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# Hello.

San Diego Unified School District

Audit Results for the year ended June 30, 2016

November 28, 2016

# Audit Team

Role	Name	Phone	Email	Definition of Role
Audit Partner	Matt Nethaway	916.492.5124	matt.nethaway@crowehorwath.com	Matt is the engagement partner in-charge who will oversee the quality of the overall audit experience and is responsible for signing the reports. Matt will have responsibility for the overall performance of our people and for the timely completion of our audit work.
Technical Advisory Partner	Jeff Jensen	916.492.5162	jeff.jensen@crowehorwath.com	Jeff will provide technical assistance to the engagement team. Jeff will also be a part of the quality assurance effort as a report reviewer.
Quality Control	Brian Archambeault Tony Boras	574.236.7610 630.706.2053	brian.archambeault@crowehorwath.com tony.boras@crowehorwath.com	Brian and Tony are members of our Quality Control (APP) practice. Their role is to provide the final quality control review of the draft audit report.
Audit Managers	Arthur Ngo Joe Trone	916.266.9502 916.266.9514	arthur.ngo@crowehorwath.com joseph.trone@crowehorwath.com	Arthur and Joe will jointly oversee the execution of the audit. Arthur and Joe will be responsible for direct communication with the District regarding the status of the audit progress as well as supervising the engagement senior and staff. Arthur and Joe will report directly to Matt.

# Education Code 41020(f)(2)

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- The auditor rotation requirements specified in California Education Code Section 41020(f)(2) apply to auditors who conduct LEA audits. This statute makes it unlawful for a public accounting firm to provide audit services to an LEA if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that LEA in each of the six previous fiscal years. The Education Audits Appeal Panel may waive this requirement if the panel finds that no otherwise eligible auditor is available to perform the audit.

# Reports to Present

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- San Diego Unified School District – Financial Audit
- Propositions S and Z General Obligation Bonds – Financial Audit
- Propositions S and Z General Obligation Bonds – Performance Audit

# Responsibilities

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- Management is responsible for:
  - Preparation and fair presentation of the financial statements
  - Compliance with the requirements of State laws & regulations
  - Compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs
- Auditor is responsible for conducting the audit in accordance with applicable standards:
  - Auditing Standards Generally Accepted in the United States of America
  - Government Auditing Standards
  - State of California's, *2015-2016 Guide for Annual Audit of K-12 Local Education Agencies and State Compliance Reporting*
  - Uniform Guidance – Compliance Supplement

# Responsibilities (continued)

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- Auditor is responsible for expressing an opinion on the financial statements
- Auditor is responsible for expressing an opinion on the District's State and Federal compliance.

# Audit Adjustments

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- Corrected Misstatements:
  - There were no such misstatements.
- Uncorrected Misstatements:
  - There were no such misstatements.

# Audit Adjustments

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# Audit Adjustments

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  - There were no such misstatements.
- Uncorrected Misstatements:
  - There were no such misstatements.

# Other Required Communications

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- There were no difficulties encountered dealing with management
- There were no disagreements with management
- No consultation with other accountants
- No significant or adverse events require your attention in connection with the completion of the audit



# District - Financial Audit Report

# State Compliance Audit

## Description

Attendance  
Teacher Certification and Misassignments  
Kindergarten Continuance  
Independent Study  
Continuation Education  
Instructional Time  
Instructional Materials  
Ratio of Administrative Employees to Teachers  
Classroom Teacher Salaries  
Early Retirement Incentive  
Gann Limit Calculation  
School Accountability Report Card  
Juvenile Court Schools  
Middle or Early College High Schools  
K-3 Grade Span Adjustment  
Transportation Maintenance of Effort  
Educator Effectiveness  
California Clean Energy Jobs Act  
After School Education and Safety Program:  
    General requirements  
    After school  
    Before school  
Proper Expenditure of Education Protection Account Funds  
Unduplicated Local Control Funding Formula Pupil Counts  
Local Control and Accountability Plan  
Independent Study – Course Based  
Immunizations  
Attendance, for charter schools  
Mode of Instruction, for charter schools  
NonclassroomBased Instruction/Independent Study,  
    for charter schools  
Determination of Funding for NonclassroomBased  
    Instruction, for charter schools  
Annual Instructional Minutes ClassroomBased,  
    for charter schools  
Charter School Facility Grant Program

Refer to pages 91 and 92 for a list of programs audited and explanation for why certain programs did not apply to San Diego Unified School District.

# Federal Compliance Audit

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- Programs tested:

- 84.010 NCLB: Title I, Part A Basic Grants, Low Income and Neglected
- 84.041 Federal Impact Aid
- 84.365 Title III Program

Type A Threshold: \$3,000,000

# Summary of Audit Opinions

Type of Opinion	Results / Questioned Cost
Financial Statements - Unmodified	Finding #2016-001 – Deficiency – Internal Controls – Associated Student Body
❖ Financial statements are presented fairly in all material respects and in accordance with required standards.	
Federal Compliance - Unmodified	No findings or questioned costs.
State Compliance - Qualified	Findings #2016-002 – State Compliance - Attendance Reporting and #2016-003 – State Compliance – Kindergarten Continuation

# Audit Findings & District's Corrective Action Plan

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- **Financial Statement – One comment:**

- *#2016-001 – Deficiency – Internal Controls - Associated Student Body (ASB)*

- The District's established internal controls over ASB at various school sites are not being followed.
- Corrective Action Plan: The District provides training and on-site visits on the Associated Student Body Handbook, which outlines the issues noted by the auditor's recommendations, some at a greater level than what has been suggested. The District will provide additional training focused on the noted findings.

- **State Compliance – Two comments:**

- *#2016-002 – State Compliance – Attendance Reporting*

- Attendance was improperly claimed at three sites, resulting in an overstatement of 3 days or 0.024 ADA.
- Corrective Action Plan: Staff Training with school site personnel will be conducted. The attendance finding noted was corrected at the school site by the attendance personnel. No corrections were necessary for the P-2 or Annual reports.

- *#2016-003 – State Compliance – Kindergarten Continuation*

- Continuation form was not completed and signed for one student, resulting in an overstatement of 0.94 ADA.
- Corrective Action Plan: The District concurs with the audit recommendation. Training was conducted at the site and the necessary corrections will be made to the Second and Annual Report of Attendance.

# Financial Performance

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- Key Statistics:

- Total assets of the District at June 30, 2016 totaled \$4.6 billion.
- Total net position of the District at June 30, 2016 totaled: \$(167.1 million)
- Total change in net position for the District for the year ended June 30, 2016 \$37.6 million
- General Fund, Fund Balance at June 30, 2016: \$164.1 million
  - In compliance with reserves recommended by the State of California.
- The District issued three Proposition S bonds, Series I, J-1, J-2. The District also issued four Proposition Z bonds, Series D, E, F and G. The District also issued Refunding of Proposition MM and Proposition S Bonds.

# Conclusions

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- The District's financial statements are presented fairly in all material respects
- No audit adjustments
- Management and staff at the District Office and school sites visited, were prepared for our visit and responded timely to our requests.
- The District's audit report will be filed with the State Controller's Office before the December 15, 2016 reporting deadline.



# Propositions S and Z – Bond Financial Statements and Performance Audit Report

# Conclusions

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- Met with ICOC Audit Sub Committee on November 16, 2016
- Bond Financial Statements:
  - Unmodified Opinion: The District's Propositions S and Z General Obligation Bond activity are presented fairly in all material respects
  - As discussed in Note 1, the financial statements present financial activity and balances of the Propositions S and Z General Obligation Bonds activity only, and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2016
  - No audit adjustments
- Performance Audit Report:
  - The results of our tests indicated that, in all significant respects, San Diego Unified School District met the objectives listed on pages 4 through 15 and expended Proposition S & Z General Obligation Bond funds for the year ended June 30, 2016 only for the specific projects developed by the District's Governing Board and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

# Thank you

**Matt Nethaway, Partner**

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