1,536,439	-	23,711	-	(1,512,728)
Enterprise activities	(146,661)	41,048	489,168	-	676,877
Interest on long-term liabilities	131,819,329	-	-	-	(131,819,329)
Other outgo	11,390,501	314,150	12,740,690	-	1,664,339
Depreciation (unallocated) (Note 4)	116,791,532	-	-	-	(116,791,532)
Total governmental activities	<u>\$ 1,766,061,900</u>	<u>\$ 6,239,967</u>	<u>\$ 434,213,992</u>	<u>\$ 8,452,979</u>	<u>(1,317,154,962)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					812,234,742
Taxes levied for debt service					260,493,009
Taxes levied for other specific purposes					31,984,203
Federal and state aid not restricted to specific purposes					269,894,877
Interest and investment earnings					16,744,865
Interagency transfers					5,196,837
Miscellaneous					<u>33,723,005</u>
Total general revenues					<u>1,430,271,538</u>
Change in net position					113,116,576
Net position, July 1, 2018					<u>(397,819,522)</u>
Net position, June 30, 2019					<u>\$ (284,702,946)</u>

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 164,499,386	\$ 826,943,318	\$ 363,997,771	\$ 184,268,104	\$ 1,539,708,579
Cash on hand and in banks	-	-	3,872,128	3,955,246	7,827,374
Cash in revolving fund	54,000	-	-	-	54,000
Receivables	53,728,631	8,908,134	-	24,317,024	86,953,789
Prepaid expenditures	356,131	-	-	8,004	364,135
Due from other funds	35,683,887	721,866	-	11,263,288	47,669,041
Stores inventory	<u>3,204,914</u>	<u>-</u>	<u>-</u>	<u>539,059</u>	<u>3,743,973</u>
Total assets	<u>\$ 257,526,949</u>	<u>\$ 836,573,318</u>	<u>\$ 367,869,899</u>	<u>\$ 224,350,725</u>	<u>\$ 1,686,320,891</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 95,779,947	\$ 64,948,242	\$ -	\$ 6,270,084	\$ 166,998,273
Unearned revenue	15,941,442	-	-	5,590,956	21,532,398
Due to other funds	<u>15,353,455</u>	<u>5,005,175</u>	<u>-</u>	<u>31,749,657</u>	<u>52,108,287</u>
Total liabilities	<u>127,074,844</u>	<u>69,953,417</u>	<u>-</u>	<u>43,610,697</u>	<u>240,638,958</u>
Fund balances:					
Nonspendable	3,615,045	-	-	547,063	4,162,108
Restricted	38,088,664	766,619,901	367,869,899	180,192,965	1,352,771,429
Assigned	60,554,396	-	-	-	60,554,396
Unassigned	<u>28,194,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,194,000</u>
Total fund balances	<u>130,452,105</u>	<u>766,619,901</u>	<u>367,869,899</u>	<u>180,740,028</u>	<u>1,445,681,933</u>
Total liabilities and fund balances	<u>\$ 257,526,949</u>	<u>\$ 836,573,318</u>	<u>\$ 367,869,899</u>	<u>\$ 224,350,725</u>	<u>\$ 1,686,320,891</u>

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balances - Governmental Funds \$ 1,445,681,933

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

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$5,214,608,852 and the accumulated depreciation is \$1,385,856,759 (Note 4). 3,828,752,093

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2019 consisted of (Note 6):

General Obligation Bonds	\$ (3,626,409,875)	
Unamortized premiums	(238,747,647)	
Accreted interest	(319,568,739)	
Net pension liability (Notes 8 and 9)	(1,438,498,000)	
Compensated absences	(34,507,093)	
SERP liability (Note 11)	(47,764,675)	
Total OPEB liability (Note 10)	<u>(128,102,556)</u>	(5,833,598,585)

Internal service funds are included in the government-wide financial statements. 53,142,027

Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt. 64,023,244

In government funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8, 9 and 10).

Deferred outflows of resources relating to pensions	\$ 371,893,937	
Deferred outflows of resources relating to OPEB	6,739,308	
Deferred inflows of resources relating to pensions	(168,316,000)	
Deferred inflows of resources relating to OPEB	<u>(8,614,060)</u>	201,703,185

Unmatured interest on long-term liabilities is recognized in the period incurred. (44,406,843)

Total net position - governmental activities \$ (284,702,946)

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 347,618,223	\$ -	\$ -	\$ -	\$ 347,618,223
Local sources	<u>679,190,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>679,190,293</u>
Total LCFF	<u>1,026,808,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,026,808,516</u>
Federal sources	107,195,075	-	-	55,561,880	162,756,955
Other state sources	244,556,062	734,675	1,280,061	29,822,387	276,393,185
Other local sources	<u>47,916,725</u>	<u>20,336,230</u>	<u>262,927,440</u>	<u>70,058,171</u>	<u>401,238,566</u>
Total revenues	<u>1,426,476,378</u>	<u>21,070,905</u>	<u>264,207,501</u>	<u>155,442,438</u>	<u>1,867,197,222</u>
Expenditures:					
Current:					
Certificated salaries	578,460,333	-	-	7,720,624	586,180,957
Classified salaries	201,031,630	10,925,152	-	36,968,866	248,925,648
Employee benefits	474,018,392	5,907,173	-	28,612,396	508,537,961
Books and supplies	35,535,950	7,580,546	-	23,693,049	66,809,545
Contract services and operating expenditures	91,854,204	18,167,421	-	14,598,363	124,619,988
Other outgo	1,345,077	-	-	-	1,345,077
Capital outlay	12,766,530	452,082,709	-	10,437,369	475,286,608
Debt service:					
Principal retirement	-	-	110,372,017	-	110,372,017
Interest	<u>-</u>	<u>-</u>	<u>119,122,610</u>	<u>-</u>	<u>119,122,610</u>
Total expenditures	<u>1,395,012,116</u>	<u>494,663,001</u>	<u>229,494,627</u>	<u>122,030,667</u>	<u>2,241,200,411</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,464,262</u>	<u>(473,592,096)</u>	<u>34,712,874</u>	<u>33,411,771</u>	<u>(374,003,189)</u>
Other financing sources (uses):					
Transfers in	21,229,517	-	-	3,278,012	24,507,529
Transfers out	(14,948,012)	-	-	(21,229,517)	(36,177,529)
Proceeds from issuance of bonds	-	250,000,000	-	-	250,000,000
Premium on issuance of bonds	<u>-</u>	<u>1,397,063</u>	<u>8,286,106</u>	<u>-</u>	<u>9,683,169</u>
Total other financing sources (uses)	<u>6,281,505</u>	<u>251,397,063</u>	<u>8,286,106</u>	<u>(17,951,505)</u>	<u>248,013,169</u>
Net change in fund balances	37,745,767	(222,195,033)	42,998,980	15,460,266	(125,990,020)
Fund balances, July 1, 2018	<u>92,706,338</u>	<u>988,814,934</u>	<u>324,870,919</u>	<u>165,279,762</u>	<u>1,571,671,953</u>
Fund balances, June 30, 2019	<u>\$ 130,452,105</u>	<u>\$ 766,619,901</u>	<u>\$ 367,869,899</u>	<u>\$ 180,740,028</u>	<u>\$ 1,445,681,933</u>

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Net change in fund balances - Total Governmental Funds	\$ (125,990,020)
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	\$ 520,903,056
In government funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported (Note 4).	(621,352)
In government funds, donated capital asset are not reported because they do not affect current financial resources. In the statement of activities, donated assets are reported as revenue and as an increase to capital assets at their fair value on the date of donation (Note 4).	33,250
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(116,791,532)
In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. (Note 6).	(250,000,000)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	110,372,017
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements debt issued at a premium is amortized as interest over the life of the debt (Note 6).	11,667,932
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).	(45,545,877)
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.	15,510,293
Activities of the internal service fund are reported with governmental activities.	12,543,916

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding of the debt.	\$	(5,201,364)	
In governmental funds, total OPEB liability are recognized when employers contributions are made. In the government-wide statements, total OPEB liability are recognized on the accrual basis (Notes 6 and 10).		3,962,074	
In governmental funds, public agency retirement system incentives are recognized when employers contributions are made. In the government-wide statements, public agency retirement system incentives are measured on the accrual basis (Notes 6 and 10).		23,818,326	
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was.		(36,681,087)	
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).		<u>(4,863,056)</u>	<u>\$ 239,106,596</u>
Change in net position of governmental activities			<u><u>\$ 113,116,576</u></u>

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
June 30, 2019

ASSETS

Current assets:

Cash and investments:

Cash in County Treasury	\$ 116,737,692
Cash with fiscal agent	600,000
Receivables	1,270,292
Due from other funds	<u>4,769,603</u>

Total current assets 123,377,587

LIABILITIES

Current liabilities:

Accounts payable	372,203
Due to other funds	330,357
Claims payable - current portion	<u>15,552,547</u>

Total current liabilities 16,255,107

Non-current liabilities:

Claims payable	<u>53,980,453</u>
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Total liabilities 70,235,560

NET POSITION

Restricted for insurance activities \$ 53,142,027

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN
NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
For the Year Ended June 30, 2019

OPERATING REVENUE

Self insurance premiums \$ 38,135,192

OPERATING EXPENSES

Salaries and benefits 1,379,147
Supplies and materials 1,270,976
Insurance and claims 37,162,516

Total operating expense 39,812,639

Operating loss (1,677,447)

NON-OPERATING REVENUES

Interest income 2,551,363

TRANSFERS

Transfers in 11,670,000

Change in net position 12,543,916

Net position restricted for insurance activities, July 1, 2018 40,598,111

Net position restricted for insurance activities, June 30, 2019 \$ 53,142,027

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
For the Year Ended June 30, 2019

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 31,664,021
Cash received from user charges	5,110,985
Cash paid for employee salaries and benefits	(1,379,147)
Cash paid for insurance, claims and supplies	<u>(41,789,114)</u>
Net cash used in operating activities	<u>(6,393,255)</u>
Cash flows provided by noncapital financing activities:	
Net transfers	<u>11,670,000</u>
Cash flows provided by investing activities:	
Interest income received	<u>1,786,476</u>
Increase in cash and investments	7,063,221
Cash and investments, July 1, 2018	<u>110,274,471</u>
Cash and investments, June 30, 2019	<u><u>\$ 117,337,692</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	<u>\$ (1,677,447)</u>
Adjustments to reconcile operating income to net cash used in operating activities:	
Increase in:	
Amount due from other funds	(1,535,936)
(Decrease) increase in:	
Accrued liabilities	(438,622)
Amount due to other funds	175,750
Claims payable	<u>(2,917,000)</u>
Total adjustments	<u>(4,715,808)</u>
Net cash used in operating activities	<u><u>\$ (6,393,255)</u></u>

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2019

	<u>Agency Fund</u> <u>Student Body</u>
ASSETS	
Cash on hand and in bank (Note 2)	\$ 6,477,312
Receivables	39,165
Prepaid expenditures	5,695
Stores inventory	<u>318,964</u>
Total assets	<u>\$ 6,841,136</u>
LIABILITIES	
Accounts payable	\$ 11,034
Due to student groups	<u>6,830,102</u>
Total liabilities	<u>\$ 6,841,136</u>

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

San Diego Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies.

Reporting Entity: The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Cod. Sec. N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense and interest on general long-term liabilities are considered indirect expenses and are reported separately on the Statement of Activities.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A - Major Funds

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

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

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

B - Other Funds

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

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

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

b - County School Facilities Fund - The County School Facilities Fund is a capital project fund used to account for the accumulation and expenditure of resources used for the acquisition or construction of major capital facilities and equipment (*Education Code Section 17070.43*).

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

Proprietary Fund:

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

Fiduciary Funds:

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

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Receivables: Receivables are made up principally of amounts due from the State of California and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2019.

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

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

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

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

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 247,751,038	\$ 124,142,899	\$ 371,893,937
Deferred inflows of resources	\$ 123,187,000	\$ 45,129,000	\$ 168,316,000
Net pension liability	<u>\$ 962,350,000</u>	<u>\$ 476,148,000</u>	<u>\$1,438,498,000</u>
Pension expense	<u>\$ 200,952,320</u>	<u>\$ 72,660,973</u>	<u>\$ 273,613,293</u>

Compensated Absences: Compensated absences benefits are recorded as a liability of the District. The liability of \$34,507,093 is for the earned but unused benefits.

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

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position: Net position is displayed in three components:

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

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

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

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

C - Committed Fund Balance: The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2019, the District had no committed fund balances.

D - Assigned Fund Balance: The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel within the District to assign fund balances. However, as of June 30, 2019 no such designation has occurred.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2019, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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

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

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

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

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 2 - CASH AND INVESTMENTS

District cash and investments at June 30, 2019 consisted of the following:

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Cash in County	\$1,539,708,579	\$116,737,692	\$1,656,446,271	\$ -
Cash on hand and in banks	7,827,374	-	7,827,374	6,477,312
Cash in revolving fund	54,000	-	54,000	-
Cash with fiscal agent	<u>-</u>	<u>600,000</u>	<u>600,000</u>	<u>-</u>
 Total cash and cash equivalent	 <u>\$1,547,589,953</u>	 <u>\$117,337,692</u>	 <u>\$1,664,927,645</u>	 <u>\$ 6,477,312</u>

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

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2019, the carrying amount of the District's accounts was \$14,358,686 and the bank balances were \$15,048,524. The total uninsured bank balance at June 30, 2019 was \$14,548,524.

Cash with Fiscal Agent: Cash with Fiscal Agent represents cash balances held by Chase Bank for the claims payments. The cash balances are fully collateralized at June 30, 2019.

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

Interest Rate Risk: The District does not have a formal investment policy that limits the cash and investment maturities as a means of managing its exposure to fair value arising from increasing interest rates. At June 30, 2019, the District had no significant interest rate risk related to investments held.

Concentration of Credit Risk: The District does not place limits on the amount they may invest in any one issuer. At June 30, 2019, the District had no concentration of credit risk.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 3 - INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2019 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities</u>		
Major Funds:		
General	\$ 35,683,887	\$ 15,353,455
Building	721,866	5,005,175
Non-Major Funds:		
Adult Education	99,010	142,697
Child Development	4,639,343	11,849,015
Cafeteria	242,319	11,454,685
Capital Facilities	6,164,245	2,468,594
County School Facilities	66,293	5,658,186
Special Reserve for Capital Outlay Projects	52,078	176,480
Proprietary Fund:		
Self-Insurance	<u>4,769,603</u>	<u>330,357</u>
Totals	<u><u>\$ 52,438,644</u></u>	<u><u>\$ 52,438,644</u></u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

Transfers:

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

Transfers for the 2018-2019 fiscal year were as follows:

Transfer from the Capital Facilities Fund to the General Fund for reduction in expenditures related to CCDC RDA.	\$ 14,300,000
Transfer from the General Fund to the Self-Insurance Fund for the annual approved funding.	11,670,000
Transfer from the County School Facilities Fund to the General Fund for expenditures related to restricted maintenance at schools.	5,000,000
Transfer from the General Fund to the Child Development Fund to cover required expenditures including payroll.	3,045,741
Transfer from the Special Reserve for Capital Outlay Projects Fund to the General Fund for additional rent.	1,000,000
Transfer from the Child Development Fund to the General Fund for indirect costs.	753,112
Transfer from the General Fund to the Cafeteria Fund for bad debt expenses for FY 2018/19.	142,990
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	118,949
Transfer from the General Fund to the Cafeteria Fund for audit compliance.	89,281
Transfer from the Adult Education Fund to the General Fund for indirect costs.	56,404
Transfer from the Cafeteria Fund to the General Fund for donation received for bad debt.	1,000
Transfer from the Child Development Fund to the General Fund for expenditures related to the CDC.	<u>52</u>
Total	<u><u>\$ 36,177,529</u></u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2019 is shown below:

	Balance July 1, <u>2018</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2019</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 275,891,432	\$ 14,580,027	\$ -	\$ 290,471,459
Work-in-process	1,500,026,956	520,903,056	177,990,018	1,842,939,994
Depreciable:				
Land improvements	326,846,560	4,110,289	-	330,956,849
Buildings and improvements	2,331,282,447	146,382,531	3,744,464	2,473,920,514
Furniture and equipment	<u>273,448,377</u>	<u>12,950,421</u>	<u>10,078,762</u>	<u>276,320,036</u>
Totals, at cost	<u>4,707,495,772</u>	<u>698,926,324</u>	<u>191,813,244</u>	<u>5,214,608,852</u>
Less accumulated depreciation:				
Land improvements	(166,957,373)	(12,938,737)	-	(179,896,110)
Buildings and improvements	(902,754,271)	(93,809,978)	(3,215,743)	(993,348,506)
Furniture and equipment	<u>(212,555,457)</u>	<u>(10,042,817)</u>	<u>(9,986,131)</u>	<u>(212,612,143)</u>
Total accumulated depreciation	<u>(1,282,267,101)</u>	<u>(116,791,532)</u>	<u>(13,201,874)</u>	<u>(1,385,856,759)</u>
Governmental activities capital assets, net	<u>\$ 3,425,228,671</u>	<u>\$ 582,134,792</u>	<u>\$ 178,611,370</u>	<u>\$ 3,828,752,093</u>

Depreciation expense was charged to governmental activities for the year ended June 30, 2019 as follows:

Governmental activities:	
Unallocated	<u>\$ 116,791,532</u>

NOTE 5 - SELF-INSURANCE

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

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

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 5 - SELF-INSURANCE (Continued)

At June 30, 2019, 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 \$69.5 million. Changes in the reported liability are shown below:

	General Liability	Workers' Compensation	Total
Liability balance, June 30, 2017	\$ 2,719,000	\$ 69,792,000	\$ 72,511,000
Incurred claims	7,355,378	18,163,538	25,518,916
Claims payments	<u>(7,282,378)</u>	<u>(18,297,538)</u>	<u>(25,579,916)</u>
Liability balance, June 30, 2018	\$ 2,792,000	\$ 69,658,000	\$ 72,450,000
Incurred claims	7,858,629	12,003,103	19,861,732
Claims payments	<u>(7,757,629)</u>	<u>(15,021,103)</u>	<u>(22,778,732)</u>
Liability balance, June 30, 2019	<u>\$ 2,893,000</u>	<u>\$ 66,640,000</u>	<u>\$ 69,533,000</u>

NOTE 6 - LONG TERM DEBT

A schedule of changes in long-term debt, excluding, claims payable on self-insurance activities in Note 5, for the fiscal year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 3,486,781,892	\$ 250,000,000	\$ 110,372,017	\$ 3,626,409,875	\$ 147,447,609
Unamortized premium	250,415,579	9,683,169	21,351,101	238,747,647	21,212,598
Accreted interest	<u>274,022,862</u>	<u>56,603,860</u>	<u>11,057,983</u>	<u>319,568,739</u>	<u>12,072,391</u>
Total General Obligation Bonds	<u>4,011,220,333</u>	<u>316,287,029</u>	<u>142,781,101</u>	<u>4,184,726,261</u>	<u>180,732,598</u>
Net pension liability (Notes 8 and 9)	1,539,630,000	13,100,000	114,232,000	1,438,498,000	-
Compensated absences	29,644,037	4,863,056	-	34,507,093	-
SERP liability (Note 11)	71,583,001	-	23,818,326	47,764,675	15,988,225
Total OPEB liability (Note 10)	<u>127,328,463</u>	<u>774,093</u>	<u>-</u>	<u>128,102,556</u>	<u>-</u>
Totals	<u>\$ 5,779,405,834</u>	<u>\$ 335,024,178</u>	<u>\$ 280,831,427</u>	<u>\$ 5,833,598,585</u>	<u>\$ 196,720,823</u>

(Continued)

NOTE 6 - LONG TERM DEBT (Continued)

General Obligation Bonds

Proposition MM General Obligation Bond Authorization

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

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

Proposition S General Obligation Bond Authorization

On November 4, 2008, voters in San Diego passed the \$2.1 billion general obligation bond measure, Proposition S. This bond program will provide resources for the District to repair, renovate and revitalize 181 neighborhood schools. Proposition S extends the previously voter approved Proposition MM tax rate of \$66.70 per \$100,000 of assessed property value until the year 2029. Once the Proposition MM bonds are paid, the tax rate will be \$60.00 per \$100,000 of assessed property value beginning 2030. The District issued Series A through K totaling \$861.9 million including Qualified School Construction Bonds.

Proposition Z General Obligation Bond Authorization

On November 6, 2012, San Diego voters in San Diego approved Proposition Z, a \$2.8 billion bond proposition that the District will use to maintain safe and productive learning environments for students. The bond is a Proposition 39 bond, which requires approval from at least 55 percent of voters to pass. The tax rate imposed to meet repayment of the proposed bonds will not exceed \$60 per year per \$100,000 of assessed valuation of taxable property. The District issued Series A through J totaling \$1,875,000,000.

Measure YY General Obligation Bond Authorization

On November 6, 2018, San Diego voters in San Diego approved Measure YY, a \$3.5 billion bond proposition that the District will use to maintain safe and productive learning environments for students. The bond is a Proposition 39 bond, which requires approval from at least 55 percent of voters to pass. The tax rate imposed to meet repayment of the proposed bonds will not exceed \$60 per year per \$100,000 of assessed valuation of taxable property. The District issued Series A and B totaling \$250 million.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

The outstanding general obligation bonded debt, not including premium or discount, of the District at June 30, 2019 is summarized in the following:

<u>Proposition MM</u>									
Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2018	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2019	Amount Due in One Year
1998, Series A	5/27/1999	4.20 - 5.34	2024	\$ 139,995,085	\$ 34,905,490	\$ -	\$ 6,272,216	\$ 28,633,274	\$ 4,849,729
A - Accreted interest		-	-	-	51,781,683	7,963,205	10,662,784	49,082,104	9,025,271
1998, Series B	12/14/2000	4.40 - 5.35	2019	149,999,084	8,805,000	-	8,805,000	-	-
1998, Series C	11/21/2001	2.95 - 5.00	2027	199,995,712	123,995,000	-	-	123,995,000	9,100,000
1998, Series D	9/12/2002	2.10 - 5.25	2026	274,995,346	118,415,000	-	8,975,000	109,440,000	10,140,000
1998, Series E	8/19/2003	1.90 - 5.25	2028	349,993,599	117,985,000	-	-	117,985,000	-
1998, Series F	9/2/2004	1.95 - 5.00	2029	199,996,373	53,625,000	-	-	53,625,000	-
1998 Series G	9/8/2005	3.00 - 5.00	2029	<u>195,024,801</u>	<u>55,055,000</u>	<u>-</u>	<u>-</u>	<u>55,055,000</u>	<u>-</u>
Subtotal of original issue before refunding				<u>1,510,000,000</u>	<u>564,567,173</u>	<u>7,963,205</u>	<u>34,715,000</u>	<u>537,815,378</u>	<u>33,115,000</u>
R-1 Refunding (various)	3/15/2012	2.00 - 5.00	2032	65,434,442	65,434,442	-	-	65,434,442	-
R-1 Refunding - Accreted interest		-	-	-	21,894,268	4,460,333	-	26,354,601	-
R-3 Refunding (various)	4/16/2014	2.00 - 5.00	2030	199,285,000	166,480,000	-	27,665,000	138,815,000	19,720,000
R-4 Refunding (various)	5/27/2015	2.00 - 5.00	2030	172,505,000	167,970,000	-	-	167,970,000	-
R-5 Refunding (various)	5/4/2016	4.00 - 5.00	2030	<u>126,135,000</u>	<u>126,135,000</u>	<u>-</u>	<u>-</u>	<u>126,135,000</u>	<u>-</u>
Total Proposition MM				<u>\$ 2,073,359,442</u>	<u>\$ 1,112,480,883</u>	<u>\$ 12,423,538</u>	<u>\$ 62,380,000</u>	<u>\$ 1,062,524,421</u>	<u>\$ 52,835,000</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

The outstanding general obligation bonded debt, not including premium or discount, of the District June 30, 2019 is summarized in the following:

<u>Proposition S</u>	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2018</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2019</u>	<u>Amount Due in One Year</u>
2008, Series A	5/7/2009	2.52 - 6.19	2033	\$ 131,157,581	\$ 51,257,808	\$ -	\$ 794,801	\$ 50,463,007	\$ 4,952,880
A - Accreted interest		-	-	-	35,021,765	5,360,287	395,199	39,986,853	3,047,120
2008, Series B QSCB	4/21/2009	-	2023	38,840,000	38,840,000	-	-	38,840,000	-
2008, Series C	8/18/2010	6.1 - 6.625	2051	163,869,783	112,548,275	-	-	112,548,275	-
C - Accreted interest		-	2051	-	69,501,131	12,299,367	-	81,800,498	-
2008, Series D QSCB	8/5/2010	5.26	2028	36,130,000	36,130,000	-	-	36,130,000	-
2008, Series E	5/24/2012	4.89 - 5.48	2052	149,998,825	149,998,825	-	-	149,998,825	-
E - Accreted interest		-	-	-	51,525,127	10,908,021	-	62,433,148	-
2008, Series F	4/16/2014	1.00 - 5.00	2017	15,095,000	-	-	-	-	-
2008, Series G	4/16/2014	5.18 - 5.58	2039	50,000,726	50,000,726	-	-	50,000,726	-
G - Accreted interest		-	-	-	11,013,243	3,365,135	-	14,378,378	-
2008, Series H	6/18/2015	0.50 - 5.00	2025	31,770,000	29,620,000	-	1,240,000	28,380,000	-
2008, Series I	12/2/2015	3.85 - 8.00	2040	99,999,241	84,397,611	-	-	84,397,611	-
I - Accreted interest	12/2/2015	-	-	-	7,039,001	3,757,409	-	10,796,410	-
2008, Series J	5/5/16	0.52 - 5.00	2028	45,000,000	39,395,000	-	-	39,395,000	775,000
2008, Series K-1	12/12/17	3.00 - 5.00	2020	23,460,000	23,460,000	-	13,445,000	10,015,000	10,015,000
2008, Series K-2	12/12/17	3.28 - 3.97	2043	76,538,885	76,538,885	-	-	76,538,885	-
K - Accreted Interest	12/12/17	-	-	-	150,232	2,904,305	-	3,054,537	-
Subtotal of original issue before refunding				<u>861,860,041</u>	<u>866,437,629</u>	<u>38,594,524</u>	<u>15,875,000</u>	<u>889,157,153</u>	<u>18,790,000</u>
2008, R-2 Refunding (various)	3/1/2012	6.625	2042	56,869,830	56,869,830	-	-	56,869,830	-
R-2 Refunding - accreted interest		-	-	-	26,096,412	5,585,798	-	31,682,210	-
2008, SR-1 Refunding	4/5/2016	3.00 - 5.00	2034	<u>145,915,000</u>	<u>145,915,000</u>	<u>-</u>	<u>-</u>	<u>145,915,000</u>	<u>-</u>
Total Proposition S				<u>\$ 1,064,644,871</u>	<u>\$ 1,095,318,871</u>	<u>\$ 44,180,322</u>	<u>\$ 15,875,000</u>	<u>\$ 1,123,624,193</u>	<u>\$ 18,790,000</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

The outstanding general obligation bonded debt, not including premium or discount, of the District June 30, 2019 is summarized in the following:

<u>Proposition Z</u>									
<u>Series</u>	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2018</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2019</u>	<u>Amount Due in One Year</u>
2012, Series A, A-1	4/30/2013	3.42	2014	\$ 52,500,000	\$ -	\$ -	\$ -	\$ -	\$ -
2012, Series A-1	4/30/2013	4.26	2014	3,000,000	-	-	-	-	-
2012, Series B	4/30/2013	1.212	2015	60,500,000	-	-	-	-	-
2012, Series C	4/30/2013	4.00 - 5.00	2043	414,000,000	406,095,000	-	-	406,095,000	-
2012, Series D	10/14/2015	4.5	2016	75,400,000	-	-	-	-	-
2012, Series E	10/14/15	3.00 - 4.00	2018	78,955,000	-	-	-	-	-
2012, Series F	1/5/16	4.285 - 5.00	2046	370,645,000	370,645,000	-	-	370,645,000	-
2012, Series G	1/5/16	3.578 - 5.00	2046	100,000,000	100,000,000	-	-	100,000,000	-
2012, Series H-1	11/1/17	1.25 - 5.00	2018	43,735,000	-	-	-	-	-
2012, Series H-2	11/1/17	1.25 - 5.00	2021	176,265,000	176,265,000	-	43,175,000	133,090,000	87,895,000
2012, Series I	11/1/17	3.846 - 5.00	2047	441,000,000	441,000,000	-	-	441,000,000	-
2012, Series J	11/1/17	3.125 - 4.653	2041	59,000,000	59,000,000	-	-	59,000,000	-
Total Proposition Z				<u>\$ 1,875,000,000</u>	<u>\$ 1,553,005,000</u>	<u>\$ -</u>	<u>\$ 43,175,000</u>	<u>\$ 1,509,830,000</u>	<u>\$ 87,895,000</u>

<u>Measure YY</u>									
<u>Series</u>	<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2018</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding June 30, 2019</u>	<u>Amount Due in One Year</u>
2018, Series A	5/6/2019	2.00-5.00	2021	\$ 201,260,000	\$ -	\$ 201,260,000	\$ -	\$ 201,260,000	\$ -
2018, Series B	5/6/2019	3.25	2048	48,740,000	-	48,740,000	-	48,740,000	-
Total Measure YY				<u>\$ 250,000,000</u>	<u>\$ -</u>	<u>\$ 250,000,000</u>	<u>\$ -</u>	<u>\$ 250,000,000</u>	<u>\$ -</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

The annual requirements to amortize the General Obligation Bonds payable and outstanding as of June 30, 2019 are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 147,447,609	\$ 111,357,575	\$ 258,805,184
2021	194,220,546	120,491,513	314,712,059
2022	181,055,731	111,813,551	292,869,282
2023	111,559,650	105,780,038	217,339,688
2024	78,402,619	102,231,760	180,634,379
2025-2029	681,837,891	428,556,544	1,110,394,435
2030-2034	568,897,960	380,551,878	949,449,838
2035-2039	482,723,149	384,515,825	867,238,974
2040-2044	667,760,539	242,462,641	910,223,180
2045-2049	485,527,110	71,135,234	556,662,344
2050-2052	<u>26,977,071</u>	<u>174,238</u>	<u>27,151,309</u>
	<u>\$3,626,409,875</u>	<u>\$2,059,070,797</u>	<u>\$5,685,480,672</u>

1998 Series A

Capital appreciation bonds were issued as part of the Series A issuance with maturity dates from July 1, 2004 through 2023. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$14,569,622 have not been reflected in the long-term debt balance in the schedule above.

The annual payments required to amortize the Election of 1998, Series A, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total Debt Service</u>
2020	\$ 4,849,729	\$ 9,025,271	\$ 13,875,000
2021	5,515,546	11,214,454	16,730,000
2022	6,180,730	13,579,270	19,760,000
2023	6,084,650	14,465,351	20,550,001
2024	<u>6,002,619</u>	<u>15,367,380</u>	<u>21,369,999</u>
	<u>\$ 28,633,274</u>	<u>\$ 63,651,726</u>	<u>\$ 92,285,000</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

1998 Series C

The annual payments required to amortize the Election of 1998, Series C, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 9,100,000	\$ 6,569,475	\$ 15,669,475
2021	10,240,000	6,037,625	16,277,625
2022	11,470,000	5,440,600	16,910,600
2023	12,790,000	4,773,450	17,563,450
2024	14,210,000	4,030,950	18,240,950
2025-2028	<u>66,185,000</u>	<u>5,855,988</u>	<u>72,040,988</u>
	<u>\$123,995,000</u>	<u>\$ 32,708,088</u>	<u>\$156,703,088</u>

1998 Series D

The annual payments required to amortize the Election of 1998, Series D, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 10,140,000	\$ 5,740,350	\$ 15,880,350
2021	11,390,000	5,148,275	16,538,275
2022	12,725,000	4,485,113	17,210,113
2023	14,160,000	3,745,775	17,905,775
2024	15,705,000	2,924,487	18,629,487
2025-2026	<u>45,320,000</u>	<u>2,552,275</u>	<u>47,872,275</u>
	<u>\$109,440,000</u>	<u>\$ 24,596,275</u>	<u>\$134,036,275</u>

1998 Series E

The annual payments required to amortize the Election of 1998, Series E, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ 6,489,175	\$ 6,489,175
2021	-	6,489,175	6,489,175
2022	-	6,489,175	6,489,175
2023	-	6,489,175	6,489,175
2024	-	6,489,175	6,489,175
2025-2029	<u>117,985,000</u>	<u>16,210,563</u>	<u>134,195,563</u>
	<u>\$117,985,000</u>	<u>\$ 48,656,438</u>	<u>\$166,641,438</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

1998 Series F

The annual payments required to amortize the Election of 1998, Series F, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ 2,815,313	\$ 2,815,313
2021	-	2,815,313	2,815,313
2022	-	2,815,313	2,815,313
2023	-	2,815,313	2,815,313
2024	-	2,815,313	2,815,313
2025-2029	<u>53,625,000</u>	<u>11,872,216</u>	<u>65,497,216</u>
	<u>\$ 53,625,000</u>	<u>\$ 25,948,781</u>	<u>\$ 79,573,781</u>

1998 Series G

The annual payments required to amortize the Election of 1998, Series G, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ 2,890,388	\$ 2,890,388
2021	-	2,890,388	2,890,388
2022	-	2,890,388	2,890,388
2023	-	2,890,388	2,890,388
2024	-	2,890,388	2,890,388
2025-2029	<u>55,055,000</u>	<u>12,230,004</u>	<u>67,285,004</u>
	<u>\$ 55,055,000</u>	<u>\$ 26,681,944</u>	<u>\$ 81,736,944</u>

1998 Refunding, Series R-1

The District issued the 1998 Refunding, Series R-1 bonds to refund certain portions of 1998, Series A, B, C, D, E, F and G general obligation bonds. Capital appreciation bonds were issued as part of Series R-1 issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$72,900,957 have not been reflected in the long-term debt balance in the schedule above.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

The annual payments required to amortize the Election of 1998, Series R-1, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025-2029	-	-	-
2030-2032	<u>65,434,442</u>	<u>99,255,558</u>	<u>164,690,000</u>
	<u>\$ 65,434,442</u>	<u>\$ 99,255,558</u>	<u>\$164,690,000</u>

1998 R-3 Refunding

The District issued the 1998 Refunding, Series R-3 bonds to refund certain portions of 1998, Series B, C, E, F and G general obligation bonds. The annual payments required to amortize the Election of 1998, Series R-3, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 19,720,000	\$ 6,408,125	\$ 26,128,125
2021	31,380,000	5,139,000	36,519,000
2022	33,425,000	3,534,875	36,959,875
2023	18,930,000	2,241,250	21,171,250
2024	19,895,000	1,270,625	21,165,625
2025-2029	12,780,000	1,027,250	13,807,250
2030-2030	<u>2,685,000</u>	<u>67,125</u>	<u>2,752,125</u>
	<u>\$138,815,000</u>	<u>\$ 19,688,250</u>	<u>\$158,503,250</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

1998 R-4 Refunding

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

The annual payments required to amortize the Election of 1998, Series R-4, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ 8,093,625	\$ 8,093,625
2021	-	8,093,625	8,093,625
2022	-	8,093,625	8,093,625
2023	-	8,093,625	8,093,625
2024	-	8,093,625	8,093,625
2025-2029	166,205,000	24,506,838	190,711,838
2030-2031	<u>1,765,000</u>	<u>26,475</u>	<u>1,791,475</u>
	<u>\$167,970,000</u>	<u>\$ 65,001,438</u>	<u>\$232,971,438</u>

1998 R-5 Refunding

The District issued the 1998 Refunding, Series R-5 bonds to refund certain portions of 1998, Series F-1 Bonds and 1998, Series G-1.

The annual payments required to amortize the Election of 1998, Series R-5, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ 5,927,250	\$ 5,927,250
2021	-	5,927,250	5,927,250
2022	-	5,927,250	5,927,250
2023	-	5,927,250	5,927,250
2024	-	5,927,250	5,927,250
2025-2029	19,725,000	27,095,375	46,820,375
2030-2031	<u>106,410,000</u>	<u>2,470,500</u>	<u>108,880,500</u>
	<u>\$126,135,000</u>	<u>\$ 59,202,125</u>	<u>\$185,337,125</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

2008 Series A

Capital appreciation bonds were issued as part of Series A issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$67,215,140 have not been reflected in the long-term debt balance in the schedule above.

The annual payments required to amortize the Election of 2008, Series A, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending June 30,	Principal	Accreted Interest	Total Debt Service
2020	\$ 4,952,880	\$ 3,047,120	\$ 8,000,000
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025-2029	28,677,891	49,147,109	77,825,000
2030-2034	<u>16,832,236</u>	<u>55,007,764</u>	<u>71,840,000</u>
	<u>\$ 50,463,007</u>	<u>\$107,201,993</u>	<u>\$157,665,000</u>

2008 Series B

Qualified School Construction Bonds

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

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

The annual payments required to amortize the Election of 2008, Series B, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	<u>38,840,000</u>	<u>-</u>	<u>38,840,000</u>
	<u>\$ 38,840,000</u>	<u>\$ -</u>	<u>\$ 38,840,000</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

2008 Series C

Capital appreciation bonds were issued as part of Series C issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$522,501,227 have not been reflected in the long-term debt balance in the schedule above.

The annual payments required to amortize the Election of 2008, Series C, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ -	\$ -	\$ -
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025-2029	-	-	-	-
2030-2034	18,723,933	20,045,594	48,806,067	87,575,594
2035-2039	27,169,459	28,636,563	116,230,541	172,036,563
2040-2044	29,566,949	28,636,563	189,748,051	247,951,563
2045-2049	36,605,888	23,546,244	248,239,112	308,391,244
2050-2052	<u>482,046</u>	<u>174,236</u>	<u>1,277,954</u>	<u>1,934,236</u>
	<u>\$112,548,275</u>	<u>\$101,039,200</u>	<u>\$604,301,725</u>	<u>\$817,889,200</u>

2008 Series D

Qualified School Construction Bonds

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

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

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

The annual payments required to amortize the Election of 2008, Series D, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ 136,832	\$ 136,832
2021	-	136,832	136,832
2022	-	136,831	136,831
2023	-	136,831	136,831
2024	-	68,416	68,416
2025-2029	<u>36,130,000</u>	<u>-</u>	<u>36,130,000</u>
	<u>\$ 36,130,000</u>	<u>\$ 615,742</u>	<u>\$ 36,745,742</u>

2008 Series E

Capital appreciation bonds were issued as part of Series E issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$389,794,718 have not been reflected in the long-term debt balance in the schedule above.

The annual payments required to amortize the Election of 2008, Series E, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ -	\$ -	\$ -
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025-2029	-	-	-	-
2030-2034	11,361,336	21,095,981	21,598,664	54,055,981
2035-2039	23,195,839	68,663,563	47,014,161	138,873,563
2040-2044	26,310,403	54,194,628	48,969,597	129,474,628
2045-2049	62,636,222	17,831,428	155,127,459	235,595,109
2050-2053	<u>26,495,025</u>	<u>-</u>	<u>179,517,985</u>	<u>206,013,010</u>
	<u>\$149,998,825</u>	<u>\$161,785,600</u>	<u>\$452,227,866</u>	<u>\$764,012,291</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

2008 Series G

Capital appreciation bonds were issued as part of Series G issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$93,055,896 have not been reflected in the long-term debt balance in the schedule above.

The annual payments required to amortize the Election of 2008, Series G, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025-2029	-	-	-
2030-2034	13,250,929	21,399,071	34,650,000
2035-2039	36,749,797	86,035,203	122,785,000
2040	-	-	-
	<u>\$ 50,000,726</u>	<u>\$107,434,274</u>	<u>\$157,435,000</u>

2008 Series H

The annual payments required to amortize the Election of 2008, Series H, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ 1,275,150	\$ 1,275,150
2021	-	1,275,150	1,275,150
2022	-	1,275,150	1,275,150
2023	13,330,000	979,850	14,309,850
2024	14,605,000	351,175	14,956,175
2025-2026	<u>445,000</u>	<u>8,900</u>	<u>453,900</u>
	<u>\$ 28,380,000</u>	<u>\$ 5,165,375</u>	<u>\$ 33,545,375</u>

2008 Series I

Capital appreciation bonds were issued as part of Series I issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$97,410,979 have not been reflected in the long-term debt balance in the schedule above.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

The annual payments required to amortize the Election of 2008, Series I, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025-2029	-	-	-
2030-2034	6,366,232	5,763,768	12,130,000
2035-2039	63,274,446	78,115,554	141,390,000
2040-2041	<u>14,756,933</u>	<u>24,328,067</u>	<u>39,085,000</u>
	<u>\$ 84,397,611</u>	<u>\$108,207,389</u>	<u>\$192,605,000</u>

2008 Series J

The annual payments required to amortize the Election of 2008, Series J, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 775,000	\$ 1,775,900	\$ 2,550,900
2021	1,530,000	1,722,150	3,252,150
2022	1,605,000	1,643,775	3,248,775
2023	4,925,000	1,505,150	6,430,150
2024	4,850,000	1,285,400	6,135,400
2025-2029	<u>25,710,000</u>	<u>1,498,125</u>	<u>27,208,125</u>
	<u>\$ 39,395,000</u>	<u>\$ 9,430,500</u>	<u>\$ 48,825,500</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

2008 Series K-1

The annual payments required to amortize the Election of 2008, Series K-1, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	<u>\$ 10,015,000</u>	<u>\$ 250,375</u>	<u>\$ 10,265,375</u>

2008 Series K-2

Capital appreciation bonds were issued as part of Series K-2 issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$71,611,578 have not been reflected in the long-term debt balance in the schedule above.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Accreted Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ -	\$ -
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025-2029	-	-	-
2030-2034	30,398,854	19,266,146	49,665,000
2035-2039	28,413,607	29,226,393	57,640,000
2040-2044	<u>17,726,424</u>	<u>26,173,576</u>	<u>43,900,000</u>
	<u>\$ 76,538,885</u>	<u>\$ 74,666,115</u>	<u>\$151,205,000</u>

2008 R-2 Refunding

The District issued the 2008 Refunding, Series R-2 bonds to refund certain portions of 2008, Series C general obligation bonds. Capital appreciation bonds were issued as part of R-2 Refunding issuance. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of \$98,827,960 have not been reflected in the long-term debt balance in the schedule above.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

The annual payments required to amortize the Election of 2008, Series R-2, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Accreted Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ -	\$ -	\$ -
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025-2029	-	-	-	-
2030-2034	-	43,448,738	-	43,448,738
2035-2039	-	62,069,625	-	62,069,625
2040-2042	<u>56,869,830</u>	<u>24,417,100</u>	<u>130,510,170</u>	<u>211,797,100</u>
	<u>\$ 56,869,830</u>	<u>\$129,935,463</u>	<u>\$130,510,170</u>	<u>\$317,315,463</u>

2008 SR-1 Refunding

The District issued the 2008 Refunding, Series SR-1 bonds to refund certain portions of 2008, Series A general obligation bonds in the amount of \$73,168,837. On June 30, 2019, \$73,168,837 of bonds outstanding are considered defeased.

The annual payments required to amortize the Election of 2008, Series SR-1, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ 5,692,600	\$ 5,692,600
2021	-	5,692,600	5,692,600
2022	-	5,692,600	5,692,600
2023	-	5,692,600	5,692,600
2024	-	5,692,600	5,692,600
2025-2029	1,850,000	28,416,750	30,266,750
2030-2034	<u>144,065,000</u>	<u>19,272,200</u>	<u>163,337,200</u>
	<u>\$145,915,000</u>	<u>\$ 76,151,950</u>	<u>\$222,066,950</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

2012 Series C

The annual payments required to amortize the Election of 2012, Series C, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ 8,587,900	\$ 8,587,900
2021	1,415,000	17,161,650	18,576,650
2022	1,945,000	17,128,050	19,073,050
2023	2,500,000	17,058,600	19,558,600
2024	3,135,000	16,961,575	20,096,575
2025-2029	26,865,000	81,677,725	108,542,725
2030-2034	53,690,000	72,292,750	125,982,750
2035-2039	112,240,000	54,347,950	166,587,950
2040-2043	<u>204,305,000</u>	<u>18,159,700</u>	<u>222,464,700</u>
	<u>\$406,095,000</u>	<u>\$303,375,900</u>	<u>\$709,470,900</u>

The annual payments required to amortize the Election of 2012, Series F, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ 14,108,081	\$ 14,108,081
2021	-	16,621,100	16,621,100
2022	-	16,621,100	16,621,100
2023	-	16,621,100	16,621,100
2024	-	16,621,100	16,621,100
2025-2029	6,080,000	82,754,250	88,834,250
2030-2034	35,535,000	78,032,300	113,567,300
2035-2039	77,430,000	65,850,950	143,280,950
2040-2044	150,675,000	40,567,950	191,242,950
2045-2047	<u>100,925,000</u>	<u>4,423,500</u>	<u>105,348,500</u>
	<u>\$370,645,000</u>	<u>\$352,221,431</u>	<u>\$722,866,431</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

The annual payments required to amortize the Election of 2012, Series G, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ 2,088,491	\$ 2,088,491
2021	-	4,176,981	4,176,981
2022	-	4,176,981	4,176,981
2023	-	4,176,981	4,176,981
2024	-	4,176,981	4,176,981
2025-2029	2,525,000	20,762,282	23,287,282
2030-2034	10,860,000	19,695,216	30,555,216
2035-2039	22,000,000	16,468,175	38,468,175
2040-2044	38,890,000	9,624,525	48,514,525
2045-2047	<u>25,725,000</u>	<u>1,052,100</u>	<u>26,777,100</u>
	<u>\$100,000,000</u>	<u>\$ 86,398,713</u>	<u>\$186,398,713</u>

The annual payments required to amortize the Election of 2012, Series H-2, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 87,895,000	\$ 4,457,125	\$ 92,352,125
2021	<u>45,195,000</u>	<u>1,129,875</u>	<u>46,324,875</u>
	<u>\$133,090,000</u>	<u>\$ 5,587,000</u>	<u>\$138,677,000</u>

The annual payments required to amortize the Election of 2012, Series I, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ 18,744,450	\$ 18,744,450
2021	-	18,744,450	18,744,450
2022	-	18,744,450	18,744,450
2023	-	18,744,450	18,744,450
2024	-	18,744,450	18,744,450
2025-2029	-	93,722,250	93,722,250
2030-2034	36,195,000	91,161,375	127,356,375
2035-2039	83,250,000	76,480,625	159,730,625
2040-2044	110,660,000	58,379,425	169,039,425
2045-2048	<u>210,895,000</u>	<u>20,086,050</u>	<u>230,981,050</u>
	<u>\$441,000,000</u>	<u>\$433,551,975</u>	<u>\$874,551,975</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG TERM DEBT (Continued)

The annual payments required to amortize the Election of 2012, Series J, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ 2,304,200	\$ 2,304,200
2021	-	2,304,200	2,304,200
2022	-	2,304,200	2,304,200
2023	-	2,304,200	2,304,200
2024	-	2,304,200	2,304,200
2025-2029	16,675,000	10,445,500	27,120,500
2030-2034	15,325,000	5,023,375	20,348,375
2035-2039	9,000,000	4,078,125	13,078,125
2040-2042	<u>18,000,000</u>	<u>562,500</u>	<u>18,562,500</u>
	<u>\$ 59,000,000</u>	<u>\$ 31,630,500</u>	<u>\$ 90,630,500</u>

The annual payments required to amortize the Election of 2018, Series A, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ 5,968,739	\$ 5,968,739
2021	87,555,000	7,401,825	94,956,825
2022	<u>113,705,000</u>	<u>2,830,025</u>	<u>116,535,025</u>
	<u>\$201,260,000</u>	<u>\$ 16,200,589</u>	<u>\$217,460,589</u>

The annual payments required to amortize the Election of 2018, Series B, General Obligation Bonds outstanding as of June 30, 2019, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ -	\$ 1,034,033	\$ 1,034,033
2021	-	1,584,050	1,584,050
2022	-	1,584,050	1,584,050
2023	-	1,584,050	1,584,050
2024	-	1,584,050	1,584,050
2025-2029	-	7,920,250	7,920,250
2030-2034	-	7,920,250	7,920,250
2035-2039	-	7,920,250	7,920,250
2040-2044	-	7,920,250	7,920,250
2045-2049	<u>48,740,000</u>	<u>4,195,913</u>	<u>52,935,913</u>
	<u>\$ 48,740,000</u>	<u>\$ 43,247,146</u>	<u>\$ 91,987,146</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - FUND BALANCES

Fund balances were composed of the following at June 30, 2019:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Revolving cash	\$ 54,000	\$ -	\$ -	\$ -	\$ 54,000
Prepaid expenditures	356,131	-	-	8,004	364,135
Stores inventory	<u>3,204,914</u>	<u>-</u>	<u>-</u>	<u>539,059</u>	<u>3,743,973</u>
Total nonspendable	<u>3,615,045</u>	<u>-</u>	<u>-</u>	<u>547,063</u>	<u>4,162,108</u>
Restricted:					
Legally restricted programs	38,088,664	-	-	14,895,330	52,983,994
Capital projects	-	766,619,901	-	165,297,635	931,917,536
Debt service	<u>-</u>	<u>-</u>	<u>367,869,899</u>	<u>-</u>	<u>367,869,899</u>
Total restricted	<u>38,088,664</u>	<u>766,619,901</u>	<u>367,869,899</u>	<u>180,192,965</u>	<u>1,352,771,429</u>
Assigned:					
Reserve for FY 2019-20 deficit	55,717,404	-	-	-	55,717,404
School site ending balances	2,000,000	-	-	-	2,000,000
Retiree benefits	<u>2,836,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,836,992</u>
Total assigned	<u>60,554,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,554,396</u>
Unassigned:					
Reserve for economic uncertainties	<u>28,194,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,194,000</u>
Total	<u>\$ 130,452,105</u>	<u>\$ 766,619,901</u>	<u>\$ 367,869,899</u>	<u>\$ 180,740,028</u>	<u>\$1,445,681,933</u>

(Continued)

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

General Information about the State Teachers' Retirement Plan

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

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

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

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

CalSTRS 2% at 60

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

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

(Continued)

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

CalSTRS 2% at 62

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

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

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

In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution is allocated to reduce the employers' share of the unfunded actuarial obligation of the Defined Benefit Program.

The employer contribution rates set in statute by the CalSTRS Funding Plan were not changed by the passage of SB 90. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2018-2019. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2018-2019.

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

Employers – 16.28 percent of applicable member earnings.

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

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

The CalSTRS employer contribution rate increases effective for fiscal year 2018-2019 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2021 to			
June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

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

The District contributed \$93,059,038 to the plan for the fiscal year ended June 30, 2019.

State - 9.828 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The state's base contribution to the Defined Benefit Program is calculated based on creditable compensation from two fiscal years prior. The state rate will increase to 5.811% on July 1, 2019, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions. Additionally, the enactment of SB 90 will result in future supplemental contributions to be made by the state to pay down its portion of the unfunded actuarial obligation of the Defined Benefit Program in fiscal years 2019–20 through 2022–23.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

The CalSTRS state contribution rates effective for fiscal year 2018-2019 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding(1)</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2018	2.017%	5.311%	2.50%	9.828%
July 01, 2019	2.017%	5.811%(2)	2.50%	10.328% (3)
July 01, 2020 to June 30, 2046	2.017%	(4)	2.50%	(4)
July 1, 2046 and thereafter	2.017%	(5)	2.50%	4.517%(5)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) In May 2019, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2019.

(3) This rate does not include the \$2.2 billion supplemental state contribution on behalf of employers pursuant to SB 90.

(4) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(5) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District’s proportionate share of the net pension liability	\$ 962,350,000
State’s proportionate share of the net pension liability associated with the District	<u>550,992,000</u>
Total	<u>\$1,513,342,000</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2018, the District’s proportion was 1.047 percent, which was a decrease of 0.080 percent from its proportion measured as of June 30, 2017.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

For the year ended June 30, 2019, the District recognized pension expense of \$200,952,320 and revenue of \$99,813,149 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,984,000	\$ 13,979,000
Changes of assumptions	149,504,000	-
Net differences between projected and actual earnings on investments	-	37,057,000
Changes in proportion and differences between District contributions and proportionate share of contributions	2,204,000	72,151,000
Contributions made subsequent to measurement date	<u>93,059,038</u>	<u>-</u>
Total	<u>\$ 247,751,038</u>	<u>\$ 123,187,000</u>

\$93,059,038 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2020	\$ 21,992,067
2021	\$ 8,106,067
2022	\$ (17,147,433)
2023	\$ 6,997,567
2024	\$ 20,754,065
2025	\$ (9,197,333)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2018 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

* 20-year geometric average

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District’s proportionate share of the net pension liability	<u>\$1,409,731,000</u>	<u>\$ 962,350,000</u>	<u>\$ 591,429,000</u>

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

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

General Information about the Public Employer’s Retirement Fund B

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and non-certified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at

- <https://www.calpers.ca.gov/docs/forms-publications/cafr-2018.pdf>.

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

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2019 were as follows:

Members - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2018-2019.

Employers - The employer contribution rate was 18.062 percent of applicable member earnings.

The District contributed \$41,281,899 to the plan for the fiscal year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$476,148,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as June 30, 2017. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2018, the District’s proportion was 1.737 percent, which was a decrease of 0.289 percent from its proportion measured as of June 30, 2017.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

For the year ended June 30, 2019, the District recognized pension expense of \$72,660,973. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 30,637,000	\$ 1,000
Changes of assumptions	47,518,000	173,000
Net differences between projected and actual earnings on investments	3,887,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	819,000	44,955,000
Contributions made subsequent to measurement date	<u>41,281,899</u>	<u>-</u>
Total	<u>\$ 124,142,899</u>	<u>\$ 45,129,000</u>

\$41,281,899 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	
2020	\$ 33,580,946
2021	\$ 21,603,510
2022	\$ (14,629,696)
2023	\$ (2,822,760)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2018 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	June 30, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries 90% of scale MP 2016. For more details on this table, please refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years 1-10 (1)</u>	<u>Expected Real Rate of Return Years 11+(2)</u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate	13	3.75	4.93
Liquidity	1	-	(0.92)

* 10-year geometric average

(1) An expected inflation rate of 2.00% used for this period

(2) An expected inflation rate of 2.92% used for this period

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

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

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

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 694,386,000</u>	<u>\$ 476,148,000</u>	<u>\$ 295,147,000</u>

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

General Information Other Postemployment Benefits Plan (OPEB)

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

The San Diego Unified School District’s Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under one of the District’s retirement plans to continue medical, dental and life insurance coverage as a participant in the District’s plan.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District's Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2019, the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2019:

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

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

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

The District did not make any contributions to the plan for the year ended June 30, 2019.

Total OPEB Liability

Actuarial Assumptions: The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

<u>Post-Retirement Mortality Rate</u>	<p>PERS - Healthy post retirement rates developed in 2014 California PERS experience study.</p> <p>STRS - Match rates developed in 2010 experience study.</p> <p>Male - RP 2000 Healthy Male White Collar, projected to 2025; 2 year setback to age 70 and smoothed to 1 year setback at age 90.</p> <p>Female - RP 2000 Healthy Female White Collar, projected to 2025; 4 year setback to age 70 and smoothed to 0 year setback at age 90.</p>												
<u>Discount Rate as of 6/30/2018</u>	3.87%. Based on the June 30, 2018 Bond Buyer 20-Bond Index, as published by the Federal Reserve.												
<u>Assumed Investment Return</u>	Not applicable since the plan is unfunded.												
Retirement Rate	Retirement rates march rates developed in the most recent experience studies for California PERS (2014) and California STRS (2010).												
<u>Inflation Rate</u>	2.5% per year												
<u>Salary Increases</u>	2.5% per year												
<u>Administrative Expenses</u>	\$25,000 annually												
<u>Dependent Coverage</u>	<p>Future retirees are assumed to elect dependent coverage at the following rates:</p> <table><tr><td>SDEA</td><td>45%</td></tr><tr><td>OSS</td><td>30%</td></tr><tr><td>OTBS</td><td>40%</td></tr><tr><td>POA</td><td>33%</td></tr><tr><td>Paraeducators</td><td>35%</td></tr><tr><td>Administrators</td><td>55%</td></tr></table> <p>Female spouses are assumed to be three years younger than male spouses. 100% of retirees are assumed to be married.</p> <p>Current retirees are valued based on elected coverage.</p>	SDEA	45%	OSS	30%	OTBS	40%	POA	33%	Paraeducators	35%	Administrators	55%
SDEA	45%												
OSS	30%												
OTBS	40%												
POA	33%												
Paraeducators	35%												
Administrators	55%												

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

<u>Health Plan Participation</u>	<p>Future retirees are assumed to elect retiree medical coverage at the following rates:</p> <table border="0" style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: center;">Retire With Less than <u>17 Years</u></th> <th style="text-align: center;">Retire With More than <u>17 years</u></th> </tr> </thead> <tbody> <tr> <td>SDEA</td> <td style="text-align: center;">40%</td> <td style="text-align: center;">60%</td> </tr> <tr> <td>OSS</td> <td style="text-align: center;">20%</td> <td style="text-align: center;">50%</td> </tr> <tr> <td>OTBS</td> <td style="text-align: center;">35%</td> <td style="text-align: center;">50%</td> </tr> <tr> <td>POA</td> <td style="text-align: center;">20%</td> <td style="text-align: center;">35%</td> </tr> <tr> <td>Paraeducators</td> <td style="text-align: center;">25%</td> <td style="text-align: center;">35%</td> </tr> <tr> <td>Administrators</td> <td style="text-align: center;">66%</td> <td style="text-align: center;">70%</td> </tr> </tbody> </table>		Retire With Less than <u>17 Years</u>	Retire With More than <u>17 years</u>	SDEA	40%	60%	OSS	20%	50%	OTBS	35%	50%	POA	20%	35%	Paraeducators	25%	35%	Administrators	66%	70%
	Retire With Less than <u>17 Years</u>	Retire With More than <u>17 years</u>																				
SDEA	40%	60%																				
OSS	20%	50%																				
OTBS	35%	50%																				
POA	20%	35%																				
Paraeducators	25%	35%																				
Administrators	66%	70%																				
<u>Medicare Coverage</u>	All current and future participating retirees and spouses will qualify for Medicare coverage and enroll in Parts A and B upon age 65.																					
<u>Health Care Inflation</u>	Initial rate of 8.5% in fiscal 2018, then 8.0% in fiscal 2019, grading down to the ultimate trend rate of 4.0% in fiscal 2073.																					
<u>Termination Rate</u>	Termination rates match rates developed in the most recent experience studies for California PERS (2014) and California STRS (2010).																					
<u>Disability Rate</u>	None																					
<u>Medical Aging Factors</u>	3.5% per year prior to age 65.																					
<u>Health Claims</u>	Using the 2017 premium rates, an age-adjusted average per capita cost for each plan reflecting enrollments for the current active and per-65 retiree population.																					
<u>Funding Method</u>	Entry Age Cost Method (Level Percentage of Pay).																					

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate: Given the District's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 3.87%. The municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ <u>127,328,463</u>
Changes for the year:	
Service cost	5,818,159
Interest	4,645,142
Changes in assumptions	(2,840,873)
Benefit payments	<u>(6,848,335)</u>
Net change	<u>774,093</u>
Balance at June 30, 2019	<u><u>\$ 128,102,556</u></u>

The District's Total OPEB Liability (TOL) was measured as of June 30, 2018. The District's TOL was measured as of June 30, 2018 using a discount rate of 3.87%. The changes in assumptions includes a change in the discount rate from 3.58% at the June 30, 2017 measurement date to 3.87% at the June 30, 2018 measurement date.

There were no changes between the measurement date and the year ended June 30, 2019 which had a significant effect on the District's total OPEB liability.

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

	1% Decrease <u>(2.87%)</u>	Current Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
Total OPEB liability	<u>\$ 138,062,959</u>	<u>\$ 128,102,556</u>	<u>\$ 118,644,030</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

	1% Decrease (3.0 - 7.5%)	Healthcare Cost Trend Rates Rate (4.0 - 8.5%)	1% Increase (5.0 - 9.5%)
Total OPEB liability	<u>\$ 113,296,281</u>	<u>\$ 128,102,556</u>	<u>\$ 145,535,471</u>

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$9,636,569. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	8,614,060
Net differences between projected and actual earnings on investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Benefits paid subsequent to measurement date	<u>6,739,308</u>	<u>-</u>
Total	<u>\$ 6,739,308</u>	<u>\$ 8,614,060</u>

\$6,739,308 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended <u>June 30,</u>	
2020	\$ (837,732)
2021	\$ (837,732)
2022	\$ (837,732)
2023	\$ (837,732)
2024	\$ (837,732)
Thereafter	\$ (4,425,400)

Changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 12 years as of the June 30, 2018 measurement date.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - EARLY RETIREMENT INCENTIVE

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

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

The annual requirements to amortize the SERP liability outstanding as of June 30, 2019 are as follows:

Year Ending <u>June 30,</u>	
2020	\$ 15,988,225
2021	15,888,225
2022	<u>15,888,225</u>
Total	<u>\$ 47,764,675</u>

NOTE 12 - JOINT POWERS AGREEMENT

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

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

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 12 - JOINT POWERS AGREEMENT (Continued)

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

Total assets	\$ 834,314,751
Deferred outflows of resources	\$ 1,718,920
Total liabilities	\$ 712,318,785
Deferred inflows of resources	\$ 1,144,292
Total net position	\$ 122,570,594
Total revenues	\$ 894,513,907
Total expenditures	\$ 906,269,207
Change in net position	\$ (11,755,300)

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

Total assets	\$ 118,692,000
Total deferred outflows of resources	\$ 498,000
Total liabilities	\$ 101,065,000
Total deferred inflows of resources	\$ 28,000
Total net position	\$ 18,097,000
Total revenues	\$ 15,139,000
Total expenditures	\$ 19,471,000
Change in net position	\$ (4,332,000)

NOTE 13 - CONTINGENCIES

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

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

Construction Commitments: As of June 30, 2019, the District has \$509.8 million in outstanding commitments on construction contracts.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - SUBSEQUENT EVENTS

On July 10, 2019, the District issued Tax and Revenue Anticipation Notes (TRANs) totaling \$220,000,000, with an interest rate of 5.00%. The TRANs are payable only out of taxes, income, revenue, cash receipts and other monies which are received by the District for its General Fund and are attributable to the fiscal year 2019-20 and legally available for payment thereof. The TRANs are secured by a pledge of certain unrestricted revenues received by the District issuing such TRANs for its General Fund attributable to the fiscal year 2019-20, and the TRANs constitute a first lien and charge payable from the first monies received by the District from such pledged revenues. The TRANs are scheduled to mature on June 30, 2020.

In October of 2019, the 2019 General Obligation Bonds were issued in total of \$350,000,000. \$250,000,000 of the bonds were issued under Proposition Z and the remaining \$100,000,000 were issued under Measure YY. The bonds range in maturity date with a final payoff on July 1, 2049 with interests rates ranging from 1.75% to 5.00%.

REQUIRED SUPPLEMENTARY INFORMATION

SAN DIEGO UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2019

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 418,489,800	\$ 399,171,562	\$ 347,618,223	\$ (51,553,339)
Local sources	<u>604,648,281</u>	<u>631,291,956</u>	<u>679,190,293</u>	<u>47,898,337</u>
Total LCFF	<u>1,023,138,081</u>	<u>1,030,463,518</u>	<u>1,026,808,516</u>	<u>(3,655,002)</u>
Federal sources	88,674,989	135,736,246	107,195,075	(28,541,171)
Other state sources	193,093,304	191,768,885	244,556,062	52,787,177
Other local sources	<u>26,225,543</u>	<u>43,559,647</u>	<u>47,916,725</u>	<u>4,357,078</u>
Total revenues	<u>1,331,131,917</u>	<u>1,401,528,296</u>	<u>1,426,476,378</u>	<u>24,948,082</u>
Expenditures:				
Current:				
Certificated salaries	570,854,611	578,881,850	578,460,333	421,517
Classified salaries	202,087,222	196,696,570	201,031,630	(4,335,060)
Employee benefits	428,623,105	416,708,679	474,018,392	(57,309,713)
Books and supplies	44,707,200	73,286,553	35,535,950	37,750,603
Contract services and operating expenditures	84,379,181	105,852,255	91,854,204	13,998,051
Other outgo	1,335,698	1,376,131	1,345,077	31,054
Capital outlay	<u>482,070</u>	<u>28,038,410</u>	<u>12,766,530</u>	<u>15,271,880</u>
Total expenditures	<u>1,332,469,087</u>	<u>1,400,840,448</u>	<u>1,395,012,116</u>	<u>5,828,332</u>
(Deficiency)/excess of revenues (under) over expenditures	<u>(1,337,170)</u>	<u>687,848</u>	<u>31,464,262</u>	<u>30,776,414</u>
Other financing sources (uses):				
Transfers in	24,633,117	24,550,213	21,229,517	(3,320,696)
Transfers out	<u>(19,980,449)</u>	<u>(16,893,550)</u>	<u>(14,948,012)</u>	<u>1,945,538</u>
Total other financing sources (uses)	<u>4,652,668</u>	<u>7,656,663</u>	<u>6,281,505</u>	<u>(1,375,158)</u>
Net change in fund balance	3,315,498	8,344,511	37,745,767	29,401,256
Fund balance, July 1, 2018	<u>92,706,338</u>	<u>92,706,338</u>	<u>92,706,338</u>	<u>-</u>
Fund balance, June 30, 2019	<u>\$ 96,021,836</u>	<u>\$ 101,050,849</u>	<u>\$ 130,452,105</u>	<u>\$ 29,401,256</u>

See accompanying note to required supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
For the Year Ended June 30, 2019

Last 10 Fiscal Years

	<u>2018</u>	<u>2019</u>
Total OPEB liability		
Service cost	\$ 6,647,630	\$ 5,818,159
Interest	3,823,699	4,645,142
Change in assumptions	(7,211,912)	(2,840,873)
Benefit payments	<u>(6,848,335)</u>	<u>(6,848,335)</u>
Net change in total OPEB liability	(3,588,918)	774,093
Total OPEB liability, beginning of year	<u>130,917,381</u>	<u>127,328,463</u>
Total OPEB liability, end of year	<u>\$ 127,328,463</u>	<u>\$ 128,102,556</u>
Covered employee payroll	\$ 714,548,355	\$ 750,722,365
Total OPEB liability as a percentage of covered-employee payroll	17.82%	17.06%

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2019

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of the net pension liability	1.168%	1.162%	1.132%	1.127%	1.047%
District's proportionate share of the net pension liability	\$682,566,000	\$782,123,000	\$927,256,000	\$042,490,000	\$962,350,000
State's proportionate share of the net pension liability associated with the District	<u>412,166,000</u>	<u>413,656,000</u>	<u>527,920,000</u>	<u>616,731,000</u>	<u>550,992,000</u>
Total net pension liability	<u>\$094,732,000</u>	<u>\$195,779,000</u>	<u>\$455,176,000</u>	<u>\$659,221,000</u>	<u>\$513,342,000</u>
District's covered payroll	\$520,247,000	\$539,213,000	\$571,356,000	\$597,440,000	\$557,382,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	174.49%	172.66%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%

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

All years prior to 2015 are not available.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2019

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of the net pension liability	2.049%	1.986%	2.060%	2.026%	1.737%
District's proportionate share of the net pension liability	\$242,318,083	\$312,198,000	\$420,881,000	\$497,140,000	\$476,148,000
District's covered payroll	\$218,874,000	\$235,814,000	\$243,244,000	\$258,254,000	\$229,064,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	110.71%	132.39%	173.03%	192.50%	207.87%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2019

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 47,882,108	\$ 61,306,467	\$ 75,157,977	\$ 80,930,171	\$ 93,059,038
Contributions in relation to the contractually required contribution	<u>(47,882,108)</u>	<u>(61,306,467)</u>	<u>(75,157,977)</u>	<u>(80,930,171)</u>	<u>(93,059,038)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$539,213,000	\$571,356,000	\$597,440,000	\$557,382,000	\$571,616,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%

All years prior to 2015 are not available.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2019

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 27,757,643	\$ 28,817,068	\$ 35,871,548	\$ 36,433,853	\$ 41,281,899
Contributions in relation to the contractually required contribution	<u>(27,757,643)</u>	<u>(28,817,068)</u>	<u>(35,871,548)</u>	<u>(36,433,853)</u>	<u>(41,281,899)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$235,814,000	\$243,244,000	\$258,254,000	\$229,064,000	\$224,089,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.91%	18.42%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

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

The Schedule of Changes in Total OPEB liability is presented to illustrate the elements of the District's Total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

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

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

D - Schedule of the District's Contributions

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

E - Changes of Benefit Terms

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

F - Changes of Assumptions

The District's Total OPEB Liability was measured as of June 30, 2016 using a discount rate of 2.85%. The Total OPEB Liability determined by the actuarial valuation as of June 30, 2017 used a discount rate of 3.58%. The Total OPEB Liability determined by the actuarial valuation as of June 30, 2018 used a discount rate of 3.87%.

The discount rate for Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016 and 2017 actuarial reports, respectively.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

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

<u>Assumption</u>	<u>Measurement Period</u>			
	As of June 30, <u>2018</u>	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

SAN DIEGO UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2019

	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Pupil Transportation Equipment Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Non-Major Governmental Total
ASSETS								
Cash in County Treasury	\$ 1,231,687	\$ 5,403,902	\$ 5,538,502	\$ 246,645	\$ 86,615,827	\$ 68,630,491	\$ 16,601,050	\$ 184,268,104
Cash on hand and in banks	-	-	3,955,246	-	-	-	-	3,955,246
Receivables	112,180	2,290,939	20,077,423	2,790	810,724	764,794	258,174	24,317,024
Due from other funds	99,010	4,639,343	242,319	-	6,164,245	66,293	52,078	11,263,288
Prepaid expenditures	795	6,574	635	-	-	-	-	8,004
Stores inventory	-	-	539,059	-	-	-	-	539,059
	<u>-</u>	<u>-</u>	<u>539,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>539,059</u>
Total assets	<u>\$ 1,443,672</u>	<u>\$ 12,340,758</u>	<u>\$ 30,353,184</u>	<u>\$ 249,435</u>	<u>\$ 93,590,796</u>	<u>\$ 69,461,578</u>	<u>\$ 16,911,302</u>	<u>\$ 224,350,725</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 13,817	\$ 105,974	\$ 5,371,559	\$ -	\$ 471,625	\$ 279,107	\$ 28,002	\$ 6,270,084
Unearned revenue	-	-	6,909	-	-	-	5,584,047	5,590,956
Due to other funds	<u>142,697</u>	<u>11,849,015</u>	<u>11,454,685</u>	<u>-</u>	<u>2,468,594</u>	<u>5,658,186</u>	<u>176,480</u>	<u>31,749,657</u>
Total liabilities	<u>156,514</u>	<u>11,954,989</u>	<u>16,833,153</u>	<u>-</u>	<u>2,940,219</u>	<u>5,937,293</u>	<u>5,788,529</u>	<u>43,610,697</u>
Fund balances:								
Nonspendable	795	6,574	539,694	-	-	-	-	547,063
Restricted	<u>1,286,363</u>	<u>379,195</u>	<u>12,980,337</u>	<u>249,435</u>	<u>90,650,577</u>	<u>63,524,285</u>	<u>11,122,773</u>	<u>180,192,965</u>
Total fund balance	<u>1,287,158</u>	<u>385,769</u>	<u>13,520,031</u>	<u>249,435</u>	<u>90,650,577</u>	<u>63,524,285</u>	<u>11,122,773</u>	<u>180,740,028</u>
Total liabilities and fund balances	<u>\$ 1,443,672</u>	<u>\$ 12,340,758</u>	<u>\$ 30,353,184</u>	<u>\$ 249,435</u>	<u>\$ 93,590,796</u>	<u>\$ 69,461,578</u>	<u>\$ 16,911,302</u>	<u>\$ 224,350,725</u>

SAN DIEGO UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2019

	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Pupil Transportation Equipment Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Non-Major Governmental Total
Revenues:								
Federal sources	\$ -	\$ 232,623	\$ 55,329,257	\$ -	\$ -	\$ -	\$ -	\$ 55,561,880
Other state sources	1,296,642	16,037,394	5,031,385	-	438,448	6,967,878	50,640	29,822,387
Other local sources	<u>41,982</u>	<u>5,566,877</u>	<u>11,513,790</u>	<u>7,704</u>	<u>46,578,107</u>	<u>1,490,718</u>	<u>4,858,993</u>	<u>70,058,171</u>
Total revenues	<u>1,338,624</u>	<u>21,836,894</u>	<u>71,874,432</u>	<u>7,704</u>	<u>47,016,555</u>	<u>8,458,596</u>	<u>4,909,633</u>	<u>155,442,438</u>
Expenditures:								
Current:								
Certificated salaries	697,974	7,022,650	-	-	-	-	-	7,720,624
Classified salaries	251,349	6,645,153	22,709,502	-	6,438,414	85,784	838,664	36,968,866
Employee benefits	461,911	9,344,524	13,774,246	-	4,565,174	44,775	421,766	28,612,396
Books and supplies	176,969	583,822	22,827,997	-	-	82,405	21,856	23,693,049
Contract services and operating expenditures	195,665	107,574	7,361,944	38,855	5,748,029	678,082	468,214	14,598,363
Capital outlay	<u>10,928</u>	<u>42,700</u>	<u>241,118</u>	<u>-</u>	<u>7,507,924</u>	<u>2,346,275</u>	<u>288,424</u>	<u>10,437,369</u>
Total expenditures	<u>1,794,796</u>	<u>23,746,423</u>	<u>66,914,807</u>	<u>38,855</u>	<u>24,259,541</u>	<u>3,237,321</u>	<u>2,038,924</u>	<u>122,030,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(456,172)</u>	<u>(1,909,529)</u>	<u>4,959,625</u>	<u>(31,151)</u>	<u>22,757,014</u>	<u>5,221,275</u>	<u>2,870,709</u>	<u>33,411,771</u>
Other financing sources (uses):								
Transfers in	-	3,045,741	232,271	-	-	-	-	3,278,012
Transfers out	<u>(56,404)</u>	<u>(753,164)</u>	<u>(119,949)</u>	<u>-</u>	<u>(14,300,000)</u>	<u>(5,000,000)</u>	<u>(1,000,000)</u>	<u>(21,229,517)</u>
Total other financing sources (uses)	<u>(56,404)</u>	<u>2,292,577</u>	<u>112,322</u>	<u>-</u>	<u>(14,300,000)</u>	<u>(5,000,000)</u>	<u>(1,000,000)</u>	<u>(17,951,505)</u>
Net change in fund balances	(512,576)	383,048	5,071,947	(31,151)	8,457,014	221,275	1,870,709	15,460,266
Fund balances, July 1, 2018	<u>1,799,734</u>	<u>2,721</u>	<u>8,448,084</u>	<u>280,586</u>	<u>82,193,563</u>	<u>63,303,010</u>	<u>9,252,064</u>	<u>165,279,762</u>
Fund balances, June 30, 2019	<u>\$ 1,287,158</u>	<u>\$ 385,769</u>	<u>\$ 13,520,031</u>	<u>\$ 249,435</u>	<u>\$ 90,650,577</u>	<u>\$ 63,524,285</u>	<u>\$ 11,122,773</u>	<u>\$ 180,740,028</u>

SAN DIEGO UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2019

San Diego Unified School District (“District”) began operations in 1854 under the laws of the State of California. The San Diego Unified School District serves more than 121,000 students in preschool through grade 12, including Charter Schools, and is the second largest district in California. The District’s educational facilities include 108 elementary schools, 9 K-8 schools, 25 middle/junior schools, 23 senior high schools, 12 atypical/alternative schools, 47 State preschools sites, 4 child development centers, 4 special education centers and is the sponsoring agency for 46 charter schools.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Sharon Whitehurst-Payne	President	December 2020
Dr. John Lee Evans	Vice President	December 2020
Richard Barrera	Member	December 2020
Kevin Beiser	Member	December 2022
Michael McQuary	Member	December 2022

DISTRICT ADMINISTRATORS

Cindy Marten
Superintendent of Public Education

Staci Monreal
Chief of Staff

Gregory K. Ottinger Ed.D
Chief Business Officer

Acacia Thede
Chief Human Resources Officer

W. Drew Rowlands
Chief Operations Officer

Lee Dulgeroff
Chief Facilities Planning and Construction Officer

Andrew Sharp
Chief Public Information Officer

Andra M. Greene
General Counsel

Debbie Foster
Executive Director, Financial Planning and Development

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

Carmina Duran
Executive Director, Quality Assurance

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2019

(Continued)

Marty Stultz
Director, Board Services

Jim Solo
Executive Director, Leadership & Learning

Cheryl Hibbeln
Executive Director, School Innovation

Toren Allen
Executive Director, Integrated Technology

Sarah Ott
Executive Director, Special Education

Bruce Bivins
Area 1 Superintendent

Lamont Jackson
Area 2 Superintendent

Kimie Lochtefeld
Area 3 Superintendent

Monika Hazel
Area 4 Superintendent

Mitzi Merino
Area 5 Superintendent

Sofia Freire
Chief, Leadership & Learning
Area 6 Superintendent

SAN DIEGO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2019

Certificate #:	AF13A74C Second Period <u>Report</u>	F84C142D Annual <u>Report</u>
Transitional Kindergarten through Third		
Regular ADA	33,782	33,738
Special Education	<u>82</u>	<u>83</u>
Total Transitional Kindergarten through Third	<u>33,864</u>	<u>33,821</u>
Fourth through Sixth		
Regular ADA	22,180	22,122
Special Education	<u>92</u>	<u>93</u>
Total Fourth through Sixth	<u>22,272</u>	<u>22,215</u>
Seventh through Eighth		
Regular ADA	13,651	13,608
Special Education	68	69
Community Day School	<u>9</u>	<u>10</u>
Total Seventh through Eighth	<u>13,728</u>	<u>13,687</u>
Ninth through Twelfth		
Regular ADA	27,886	27,632
Special Education	249	269
Community Day School	<u>25</u>	<u>26</u>
Total Ninth through Twelfth	<u>28,160</u>	<u>27,927</u>
District Total	<u><u>98,024</u></u>	<u><u>97,650</u></u>

SAN DIEGO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2019

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>2018-2019 Actual Minutes</u>	<u>Number of Days</u>	<u>Status</u>
<u>District:</u>				
Kindergarten	36,000	58,380	180	In compliance
Grade 1	50,400	54,120	180	In compliance
Grade 2	50,400	54,035	180	In compliance
Grade 3	50,400	56,325	180	In compliance
Grade 4	54,000	54,440	180	In compliance
Grade 5	54,000	54,500	180	In compliance
Grade 6	54,000	65,649	180	In compliance
Grade 7	54,000	63,192	180	In compliance
Grade 8	54,000	64,887	180	In compliance
Grade 9	64,800	64,869	180	In compliance
Grade 10	64,800	65,010	180	In compliance
Grade 11	64,800	65,230	180	In compliance
Grade 12	64,800	65,564	180	In compliance

SAN DIEGO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2019

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
Special Education Cluster:			
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	\$ 21,806,624
84.027	IDEA Local Assistance, Part B, Sec. 619 Private School ISPs	10115	155,279
84.173	PI 99-457 Preschool Grant Programs	13430	842,656
84.173A	Alternative Dispute Resolution Program, Part B	13007	20,286
84.173A	IDEA Preschool Staff Development, Part B, Sec. 619	13431	5,643
84.027A	IDEA Mental Health ADA	15197	<u>1,161,858</u>
	Subtotal Special Education Cluster		<u>23,992,346</u>
ESEA: Title III Program:			
84.365	ESEA: Title III, Limited English Proficient (LEP) Student Programs	14346	2,515,077
84.365	ESEA: Title III, Immigrant Education Program	15146	<u>315,138</u>
	Subtotal ESEA: Title III Program		<u>2,830,215</u>
Federal Impact Aid Program:			
84.041	Federal Impact Aid	10015	15,725,890
84.041	Federal Impact Aid - Special Ed	14792	<u>3,150,713</u>
	Subtotal Federal Impact Aid Program		<u>18,876,603</u>
Magnet School Assistance Program:			
84.165A	Magnet School Assistance Program	*	1,280,429
84.165A	Magnet School Assistance Program - Positions	*	<u>1,411,741</u>
	Subtotal Magnet School Assistance Program		<u>2,692,170</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2019

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.010	ESEA: Title I, Part A Basic Grants, Low Income and Neglected	14329	\$ 34,507,915
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	981,871
84.060	Indian Education	10011	62,879
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	265,868
84.367	ESEA: Title II, Part A, Improving Teacher Quality Local Grants	14341	9,113,562
84.287	ESEA: Title IV, Part B, 21st Century Community Learning Centers Program	14681	3,760,936
84.424	ESAA: Title IV, Part A, SSAE	15396	415,195
84.196	Education for Homeless Children	*	69,240
84.U01	JROTC	*	868,331
84.U02	IB EXAM	*	78,161
84.330C	Advanced Placement Program	*	678,477
84.126	Department of Rehab: Workability II, Transition Partnership	10006	<u>979,672</u>
Total U.S. Department of Education			<u>100,173,441</u>
<u>U.S. Department of Defense - Passed through California Department of Education</u>			
Invitational Grants for Military-Connected Schools Program:			
12.557	Op Special Ed Achievement	*	267,667
12.557	OpCollege and Career Readiness	*	249,201
12.557	Operation Aim High	*	<u>255,692</u>
Subtotal Invitational Grants for Military-Connected Schools Program			<u>772,560</u>
Community Investment Program:			
12.600	Department of Defense Off Econ Adj Grant Hancock	*	5,376,547
12.600	Department of Defense Off Econ Adj Grant Miller	*	<u>2,947,398</u>
Subtotal Community Investment Program			<u>8,323,945</u>
Total U.S. Department of Defense			<u>9,096,505</u>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2019

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	*	\$ 406,945
93.558	Sandapp Cal-Learn - TANF Cluster	*	977,802
93.575	Child Development: Federal General and Preschool, Family Child Care Home - CCDF Cluster	15136	232,623
93.576	Refugee and Entrant Assistance Discretionary Grant	*	60,511
93.778	Department of Health Services: Medi-Cal Billing Option - Medicaid Cluster	10013	<u>2,241,060</u>
Total U.S. Department of Health and Human Services			<u>3,918,941</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.558	Child Nutrition: CACFP Claims Centers and Family Day Care Homes	13394	6,118,852
10.579	Child Nutrition: NSLP Equipment Assistance Grant	14906	88,020
10.553	Child Nutrition: School Programs - Child Nutrition Cluster	13526	<u>49,122,385</u>
Total U.S. Department of Agriculture			<u>55,329,257</u>
Total Federal Programs			<u>\$ 168,518,144</u>

* PCS or CFDA Number not available for not applicable.

See accompanying notes to supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

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

See accompanying notes to supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2019
(UNAUDITED)

	(Adopted Budget) <u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>General Fund</u>				
Revenues and other financing sources	<u>\$1,392,216,622</u>	<u>\$1,447,705,895</u>	<u>\$1,339,555,371</u>	<u>\$1,305,552,339</u>
Expenditures	1,408,958,902	1,395,012,116	1,313,828,199	1,371,405,594
Other uses and transfers out	<u>14,108,066</u>	<u>14,948,012</u>	<u>18,045,589</u>	<u>13,198,110</u>
Total outgo	<u>1,423,066,968</u>	<u>1,409,960,128</u>	<u>1,331,873,788</u>	<u>1,384,603,704</u>
Change in fund balance	<u>\$ (30,850,346)</u>	<u>\$ 37,745,767</u>	<u>\$ 7,681,583</u>	<u>\$ (79,051,365)</u>
Ending fund balance	<u>\$ 99,601,759</u>	<u>\$ 130,452,105</u>	<u>\$ 92,706,338</u>	<u>\$ 85,024,755</u>
Available reserves	<u>\$ 50,407,619</u>	<u>\$ 28,194,000</u>	<u>\$ 26,651,000</u>	<u>\$ 27,675,000</u>
Designated for economic uncertainties	<u>\$ 28,417,000</u>	<u>\$ 28,194,000</u>	<u>\$ 26,651,000</u>	<u>\$ 27,675,000</u>
Undesignated fund balance	<u>\$ 21,990,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>3.5%</u>	<u>2.0%</u>	<u>2.0%</u>	<u>2.0%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$5,986,877,762</u>	<u>\$5,833,598,585</u>	<u>\$5,779,405,834</u>	<u>\$4,782,899,894</u>
Average daily attendance at P-2	<u>96,374</u>	<u>98,024</u>	<u>99,506</u>	<u>100,893</u>

The General Fund fund balance has decreased by \$33,624,015 over the past three years. The fiscal year 2019-2020 budget projects a decrease of \$30,850,346. For a district this size, the State of California recommends available reserves of at least 2% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2019, the District has met this requirement.

The District has incurred operating surpluses in two of the past three years, and anticipates an operating deficit in fiscal year 2019-2020.

Total long-term liabilities have increased by \$1,050,698,691 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance has decreased by 2,869 over the past two years. A decrease of 1,650 ADA is projected for the 2019-2020 fiscal year.

See accompanying notes to supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF CHARTER SCHOOLS
 For the Year Ended June 30, 2019

<u>Charter School</u>	<u>Charter Number</u>	<u>Status</u>	<u>Included in District Report</u>
Albert Einstein Academy Charter Elementary	488	Active	No
America's Finest Charter School	1301	Active	No
Audeo Charteran - an Altus School	406	Active	No
Charter School of San Diego - an Altus School	28	Active	No
City Heights Preparatory Charter	1312	Active	No
Darnall Charter	33	Active	No
e3 Civic High	1302	Active	No
Einstein Academy Charter Middle	773	Active	No
Elevate Elementary	1633	Active	No
Empower Charter	1634	Active	No
Gompers Preparatory Academy	1080	Active	No
Harriet Tubman Village Charter	46	Active	No
Health Sciences High	876	Active	No
Health Sciences Middle	1517	Active	No
High Tech Elementary	1709	Active	No
High Tech Elementary Explorer	278	Active	No
High Tech High	269	Active	No
High Tech International	623	Active	No
High Tech High Media Arts	622	Active	No
High Tech Middle	546	Active	No
High Tech Middle Media Arts	660	Active	No
Holly Drive Leadership Academy	264	Active	No
Iftin Charter School	680	Active	No
Ingenuity Charter - an O'Farrell School	1719	Active	No
Innovations Academy	1024	Active	No
Kavod Elementary Charter	1447	Active	No
Keiller Leadership Academy	695	Active	No
King-Chavez Academy of Excellence	420	Active	No
King-Chavez Arts Academy	704	Active	No
King-Chavez Athletics Academy	706	Active	No
King-Chavez Community High	1015	Active	No
King-Chavez Preparatory Academy	772	Active	No
King -Chavez Primary Academy	705	Active	No
Kipp Adelante Preparatory Academy	550	Active	No
Learning Choice Academy	659	Active	No
Magnolia Science Academy San Diego	698	Active	No
McGill School of Success	95	Active	No
Museum	81	Active	No
National University Academy	1981	Active	No
Old Town Academy K-8 Charter	1279	Active	No
Preuss School UCSD	169	Active	No
San Diego Cooperative Charter	396	Active	No
San Diego Global Vision Academy	1190	Active	No
School for Entrepreneurship and Technology	1253	Active	No
The O'Farrell Charter	48	Active	No
Urban Discovery Academy	1008	Active	No

See accompanying notes to supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 June 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2019.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 162,756,955
Less: Funds received in excess of expenditures		
Federal Impact Aid	84.041	
Medi-Cal Billing Option	93.778	(573,390)
Add:		
Title III, LEP, transfer of disallowed expenditures	84.365	<u>6,334,579</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 168,518,144</u>

* CFDA number not available.

(Continued)

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

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

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

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2019-2020 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Section 22714 and 44929. For the fiscal year ended June 30, 2019, the District did not adopt such a program.

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

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

Report on Compliance with State Laws and Regulations

We have audited San Diego Unified School District's compliance with the types of compliance requirements described in the State of California *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2019.

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

(Continued)

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

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

We did not perform any procedures related to Apprenticeship: Related and Supplemental Instruction because the District did not operate this program in the current year.

We did not perform any procedures related to District of Choice because the District did not qualify for this program in the current year.

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

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on San Diego Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on San Diego Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about San Diego Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Findings 2019-002 and 2019-003 in the accompanying Schedule of Audit Findings and Questioned Costs, San Diego Unified School District did not comply with requirements regarding Attendance Reporting and Kindergarten Continuation, respectively. Compliance with such requirements is necessary, in our opinion, for San Diego Unified School District to comply with the requirements applicable to the state laws and regulations applicable to Attendance Reporting and Kindergarten Continuation.

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, San Diego Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2019.

(Continued)

Other Matter

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

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
December 4, 2019

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Diego Unified School District as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise San Diego Unified School District's basic financial statements, and have issued our report thereon dated December 4, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a deficiency in internal control that was communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2019-001.

(Continued)

Compliance and Other Matters

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

San Diego Unified School District Response to Finding

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

Purpose of this Report

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

Crowe LLP

Crowe LLP

Sacramento, California
December 4, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited San Diego Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of San Diego Unified School District's major federal programs for the year ended June 30, 2019. San Diego Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, San Diego Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Crowe LLP

Crowe LLP

Sacramento, California
December 4, 2019

FINDINGS AND RECOMMENDATIONS

SAN DIEGO UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

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

Identification of major programs:

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

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

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

STATE AWARDS

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

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

2019-001 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)

Criteria or Specific Requirement

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

Condition

Alice Birney Elementary School

- A dual count is not being documented when funds are turned into the office.
- Cash receipts are not being issued when funds are turned into the office.
- Requests for disbursements are not properly supported by invoices or other identifying information as well as approval of expenditures was not formally documented by the proper individuals before a warrant is disbursed.

Hancock Elementary School

- Cash receipts are not being issued when funds are turned into the office.

Mason Elementary School

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

Benchley-Weinberger Elementary School

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

Porter North Elementary School

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

Context

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

Effect

ASB funds could potentially be misappropriated.

Cause

Adequate internal control procedures have not been implemented and enforced.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

2019-001 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000) (Continued)

Recommendation

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

- A dual count should be documented when funds are turned into the office.
- Cash receipts are to be issued when funds are turned into the office.
- Requests for disbursements should be properly supported by invoices or other identifying information as well as approval of expenditures should be formally documented by the proper individuals before a warrant is disbursed.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the auditor's recommendations. The District continues to provide support to the schools that administer ASB funds with training sessions which are held at the beginning of each school year and again in the spring. The District also has established an open lab available to the Financial Clerks and Elementary School Assistants to work one-on-one with the accounting team. In addition, the District's Operations Auditors provide an ASB Essentials training for Principals, Financial Clerks, and Elementary School Assistants.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Identified.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2019-002 STATE COMPLIANCE - ATTENDANCE REPORTING (10000)

Criteria or Specific Requirement

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

Condition

At Benchley-Weinberger Elementary, one student was improperly claimed for apportionment, resulting in an overstatement of one day of attendance or 0.007 ADA.

Context

We performed the audit procedures enumerated in the State of California *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect

The effect of this finding is an overstatement of 0.007 ADA.

Cause

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

Fiscal Impact

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2019-003 STATE COMPLIANCE – KINDERGARTEN CONTINUATION (40000)

Criteria or Specific Requirement

Education Code Section 46300 "...(g) (1) In computing the average daily attendance of a school district, there shall be included the attendance of pupils in kindergarten after they have completed one school year in kindergarten or pupils in a transitional kindergarten program after they have completed one year in that program if one of the following conditions is met:

(A) The school district has on file for each of those pupils an agreement made pursuant to Section 48011, approved in form and content by the department and signed by the pupil's parent or guardian, that the pupil may continue in kindergarten for not more than one additional school year."

(B) The pupils participated in a transitional kindergarten program pursuant to subdivision (c) of Section 48000.

Condition

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

Context

We performed the audit procedures enumerated in the State of California *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect

The effect of this finding is an overstatement of 1.00 ADA in the Kindergarten through third grade span.

Cause

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

Fiscal Impact

The effect of this finding is an overstatement of 1.00 ADA. Based on the LCFF Base Grant Funding per ADA of \$9,516.70, the estimated fiscal impact is \$9,520.

Recommendation

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2019-003 STATE COMPLIANCE – KINDERGARTEN CONTINUATION (40000) (Continued)

Views of Responsible Officials and Planned Corrective Actions

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

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2018-001</p> <p><u>Conditions:</u></p> <p><i>Penn Elementary School</i></p> <ul style="list-style-type: none"> • Faculty Social Committee funds are being kept within the overall ASB account and commingled in the Chase bank account with student body funds. <p><i>Adams Elementary School</i></p> <ul style="list-style-type: none"> • Faculty Social Committee funds are being kept within the overall ASB account and commingled in the Chase bank account with student body funds. • Deposits are not being turned in on a timely basis. • Vending machine proceeds are being credited to the Staff Social Committee account instead of the ASB account. <p><i>Nye Elementary School</i></p> <ul style="list-style-type: none"> • A dual count is not being documented when funds are turned into the office. • There is no evidence that expenditures are approved prior to purchase. • Faculty Social Committee funds are being kept within the overall ASB account and commingled in the Chase bank account with student body funds. <p><i>Spreckels Elementary School</i></p> <ul style="list-style-type: none"> • Faculty Social Committee funds are being kept within the overall ASB account and commingled in the Chase bank account with student body funds. • Cash receipts are not being recorded or deposited promptly from when funds are turned into the office. <p><i>Crown Point Elementary School</i></p> <ul style="list-style-type: none"> • There is no fundraiser approval form being used to approve sales. • The school Principal does not review the monthly financial transactions, bank reconciliation, or bank statement to be aware of funds available in ASB. 	<p>Partially implemented.</p>	<p>See Schedule of Audit Findings and Questioned Costs, Finding #2019-001.</p>

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2018-001 (Continued)		
<i>Hoover High</i>		
<ul style="list-style-type: none">• Cash count forms that are dual counted are not being accurately utilized as amounts do not agree between amount of tickets sold and amount of funds received.		
<i>Whitman Elementary</i>		
<ul style="list-style-type: none">• There is no fundraiser approval form being used to approve sales.		
<i>Longfellows Elementary School</i>		
<ul style="list-style-type: none">• A dual count is not being documented when funds are turned into the office.• Detailed cash count forms are not being used to track sales that occur before being turned into the office.• There is no evidence that disbursements are also approved by the Club advisor in addition to the principal prior to purchase.• There is no fundraiser approval form being used to approve sales.• Bank reconciliations are not prepared timely.		
<i>Franklin Elementary School</i>		
<ul style="list-style-type: none">• There is no evidence that expenditures are approved prior to purchase.		
<i>Horton Elementary School</i>		
<ul style="list-style-type: none">• There is no formal approval for expenditures prior to purchasing.		
<i>Grant K-8 School</i>		
<ul style="list-style-type: none">• There is no formal approval for expenditures prior to purchasing.		

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2018-001 (Continued)</p> <p><u>Recommendations:</u> Based on the deficiencies identified above, we recommend the following:</p> <ul style="list-style-type: none"> • Cash count forms should be performed evidencing dual count of funds for receipt of funds. • Approval of expenditures should be formally documented by the proper individuals before an item is purchased. • All revenue generating activities should be approved and formally documented by the site Principal. • Monthly financial transactions should be reviewed by the site Principal. • Inventory counts should be performed periodically, and evidence of the counts should be kept for review. • Deposit support for transactions should be kept to show the total amounts deposited and when such deposit occurred. • ASB cash accounts should not be commingled with any other site accounts. • Cash receipts should be supported by detailed schedules noting the quantity and unit price of items sold. • All disbursement checks should be dually signed by the appropriate individuals. • All cash receipts should be recorded and deposited timely when received. 	<p>Implemented.</p>	
<p>2018-02</p> <p><u>Condition:</u> The District did not charge an amount equal to or greater than the required price for 2017-2018.</p> <p><u>Recommendation:</u> The District should implement controls to ensure the price per meal is adjusted so that the amount charged for paid meals is equal to or greater than the amount of paid lunch equity or make contributions from other non-Federal sources.</p>		

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2018-003</p> <p><u>Conditions:</u></p> <ul style="list-style-type: none"> • At Crown Point Elementary, one student was improperly claimed for apportionment, resulting in an overstatement of one day of attendance or 0.008 ADA. • At Wangenheim Elementary, one student was improperly claimed for apportionment, resulting in an overstatement of one day of attendance or 0.008 ADA. <p><u>Recommendation:</u> The District should enforce controls to ensure accurate accounting for attendance.</p>	<p>Partially implemented.</p>	<p>See Schedule of Audit Findings and Questioned Costs, Finding #2019-002</p>
<p>2018-004</p> <p><u>Condition:</u> The After School Education and Safety (ASES) Program for Rosa Parks Elementary School improperly reported an extra day of attendance in their attendance accounting system.</p> <p>The After School Education and Safety (ASES) Program for Burbank Elementary School improperly reported two extra days of attendance in their attendance accounting system.</p> <p><u>Recommendation:</u> The District should enforce controls to ensure accurate accounting for attendance.</p>	<p>Implemented.</p>	
<p>2018-005</p> <p><u>Condition:</u> The District did not provide 10 days' notice of public hearing related to sufficiency of textbooks or other instructional materials.</p> <p><u>Recommendation:</u> The District should ensure 10 days' notice of public hearing is posted in three different places in the school district.</p>	<p>Implemented.</p>	

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p data-bbox="204 373 321 401">2018-006</p> <p data-bbox="196 432 659 548"><u>Condition:</u> The District was unable to provide completed agreements for two kindergarten pupils that completed one year in kindergarten.</p> <p data-bbox="196 575 644 728"><u>Recommendation:</u> The District should ensure a completed and signed agreement is maintained for each kindergarten pupil continuing in kindergarten for more than one year.</p>	Not Implemented.	See Schedule of Audit Findings and Questioned Costs, Finding #2019-003