SAN DIEGO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2015

SAN DIEGO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

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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, 2015, 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, 2015, 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)

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, “Accounting and Financial Reporting for Pensions.” Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in notes 8 and 9, GASB Statements No. 68 and No. 71 are effective for the District's fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures". GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to period of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

As discussed in Note 13 to the financial statements, the 2015 beginning net position has been restated to correct for the understatement of accreted interest and accrued interest. Our opinion is not modified with respect to this matter.

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 Cafeteria Fund Budgetary Comparison Schedule, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 71 to 77 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 *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* 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.

Other Reporting Required by *Government Auditing Standards*

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

[redacted]

Sacramento, California

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 as overview of the District's financial activities for the school year ended June 30, 2015. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was ($204.65) million at June 30, 2015. This was a decrease from the prior year due to the new GASB 68 pension reporting requirements.

- Overall revenues were $1,571.96 million which were greater than expenses of $1,538.80 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 ($204.65) million at June 30, 2015, as reflected in the table below. Of this account, ($1,056.47) 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 new position for day-to-day operations.

	Governmental Activities		
	2015	2014	Net Change
Assets			
Current and other assets	$ 899,931,336	$ 1,158,764,248	$ (258,832,912)
Capital assets	2,817,315,018	2,569,210,234	248,104,784
Total Assets	3,717,246,354	3,727,974,482	(10,728,128)
DEFERRED OUTFLOWS OF RESOURCES	85,489,033	6,618,555	78,870,478
LIABILITIES			
Current liabilities	152,216,958	186,597,455	(34,380,497)
Long-term liabilities	3,594,693,664	2,573,820,058	1,020,873,606
Total Liabilities	3,746,910,622	2,760,417,513	986,493,109
DEFERRED INFLOWS OF RESOURCES	260,478,125	-	260,478,125
NET POSITION			
Net investment in capital assets	501,154,788	582,613,341	(81,458,553)
Restricted	350,662,388	407,506,777	(56,844,389)
Unrestricted	(1,056,470,536)	(15,944,594)	(1,040,525,942)
Total Net Position	$ (204,653,360)	$ 974,175,524	$(1,178,828,884)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges them slightly, so you can see our total revenues, expenses, and special items for the year. Beginning net position was restated in 2015 due to the implementation of GASB Statement No. 68 and for the understatement of accrued interest and accreted interest.

	Governmental Activities		
REVENUES	2015	2014	Net Change
Program revenues			
Charges for services	$ 2,587,286	$ 3,025,345	$ (438,059)
Operating grants and contributions	320,162,485	304,855,388	15,307,097
Capital grants and contributions	2,318,741	23,429,966	(21,111,225)
General revenues			-
Property taxes	812,869,260	813,823,805	(954,545)
Unrestricted federal and state aid	361,000,039	227,960,911	133,039,128
Other	73,018,274	162,521,162	(89,502,888)
Total Revenues	1,571,956,085	1,535,616,577	36,339,508
EXPENSES			
Instruction	783,196,482	734,168,427	49,028,055
Instruction-related services	145,765,781	132,880,938	12,884,843
Pupil services	192,643,085	190,227,597	2,415,488
General administration	48,356,766	52,906,778	(4,550,012)
Plant services	119,410,809	101,012,608	18,398,201
Ancillary and community services	4,394,766	4,260,058	134,708
Debt service	107,888,245	79,018,849	28,869,396
Other outgo	8,494,067	11,647,169	(3,153,102)
Depreciation	85,266,659	79,948,102	5,318,557
Enterprise activities	43,382,550	743,179	42,639,371
Total Expenses	1,538,799,210	1,386,813,705	151,985,505
Change in net position	33,156,875	148,802,872	(115,645,997)
Net Position - Beginning	974,175,524	825,372,652	148,802,872
Cumulative effect of GASB 68 Implementation	(1,107,236,271)	-	(1,107,236,271)
Restatement (Note 13)	(104,749,488)	-	(104,749,488)
Net Position - Ending	$ (204,653,360)	$ 974,175,524	$(1,178,828,884)

As reported in the Statement of Activities on page 15, the net cost of all our governmental activities this year was $1,213.73 million. The amount ultimately financed for these activities through taxes and State Aid was $1.173.87 million, the cost paid by those who benefited from the programs was $2.58 million, the costs from capital grants and contributions is $2.32 million, the costs paid by other governments and organizations who subsidized certain programs with grants and contributions was $320.16 million and other revenues contributed to $73.02 million.

	Net Cost of Services	
	2015	2014
Instruction	$ 618,131,656	$ 550,690,971
Instruction-related services	119,558,766	102,450,503
Pupil services	97,534,963	107,038,671
General administration	40,960,392	47,833,663
Plant services	88,357,987	73,913,208
Ancillary and community services	4,357,024	4,260,058
Debt service	107,888,245	79,018,849
Other outgo	8,297,270	11,246,316
Depreciation	85,266,659	79,948,102
Enterprise activities	43,377,736	(897,335)
Total Expenses	$ 1,213,730,698	$ 1,055,503,006

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 $686.87 million, which is less than last year's ending fund balance of $983.42 million. The District's General Fund had $6.55 million more in operating revenues than expenditures for the year ended June 30, 2015. The Districts Cafeteria Fund has $.08 million more in operating revenues than expenditures for the year ended June 30, 2015. The District's Building Fund had $302.67 million less in operating revenues than expenditures for the year ended June 30, 2015. The District's Bond Interest and Redemption Fund had $53.27 million less in operating revenues than expenditures for the year ended June 30, 2015. The District's Non-Major Governmental Funds, which includes County School Facilities Fund, had $.69 million less in operating revenues than expenditures for the year ended June 30, 2015.

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

	Fiscal Year 2014-2015	
	Proposition S	Proposition Z
Elementary Schools	$ 12,513,774	$ 90,277,176
Middle Schools	18,708,185	35,359,177
High Schools	15,125,921	71,977,057
Program Expenditures	3,657,207	35,276,643
Atypical	557,835	19,588,057
Other District Sites		258,333
Total Expenditures	$ 50,562,922	$ 252,736,443

CURRENT YEAR BUDGET 2014-15

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 $58.44 million, State grants and special projects of $12.54 million, and Local grants and special projects of $11.04 million.

- Expenditures that were appropriated during the year which were not included in the originally adopted budget – Salaries and Benefits of $7.68 million, Books and Supplies of $21.38 million, Services and Other Operating Expenses of $20.12 million, and Capital Outlay of $28.03 million.

Even with these adjustments, actual revenues available were $36.95 million above the final budgeted amounts. The most significant variances resulted from:

- Federal revenues were $49.5 million below final budget amounts. NCLB/IASA grants were $10.57 million below appropriations and the Magnet School Assistant Program was $4.64 million below appropriations. Two other Federal grants from the Department of Defense Office of Economic Adjustment had a combined total of $31.42 million below appropriations which largely represents grant money that has been awarded but not spent by June 30, 2015.

- State and local revenues were $88.03 million above final budget amounts. Mandated Cost One-Time reimbursement for discretionary purposes was $55.45 million above appropriations, STRS On-Behalf Pension Contribution was $28.58 million above appropriations, Prop. 39 grant funding was $5.66 million above appropriations, Special Education programs were $1.25 million below appropriations, and various Local grants were $1.01 million above appropriations.

Actual expenditures were $40.88 million below the final budgeted amounts. The most significant variances resulted from:

- Salaries and benefits were $24.30 million above final budget amounts which reflects the adjustment for STRS On-Behalf Pension Contribution.

- Books and Supplies were $23.06 million below final budget amounts.

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

- Contract Services and Operating Expenditures were $10.09 million below final budget amounts.
- Capital Outlay was $32.08 million below final budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2014-15 the District had invested $2,817.32 million in capital assets, net of depreciation.

	Governmental Activities		
	2015	2014	Net Change
CAPITAL ASSETS			
Land	$ 275,955,889	$ 272,018,659	$ 3,937,230
Construction in progress	1,164,133,719	1,226,953,762	(62,820,043.00)
Land Improvements	256,409,656	244,356,095	12,053,561.00
Buildings & Improvements	1,872,899,114	1,511,584,673	361,314,441.00
Furniture & Equipment	265,506,862	252,849,939	12,656,923.00
Accumulated depreciation	(1,017,590,222)	(938,552,894)	(79,037,328.00)
Total Capital Assets	$ 2,817,315,018	$ 2,569,210,234	$ 248,104,784

Long-Term Debt

At year-end, the District had $3,594.69 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		
	2015	2014	Net Change
LONG-TERM LIABILITIES			
Total General Obligation Bonds	$ 2,532,364,719	$ 2,562,237,872	$ (29,873,153)
Net Pension Liability	924,884,083	-	924,884,083.00
Compensated Absences	26,386,950	25,872,213	514,737.00
SERP Liability	30,776,786	-	30,776,786.00
Claims Liability	67,614,000	62,899,000	4,715,000.00
Net OPEB obligation	12,667,126	9,794,481	2,872,645.00
Total Long-Term Liabilities	$ 3,594,693,664	$ 2,660,803,566	$ 933,890,098

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

The District issued two Proposition S bonds, series H-1 and H-2, current interest bonds. The District intends to use the proceeds from the sale of the Bonds for construction projects consistent with the ballot language. The District also issued a $172,505,000 bond refunding various bonds in Proposition MM. For both Proposition S and Proposition MM, ratings remain at a Aa3 from Moody's and a AA- from Standard & Poor's.

The bonds issued in the current year were as follows:

- 2015, Election 2008, Series H-1 $ 2,150,000
- 2015, Election 2008, Series H-2 $ 29,620,000
- 2015, Refunding of Proposition MM Bonds $172,505,000

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES FOR 2015/16

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 2015-16 May Revision proposal delivered good news, reflected a strong economy, and increased revenues from capital gains and other income from high-wage earners. The May Revision maintained the basic framework of the January Budget as well as providing the elimination of the remaining K-14 deferred payments by the end of the 2014-15 Fiscal Year and proposed an appropriation for one-time Proposition 98 funding that will be counted towards the district's existing mandate backlog.

The Governor's May Revision also reflected a significant commitment to the LCFF by increasing the gap funding from 32.19% to 53.08%, resulting in an estimated revenue increase of $35.3 million to the District's Fiscal Year 2015-16 proposed budget. The May Revision also included a proposal of one-time discretionary dollars that increased from $183 per ADA in the Governor's January Proposal to $601 per ADA. This equals approximately $62.9 million in estimated one-time revenues for the District. Both of these commitments by the Governor reflect the District's advocacy efforts in the acceleration of LCFF gap funding and mandate repayments. The focus on advocacy has been a critical strategy for Fiscal Year 2015-16. In addition to continued advocacy efforts, enrollment and operational efficiency solutions are identified in an amount sufficient to address the projected deficit. The District will focus efforts on enhancing enrollment in the early learning program and in high schools during fiscal year 2015-16. Operational efficiency solutions will be centered on enhancing the revenue opportunities with Federal Impact Aid surveys and LCFF eligibility forms; Central Office adjustments to discretionary allocations; and right-sizing of operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES FOR 2015/16 (Continued)

On June 23, 2015, the District's Board approved an Adopted Budget for Fiscal Year 2015-16 which included a 2% Unrestricted Reserve for Economic Uncertainties. The major assumptions used in developing the budget are as follows:

Revenues

- LCFF funded ADA – 102,890
- COLA – 1.02%
- Funding Gap – 53.08%
- Federal Impact Aid - $9.0M
- Mandated Cost Reimbursement - $3.7M
- Lottery (GFU - $128; GFR - $34) - $162 per ADA
- Local Interest - $.45%
- Transfers In - $13.8M

Expenditures

- Salaries Step and Column – Certificated 2.06%; Classified .73%
- Salary Increase – 4%
- STRS – 10.73%
- PERS – 11.85%
- Health and Welfare Premiums - 7.0%
- Materials and Supplies (CPI) – 2.20%
- Contracted Services (CPI) – 2.20%
- Utilities - $29.9M
- Implemented Board Solutions/Budget Deficit - $70.2M
- Transfers Out - $13.8M
- Contributions:
  - Special Education - $198.1M
  - Restricted Routine Maintenance (RRM) - $38.5M
  - Community Day School - $2.0M

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 lost operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES FOR 2015/16 (Continued)

On June 24, 2015, the Governor signed the Fiscal Year 2015-16 Budget. The District revised and submitted an adopted budget to the Board of Education (as an information item) and to the San Diego County Office of Education on July 28, 2015. The key changes to the District's July 28, 2015 Amended Budget which resulted in a surplus of $2.6 million are as follows:

- LCFF gap funding percentage change from 53.08% to 51.52% resulting in a $2.7 million revenue decrease.
- One-time discretionary funds decreased from $601 per ADA to $530 per ADA resulting in a $7.4 million decrease in revenues.
- The addition of the Educator Effectiveness Grant will offset $2 million in budgeted expenditures (includes beginning teacher and administrator support and mentoring, professional development, coaching and support services, and promotes educator quality and effectiveness).
- The continued flexibility of the Routine Restricted Maintenance (RRM) offset $10.7 million in budgeted expenditures (through 2019-20 permits a phase-in of school district contributions to routine restricted maintenance accounts).

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

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 764,409,153
Receivables	131,593,505
Prepaid expenses	621,680
Stores inventory	3,306,998
Non-depreciable capital assets (Note 4)	1,440,089,608
Depreciable capital assets, net of accumulated depreciation (Note 4)	1,377,225,410
Total assets	3,717,246,354
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	75,639,751
Deferred loss from refunding of debt	9,849,282
Total deferred outflows	85,489,033
LIABILITIES	
Accounts payable and other current liabilities	136,921,678
Unearned revenue	15,295,280
Long-term liabilities:	
Due within one year (Note 6)	60,573,528
Due after one year (Note 6)	3,466,506,136
Self-insurance claims liability (Note 5)	67,614,000
Total liabilities	3,746,910,622
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	260,478,125
NET POSITION	
Net investment in capital assets	501,154,788
Restricted (Note 7)	350,662,388
Unrestricted	(1,056,470,536)
Total net position	$ (204,653,360)

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenues and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	$ 783,196,482	$ 251,983	$ 162,494,102	$ 2,318,741	$ (618,131,656)
Instruction-related services:					
Instructional supervision and administration	51,674,990	52,688	22,317,372	-	(29,304,930)
Instructional library, media and technology	9,280,295	223	780,955	-	(8,499,117)
School site administration	84,810,496	3,035	3,052,742	-	(81,754,719)
Pupil services:					
Home-to-school transportation	35,637,432	1,151,287	5,484,915	-	(29,001,230)
Food services	55,641,351	129	59,648,746	-	4,007,524
All other pupil services	101,364,302	26,956	28,796,089	-	(72,541,257)
General administration:					
Centralized data processing	21,275,374	12,857	215,402	-	(21,047,115)
All other general administration	27,081,392	13,449	7,154,666	-	(19,913,277)
Plant services	119,410,809	1,073,607	29,979,215	-	(88,357,987)
Ancillary services	3,562,533	38	35,502	-	(3,526,993)
Community services	832,233	-	2,202	-	(830,031)
Enterprise activities	43,382,550	44	4,770	-	(43,377,736)
Interest on long-term liabilities	107,888,245	-	-	-	(107,888,245)
Other outgo	8,494,067	990	195,807	-	(8,297,270)
Depreciation (unallocated) (Note 4)	85,266,659	-	-	-	(85,266,659)
Total governmental activities	$ 1,538,799,210	$ 2,587,286	$ 320,162,485	$ 2,318,741	(1,213,730,698)

General revenues:	
Taxes and subventions:	
Taxes levied for general purposes	585,736,592
Taxes levied for debt service	205,399,262
Taxes levied for other specific purposes	21,733,406
Federal and state aid not restricted to specific purposes	361,000,039
Interest and investment earnings	4,026,330
Interagency transfers	4,249,697
Miscellaneous	45,128,823
Gain from the sale of building/land	19,613,424
Total general revenues	1,246,887,573
Change in net position	33,156,875
Net position, July 1, 2014	974,175,524
Cumulative effect of GASB 68 implementation	(1,107,236,271)
Restatement (Note 13)	(104,749,488)
Net position, July 1, 2014, as restated	(237,810,235)
Net position, June 30, 2015	$ (204,653,360)

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and investments:						
Cash in County Treasury	$ 141,552,394	$ 3,994,499	$ 232,055,089	$ 183,449,737	$ 138,461,101	$ 699,512,820
Cash on hand and in banks	-	3,503,997	-	-	-	3,503,997
Cash in revolving fund	54,000	-	-	-	-	54,000
Receivables	115,130,742	14,216,158	233,337	-	1,954,822	131,535,059
Prepaid expenditures	617,812	110	899	-	2,859	621,680
Due from other funds	33,109,607	9,645	8,349,508	-	8,215,996	49,684,756
Stores inventory	2,066,997	1,240,001	-	-	-	3,306,998
Total assets	$ 292,531,552	$ 22,964,410	$ 240,638,833	$ 183,449,737	$ 148,634,778	$ 888,219,310
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 83,435,434	$ 970,901	$ 26,778,729	$ -	$ 2,805,038	$ 113,990,102
Unearned revenue	15,288,044	6,115	-	-	1,121	15,295,280
Due to other funds	29,613,970	20,276,156	7,504,897	-	14,668,991	72,064,014
Total liabilities	128,337,448	21,253,172	34,283,626	-	17,475,150	201,349,396
Fund balances:						
Nonspendable	2,738,809	1,240,111	899	-	2,859	3,982,678
Restricted	18,221,833	415,322	203,792,906	183,449,737	130,130,618	536,010,416
Assigned	104,210,150	55,805	2,561,402	-	1,026,151	107,853,508
Unassigned	39,023,312	-	-	-	-	39,023,312
Total fund balances	164,194,104	1,711,238	206,355,207	183,449,737	131,159,628	686,869,914
Total liabilities and fund balances	$ 292,531,552	$ 22,964,410	$ 240,638,833	$ 183,449,737	$ 148,634,778	$ 888,219,310

See accompanying notes to financial statements.

Total fund balances - Governmental Funds		$ 686,869,914
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 $3,834,905,240 and the accumulated depreciation is $1,017,590,222 (Note 4).		2,817,315,018
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, 2015 consisted of (Note 6):		
General Obligation Bonds	$ (2,204,545,591)	
Unamortized premiums	(131,983,940)	
Accreted interest	(195,835,188)	
Net pension liability (Notes 8 and 9)	(924,884,083)	
Compensated absences	(26,386,950)	
SERP liability	(30,776,786)	
Other postemployment benefits (Note 10)	(12,667,126)	
		(3,527,079,664)
Internal service funds are included in the government-wide financial statements.		16,119,952
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.		9,849,282
In government funds, deferred outflows and inflows of resources relating to pensions 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 and 9).		
Deferred outflows of resources relating to pensions	$ 75,639,751	
Deferred inflows of resources relating to pensions	(260,478,125)	
		(184,838,374)
Unmatured interest on long-term liabilities is recognized in the period incurred.		(22,889,488)
Total net position - governmental activities		$ (204,653,360)

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, 2015

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:						
Local Control Funding Formula (LCFF):						
State apportionment	$ 352,071,420	$ -	$ -	$ -	$ -	$ 352,071,420
Local sources	499,905,218	-	-	-	509,600	500,414,818
Total LCFF	851,976,638	-	-	-	509,600	852,486,238
Federal sources	95,814,822	49,370,645	-	1,761,706	450,454	147,397,627
Other state sources	220,120,129	4,241,766	-	1,320,693	16,771,419	242,454,007
Other local sources	40,398,685	6,779,596	1,553,662	204,726,366	45,520,580	298,978,889
Total revenues	1,208,310,274	60,392,007	1,553,662	207,808,765	63,252,053	1,541,316,761
Expenditures:						
Current:						
Certificated salaries	544,291,481	-	-	-	8,999,082	553,290,563
Classified salaries	200,346,189	23,012,827	7,386,499	-	14,772,609	245,518,124
Employee benefits	317,433,049	11,645,669	3,087,003	-	11,303,161	343,468,882
Books and supplies	41,570,381	23,306,759	46,037,736	-	1,513,690	112,428,566
Contract services and operating expenditures	93,488,302	2,094,888	11,605,780	-	5,901,777	113,090,747
Other outgo	693,389	-	90,023	-	-	783,412
Capital outlay	3,940,879	248,560	236,019,968	-	21,456,047	261,665,454
Debt service:						
Payment to refunding escrow	-	-	-	11,613,873	-	11,613,873
Principal retirement	-	-	-	154,483,508	-	154,483,508
Interest	-	-	-	94,983,810	-	94,983,810
Total expenditures	1,201,763,670	60,308,703	304,227,009	261,081,191	63,946,366	1,891,326,939
Excess (deficiency) of revenues over (under) expenditures	6,546,604	83,304	(302,673,347)	(53,272,426)	(694,313)	(350,010,178)
Other financing sources (uses):						
Interfund transfers in	40,203,110	-	-	-	6,762,825	46,965,935
Interfund transfers out	(10,795,268)	(387,234)	(1,233,708)	-	(40,004,725)	(52,420,935)
Payment to refunding escrow	-	-	(203,278,331)	-	-	(203,278,331)
Proceeds from issuance general obligation bonds	-	-	204,275,000	-	-	204,275,000
Premium on issuance of general obligation bonds	-	-	31,981,373	4,322,962	-	36,304,335
Proceeds from sale of building/land	-	-	-	-	21,618,399	21,618,399
Total other financing sources (uses)	29,407,842	(387,234)	31,744,334	4,322,962	(11,623,501)	53,464,403
Net change in fund balances	35,954,446	(303,930)	(270,929,013)	(48,949,464)	(12,317,814)	(296,545,775)
Fund balances, July 1, 2014	128,239,658	2,015,168	477,284,220	232,399,201	143,477,442	983,415,689
Fund balances, June 30, 2015	$ 164,194,104	$ 1,711,238	$ 206,355,207	$ 183,449,737	$ 131,159,628	$ 686,869,914

See accompanying notes to financial statements.

Net change in fund balances - Total Governmental Funds		$ (296,545,775)
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).	$ 338,386,213	
In government funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide financial statements, donated capital assets are reported as revenue and as increases to capital assets (Note 4).	1,169,644	
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).	(2,004,975)	
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(85,266,659)	
Proceeds from debt are recognized as other financing sources in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 6).	(204,275,000)	
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).	154,483,508	
Payments made to the refunding escrow is an other financing use in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	203,852,891	
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).	(26,709,817)	
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).	(27,016,525)	
Interest on long-term liabilities is recognized in the period it is incurred, in governmental funds it is only recognized when it is due.	11,397,996	
Activities of the internal service fund are reported with governmental activities.	3,284,340	

(Continued)

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.	$ 3,230,727	
In governmental funds, other postemployment benefits are recognized when employers contributions are made. In the government-wide statements, other post-employment benefits are recognized on the accrual basis (Note 10).	(2,872,645)	
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 (Note 6).	(30,776,786)	
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.	(2,486,186)	
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).	(514,737)	$ 333,881,989
Change in net position of governmental activities		$ 37,336,214

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND - GOVERNMENTAL ACTIVITIES
June 30, 2015

ASSETS	
Current assets:	
Cash and investments:	
Cash in County Treasury	$ 60,838,336
Cash with fiscal agent	500,000
Receivables	58,446
Due from other funds	22,519,631
Total current assets	83,916,413
LIABILITIES	
Current liabilities:	
Accrued liabilities	42,088
Due to other funds	140,373
Total current liabilities	182,461
Non-current liabilities:	
Claims payable	67,614,000
Total liabilities	67,796,461
NET POSITION	
Restricted	$ 16,119,952

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, 2015

OPERATING REVENUE	
Self insurance premiums	$ 25,945,960
OPERATING EXPENSES	
Salaries and benefits	1,001,822
Supplies and materials	1,060,535
Payments for claims	26,255,010
Total operating expense	28,317,367
Operating income/(loss)	(2,371,407)
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	200,747
Interfund transfers in	6,855,000
Interfund transfer out	(1,400,000)
Total non-operating revenues/(expenses)	5,655,747
Change in net position	3,284,340
Net position, July 1, 2014	12,835,612
Net position, June 30, 2015	$ 16,119,952

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, 2015

Cash flows from operating activities:	
Cash received from self-insurance premiums	$ 38,349,933
Cash received from user charges	858,236
Cash paid for employee salaries and benefits	(1,001,823)
Cash paid for insurance claims and supplies	(22,600,544)
Net cash provided by operating activities	15,605,802
Cash flows provided by noncapital financing activities:	
Net transfers	5,455,000
Cash flows provided by investing activities:	
Interest income received	200,758
Increase in cash and investments	21,261,560
Cash and investments, July 1, 2014	40,076,776
Cash and investments, June 30, 2015	$ 61,338,336
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (2,371,407)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Decrease (increase) in:	
Receivables	(18,638)
Amount due from other funds	13,296,488
Increase (decrease) in:	
Accrued liabilities	23,495
Amount due to other funds	(39,136)
Claims payable	4,715,000
Total adjustments	17,977,209
Net cash provided by operating activities	$ 15,605,802

See accompanying notes to financial statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2015

	Agency Fund Student Body
ASSETS	
Cash on hand and in bank (Note 2)	$ 7,116,869
Accounts receivable	84,611
Prepaid expense	2,436
Stores inventory	341,512
Total assets	7,545,428
LIABILITIES	
Accounts payable	67,862
Due to student groups	7,477,566
Total liabilities	7,545,428
NET POSITION	
Restricted	$ -

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.

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.

Cafeteria Fund:

The Cafeteria Fund is a special revenue fund 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*).

Building Fund:

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

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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]*)

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 hall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 83228*).

c - Deferred Maintenance Fund:

This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposed (*Education Code Sections 17582-17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

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]*).

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Funds:

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.

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*).

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, 2015.

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 their fair market value as of the date received. The District maintains a capitalization threshold of $5,000 for equipment purchased and $100,000 for improvement of land, modernization of buildings and construction of new buildings. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

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

(Continued)

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 shortened life of the refunded or refunding debt. Amortization for the year ended June 30, 2015 totaled $441,236. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension 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 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. Investments are reported at fair value. The following is a summary of pension amounts in the aggregate:

	STRP	PERF B	Total
Deferred outflows of resources	$ 47,882,108	$ 27,757,643	$ 75,639,751
Deferred inflows of resources	$168,081,000	$ 92,397,125	$260,478,125
Net pension liability	$682,566,000	$242,318,083	$924,884,083
Pension expense	$ 68,941,414	$ 18,848,195	$ 87,789,609

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: Compensated absences benefits are recorded as a liability of the District. The liability of $26,386,950 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.

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 appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restriction for special revenues represents the portion of net position restricted for special purposes. 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. 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015, 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.

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, 2015, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

New Accounting Pronouncements: In June 2012 the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 68, the District's July 1, 2014 governmental activities net position was restated by $1,107,236,271 because of the recognition of the beginning of year net pension liability and deferred outflows of resources.

In November 2013 the GASB issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the District established a deferred outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences of the pensions in the Statement of Net Position.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2015, the GASB issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of Statements No. 67 and No. 68, completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements No. 67 and No. 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The GASB Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District's fiscal year ending June 30, 2017. Management has not determined what impact this statement will have on its financial statements.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. This statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with GASB Statement No. 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This Statement is effective for the District's fiscal year ending June 30, 2016. The adoption of this standard did not have a significant impact on the District's financial statements.

NOTE 2 - CASH AND INVESTMENTS

District cash and investments at June 30, 2015 consisted of the following:

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Cash in County	$ 699,512,820	$ 60,838,336	$ 760,351,156	$ -
Cash on hand and in banks	3,503,997	-	3,503,997	7,116,869
Cash in revolving fund	54,000	-	54,000	-
Cash with fiscal agent	-	500,000	500,000	-
Total cash and cash equivalent	$ 703,070,817	$ 61,338,336	$ 764,409,153	$ 7,116,869

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the San Diego County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2015, the San Diego County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

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, 2015, the carrying amount of the District's accounts was $10,674,866 and the bank balances were $17,117,948. The total uninsured bank balance at June 30, 2015 was $16,867,948.

Cash with Fiscal Agent: Cash with Fiscal Agent represents cash balances held by Wells Fargo Bank for the claims payments. The cash balances are fully collateralized at June 30, 2015.

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2015, 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, 2015, the District had no concentration of credit risk.

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, 2015 were as follows:

	Interfund Receivables	Interfund Payables
Governmental Activities		
Major Funds:		
General	$ 33,109,607	$ 29,613,970
Cafeteria	9,645	20,276,156
Building	8,349,508	7,504,897
Non-Major Funds:		
Adult Education	46,015	117,283
Child Development	6,656,758	10,075,394
Capital Facilities	116,609	2,517,939
County School Facilities	1,233,708	1,657,351
Special Reserve for Capital Outlay Projects	162,906	301,024
Proprietary Fund:		
Self-Insurance	22,519,631	140,373
Totals	$ 72,204,387	$ 72,204,387

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

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

Interfund transfers for the 2014-2015 fiscal year were as follows:

Transfer from the General Fund to the Self-Insurance Fund for Liability insurance for premiums and insurance costs.	$ 3,535,000
Transfer from the General Fund to the Self-Insurance Fund for Property Insurance for premiums and insurance costs.	3,320,000
Transfer from the General Fund to the Child Development Fund to cover required expenses.	3,940,268
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	387,234
Transfer from the Building Fund to the County School Facilities Fund for unused matching funds that were returned to the Office of Public School Construction.	1,233,708
Transfer from the Self-Insurance Fund to the General Fund for premiums collected that were not applied to claims payments.	1,400,000
Transfer from the Adult Education Fund to the General Fund for indirect costs.	23,968
Transfer from the Child Development Fund to the General Fund for indirect costs.	982,847
Transfer from the Capital Facilities Fund to the General Fund for CCDC monies per original budget.	10,300,000
Transfer from the Capital Facilities Fund to the Child Development Fund to cover required expenses.	1,588,849
Transfer from the Special Reserve for Capital Projects Fund to the General Fund for property sales.	26,928,765
Transfer from the Special Reserve for Capital Projects Fund to the General Fund for certificated teacher moves.	180,296
Total	$ 53,820,935

(Continued)

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2015 is shown below:

Governmental Activities	Balance July 1, 2014	Transfers and Additions	Transfers and Deletions	Balance June 30, 2015
Non-depreciable:				
Land	$ 272,018,659	$ 4,179,338	$ (242,108)	$ 275,955,889
Work-in-process	1,226,953,762	334,206,875	(397,026,918)	1,164,133,719
Depreciable:				
Land improvements	244,356,095	12,577,545	(523,984)	256,409,656
Buildings and improvements	1,511,584,673	365,116,890	(3,802,449)	1,872,899,114
Furniture and equipment	252,849,939	16,322,789	(3,665,866)	265,506,862
Totals, at cost	3,507,763,128	732,403,437	(405,261,325)	3,834,905,240
Less accumulated depreciation:				
Land improvements	(127,108,478)	(8,992,933)	(131,011)	(135,970,400)
Buildings and improvements	(601,921,038)	(64,326,834)	(2,438,685)	(663,809,187)
Furniture and equipment	(209,523,378)	(11,946,892)	(3,659,635)	(217,810,635)
Total accumulated depreciation	(938,552,894)	(85,266,659)	(6,229,331)	1,017,590,222)
Governmental activities capital assets, net	$ 2,569,210,234	$ 647,136,778	$ (399,031,994)	$ 2,817,315,018

Depreciation expense was charged to governmental activities for the year ended June 30, 2015 as follows:

Governmental activities:	
Unallocated	$ 85,266,659

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.

At June 30, 2015, 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 $67.6 million. Changes in the reported liability are shown below:

	General Liability	Workers' Compensation	Total
Liability balance, June 30, 2013	$ 2,639,000	$ 56,418,000	$ 59,057,000
Incurred claims	3,514,794	19,599,909	23,114,703
Claims payments	(3,334,794)	(15,937,909)	(19,272,703)
Liability balance, June 30, 2014	$ 2,819,000	$ 60,080,000	$ 62,899,000
Incurred claims	3,870,866	15,233,938	19,104,804
Claims payments	(3,837,866)	(10,551,938)	(14,389,804)
Liability balance, June 30, 2015	$ 2,852,000	$ 64,762,000	$ 67,614,000

(Continued)

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, 2015 is as follows:

	Balance July 1, 2014 as Restated	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds	$ 2,358,606,990	$ 204,275,000	$ 358,336,399	$ 2,204,545,591	$ 33,144,270
Unamortized premium	105,274,123	36,304,335	9,594,518	131,983,940	5,514,331
Accreted interest	168,818,663	44,710,126	17,693,601	195,835,188	14,220,730
Total General Obligation Bonds	2,632,699,776	285,289,461	385,624,518	2,532,364,719	52,879,331
Net pension liability (Notes 8 and 9)	1,176,402,131	-	251,518,048	924,884,083	-
Compensated absences	25,872,213	514,737	-	26,386,950	-
SERP liability (Note 10)	-	30,776,786	-	30,776,786	7,694,197
Net OPEB obligation (note 10)	9,794,481	5,713,303	2,840,658	12,667,126	-
Totals	$ 3,844,768,601	$ 322,294,287	$ 639,983,224	$ 3,527,079,664	$ 60,573,528

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.

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 H totaling $585.1 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 C totaling $530.0 million.

(Continued)

NOTE 6 - LONG TERM DEBT (Continued)

The outstanding general obligation bonded debt, not including premium or discount, of the District at June 30, 2015 is summarized in the following:

Proposition MM

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2014	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2015	Amount Due in One Year
1998, Series A	5/27/1999	4.20 -5.34	2023	$ 139,995,085	$ 64,830,488	$ -	$ 9,569,686	$ 55,260,802	$ 6,921,036
A - Accreted interest				-	68,841,633	6,756,283	12,740,314	62,857,602	8,693,964
1998, Series B	12/14/2000	4.40 - 5.35	2025	149,999,084	103,233,893	-	69,075,978	34,157,915	1,182,915
B - Accreted interest				-	4,930,619	331,466	4,719,022	543,063	5,262,085
1998, Series C	11/21/2001	2.95 - 5.00	2026	199,995,712	133,735,000	-	4,490,000	129,245,000	5,250,000
1998, Series D	9/12/2002	2.10 - 5.25	2027	274,995,346	221,885,000	-	81,125,000	140,760,000	6,750,000
1998, Series E	8/19/2003	1.90 - 5.25	2028	349,993,599	169,815,000	-	51,830,000	117,985,000	-
1998, Series F	9/2/2004	1.95 - 5.00	2029	199,996,373	148,435,000	-	3,475,000	144,960,000	-
1998 Series G	9/8/2005	3.00 - 5.00	2030	195,024,802	133,800,000	-	11,295,000	122,505,000	4,800,000
Subtotal of original issue before refunding				1,510,000,001	1,049,506,633	7,087,749	248,320,000	808,274,382	38,860,000
R-1 Refunding (various)	3/15/2012	2.00 - 5.00	2030	65,434,442	65,434,442	-	-	65,434,442	-
R-1 Refunding - Accreted interest				-	-	18,944,156	-	18,944,156	-
R-3 Refunding (various)	4/16/2014	2.00 - 5.00	2029	199,285,000	199,285,000	-	-	199,285,000	7,155,000
R-4 Refunding (various)	5/27/2015	2.00 - 5.00	2030	172,505,000	-	172,505,000	-	172,505,000	-
Total Proposition MM				$ 1,947,224,443	$ 1,314,226,075	$ 198,536,905	$ 248,320,000	$ 1,264,442,980	$ 46,015,000

(Continued)

NOTE 6 - LONG TERM DEBT (Continued)

The outstanding general obligation bonded debt, not including premium or discount, of the District June 30, 2015 is summarized in the following:

Proposition S

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2014	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2015	Amount Due in One Year
2008, Series A	5/7/2009	2.52 -6.19	2033	$ 131,157,581	$ 128,670,511	$ -	$ 1,305,735	$ 127,364,776	$ 1,085,319
A - Accreted interest				-	17,233,848	33,207,654	234,265	50,207,237	264,681
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	2050	163,869,783	112,548,275	-	-	112,548,275	-
C - Accreted interest				-	7,300,519	29,804,063	-	37,104,582	-
2008, Series D QSCB	8/5/2010	5.26	2027	36,130,000	36,130,000	-	-	36,130,000	-
2008, Series E	5/24/2012	4.89 - 5.48	2051	149,998,825	149,998,825	-	-	149,998,825	-
E - Accreted interest				-	-	22,052,253	-	22,052,253	-
2008, Series F	4/16/2014	1.00 - 5.00	2016	15,095,000	15,095,000	-	3,170,000	11,925,000	-
2008, Series G	4/16/2014	5.18 - 5.58	2038	50,000,726	50,000,726	-	-	50,000,726	-
G - Accreted interest				-	50,140	1,887,557	-	1,937,697	-
2008, Series H	6/18/2015	0.50 - 5.00	2024	31,770,000	-	31,770,000	-	31,770,000	-
Subtotal of original issue before refunding				585,091,915	555,867,844	118,721,527	4,710,000	669,879,371	1,350,000
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				-	-	2,188,598	-	2,188,598	-
Total Proposition S				$ 641,961,745	$ 612,737,674	$ 120,910,125	$ 4,710,000	$ 728,937,799	$ 1,350,000

Proposition Z

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2014	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2015	Amount Due in One Year
2013, Series A	4/30/2013	0.342	2014	$ 52,500,000	$ 52,500,000	$ -	$ 52,500,000	$ -	$ -
2013, Series A-1	4/30/2013	0.426	2014	3,000,000	3,000,000	-	3,000,000	-	-
2013, Series B	4/30/2013	1.215	2015	60,500,000	60,500,000	-	60,500,000	-	-
2013, Series C	4/30/2013	4.00 - 5.00	2042	414,000,000	414,000,000	-	7,000,000	407,000,000	-
Total Proposition Z				$ 530,000,000	$ 530,000,000	$ -	$ 123,000,000	$ 407,000,000	$ -

(Continued)

NOTE 6 - LONG TERM DEBT (Continued)

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 $39,846,596 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, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2016	$ 6,921,036	$ -	$ 8,693,964	$ 15,615,000
2017	6,786,371	-	9,453,629	16,240,000
2018	6,647,904	-	10,242,096	16,890,000
2019	6,272,216	-	10,662,784	16,935,000
2020	4,849,729	-	9,025,271	13,875,000
2021-2024	23,783,546	-	54,626,454	78,410,000
	$ 55,260,802	$ -	$102,704,198	$157,965,000

1998 Series B

Capital appreciation bonds were issued as part of Series B 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 $4,719,022 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 B, General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2016	$ 1,182,915	$ 1,840,452	$ 5,262,085	$ 8,285,452
2017	6,685,000	1,673,328	-	8,358,328
2018	7,560,000	1,317,202	-	8,877,202
2019	8,805,000	861,851	-	9,666,851
2020	9,925,000	297,750	-	10,222,750
	$ 34,157,915	$ 5,990,583	$ 5,262,085	$ 45,410,583

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, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2016	$ 5,250,000	$ 6,950,975	$ 12,200,975
2017		6,819,725	6,819,725
2018	-	6,819,725	6,819,725
2019	-	6,819,725	6,819,725
2020	9,100,000	6,569,475	15,669,475
2021-2025	67,725,000	23,399,888	91,124,888
2026-2027	47,170,000	2,738,725	49,908,725
	$129,245,000	$ 60,118,238	$189,363,238

1998 Series D

The annual payments required to amortize the Election of 1998, Series D, General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2016	$ 6,750,000	$ 7,500,800	$ 14,250,800
2017	7,700,000	7,139,550	14,839,550
2018	7,895,000	6,729,937	14,624,937
2019	8,975,000	6,266,013	15,241,013
2020	10,140,000	5,740,350	15,880,350
2021-2025	75,555,000	18,202,938	93,757,938
2026-2028	23,745,000	652,987	24,397,987
	$140,760,000	$ 52,232,575	$192,992,575

1998 Series E

The annual payments required to amortize the Election of 1998, Series E, General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2016	$ -	$ 6,489,175	$ 6,489,175
2017	-	6,489,175	6,489,175
2018	-	6,489,175	6,489,175
2019	-	6,489,175	6,489,175
2020	-	6,489,175	6,489,175
2021-2025	11,620,000	32,126,325	43,746,325
2026-2029	106,365,000	10,040,937	116,405,937
	$117,985,000	$ 74,613,137	$192,598,137

(Continued)

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, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2016	$ -	$ 6,907,905	$ 6,907,905
2017	-	6,907,905	6,907,905
2018	-	6,907,905	6,907,905
2019	-	6,907,905	6,907,905
2020	-	6,907,905	6,907,905
2021-2025	10,335,000	33,911,606	44,246,606
2026-2030	134,625,000	23,204,006	157,829,006
	$144,960,000	$ 91,655,137	$236,615,137

1998 Series G

The annual payments required to amortize the Election of 1998, Series G, General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2016	$ 4,800,000	$ 5,805,638	$ 10,605,638
2017	-	5,709,638	5,709,638
2018	-	5,709,638	5,709,638
2019	-	5,709,638	5,709,638
2020	-	5,709,638	5,709,638
2021-2025	5,335,000	28,428,150	33,763,150
2026-2030	112,370,000	18,893,465	131,263,465
	$122,505,000	$ 75,965,805	$198,470,805

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 totaling $64,333,235. 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 $80,311,402 have not been reflected in the long-term debt balance in the schedule above.

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, 2015, are as follows:

Year Ending June 30,	Principal	Accreted Interest	Total Debt Service
2016	$ -	$ -	$ -
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021-2025	-	-	-
2026-2030	9,217,884	12,437,116	21,655,000
2031	56,216,558	86,818,442	143,035,000
	$ 65,434,442	$ 99,255,558	$164,690,000

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 totaling $224,580,000. The annual payments required to amortize the Election of 1998, Series R-3, General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2016	$ 7,155,000	$ 9,587,325	$ 16,742,325
2017	1,830,000	9,378,100	11,208,100
2018	23,820,000	8,737,250	32,557,250
2019	27,665,000	7,517,625	35,182,625
2020	19,720,000	6,408,125	26,128,125
2021-2025	115,680,000	12,657,750	128,337,750
2026-2030	3,415,000	622,375	4,037,375
	$199,285,000	$ 54,908,550	$254,193,550

1998 R-4 Refunding

The District issued the 1998 Refunding, Series R-3 bonds to refund certain portions of 1998, Series A, B, D, E and G general obligation bonds totaling $203,852,891. As of June 30, 2015, $203,852,891 of refunded bonds were still outstanding and scheduled to be paid on July 1, 2015.

Although the advance refundings resulted in the recognition of an accounting loss of $3,671,963 for the year ended June 30, 2015, the District in effect reduced its aggregate debt service payments by $81,610,539 over the next 15 years and obtained an economic gain of $76,006,562.

NOTE 6 - LONG TERM DEBT (Continued)

Calculation of difference in cash flow requirements and economic gain are as follows:

Old debt service cash flows	$ 254,115,539
New debt service cash flows	172,505,000
Total cash flow difference	$ 81,610,539
Present value of old debt service cash flows	$ 204,205,975
Present value of new debt service cash flows	128,199,413
Economic gain	$ 76,006,562

The annual payments required to amortize the Election of 1998, Series R-4, General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2016	$ -	$ 4,865,127	$ 4,865,127
2017	4,535,000	8,138,975	12,673,975
2018	-	8,093,625	8,093,625
2019	-	8,093,625	8,093,625
2020	-	8,093,625	8,093,625
2021-2025	18,465,000	40,011,600	58,476,600
2026-2030	149,505,000	16,896,213	166,401,213
	$172,505,000	$ 94,192,790	$266,697,790

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 accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of $118,467,987 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, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2016	$ 1,085,319	$ -	$ 264,681	$ 1,350,000
2017	1,004,269	-	315,731	1,320,000
2018	848,543	-	336,457	1,185,000
2019	794,801	-	395,199	1,190,000
2020	4,952,880	3,999,900	3,047,120	11,999,900
2021-2025	4,144,236	39,999,000	5,480,764	49,624,000
2026-2030	31,125,240	39,999,000	59,024,760	130,149,000
2031-2034	83,409,488	20,829,600	99,810,512	204,049,600
	$127,364,776	$104,827,500	$168,675,224	$400,867,500

NOTE 6 - LONG TERM DEBT (Continued)

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, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2016	$ -	$ -	$ -
2017	-	-	-
2018	-	-	-
2019	3,840,000	-	3,840,000
2020	4,500,000	-	4,500,000
2021-2024	30,500,000	-	30,500,000
	$ 38,840,000	$ -	$ 38,840,000

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 accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of $567,197,143 have not been reflected in the long-term debt balance in the schedule above.

NOTE 6 - LONG TERM DEBT (Continued)

2008 Series C (Continued)

The annual payments required to amortize the Election of 2008, Series C, General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2016	$ -	$ -	$ -	$ -
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021-2025	-	-	-	-
2026-2030	-	-	-	-
2031-2035	22,214,895	25,772,906	61,165,105	109,152,906
2036-2040	29,689,941	28,636,562	135,965,059	194,291,562
2041-2045	29,231,421	28,636,562	205,223,579	263,091,562
2046-2050	30,932,710	17,935,201	200,677,290	249,545,201
2051	479,308	57,969	1,270,692	1,807,969
	$112,548,275	$101,039,200	$604,301,725	$817,889,200

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.

The annual payments required to amortize the Election of 2008, Series D, General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2016	$ -	$ 136,832	$ 136,832
2017	-	136,832	136,832
2018	-	136,832	136,832
2019	-	136,832	136,832
2020	-	136,832	136,832
2021-2025	7,000,000	410,495	7,410,495
2026-2028	29,130,000	-	29,130,000
	$ 36,130,000	$ 1,094,655	$ 37,224,655

(Continued)

NOTE 6 - LONG TERM DEBT (Continued)

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 accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of $430,175,614 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, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2016	$ -	$ -	$ -	$ -
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021-2025	-	-	-	-
2026-2030	-	-	-	-
2031-2035	15,097,128	35,159,969	29,087,872	79,344,969
2036-2040	26,489,985	66,424,831	52,420,015	145,334,831
2041-2045	30,583,505	49,846,534	57,601,495	138,031,534
2046-2050	60,382,849	10,354,266	189,900,832	260,637,947
2051-2052	17,445,358	-	123,217,653	140,663,011
	$149,998,825	$161,785,600	$452,227,867	$764,012,292

2008 Series F

The annual payments required to amortize the Election of 2008, Series F, General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2016	$ -	$ 144,315	$ 144,315
2017	11,925,000	298,125	12,223,125
	$ 11,925,000	$ 442,440	$ 12,367,440

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 accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Future accreted interest accruals of $105,016,577 have not been reflected in the long-term debt balance in the schedule above.

(Continued)

NOTE 6 - LONG TERM DEBT (Continued)

2008 Series G (Continued)

The annual payments required to amortize the Election of 2008, Series G, General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Accreted Interest	Total Debt Service
2016	$ -	$ -	$ -
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021-2025	-	-	-
2026-2030	-	-	-
2031-2035	21,245,220	36,389,780	57,635,000
2036-2039	28,755,506	70,564,494	99,320,000
	$ 50,000,726	$106,954,274	$156,955,000

2008 Series H

The annual payments required to amortize the Election of 2008, Series H, General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2016	$ -	$ 672,348	$ 672,348
2017	910,000	1,327,645	2,237,645
2018	1,240,000	1,318,860	2,558,860
2019	1,240,000	1,294,290	2,534,290
2020	-	1,275,150	1,275,150
2021-2025	28,380,000	3,889,685	32,269,685
	$ 31,770,000	$ 9,777,978	$ 41,547,978

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 totaling $51,321,508. 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 $128,321,572 have not been reflected in the long-term debt balance in the schedule above.

NOTE 6 - LONG TERM DEBT (Continued)

2008 R-2 Refunding (Continued)

The annual payments required to amortize the Election of 2008, Series R-2, General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2016	$ -	$ -	$ -	$ -
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021-2025	-	-	-	-
2026-2030	-	-	-	-
2031-2035		55,862,663	-	55,862,663
2036-2040		62,069,625	-	62,069,625
2041-2043	56,869,830	12,003,175	130,510,170	199,383,175
	$ 56,869,830	$129,935,463	$130,510,170	$317,315,463

2013 Series C

The annual payments required to amortize the Election of 2013, Series C, General Obligation Bonds outstanding as of June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2016	$ -	$ 8,596,950	$ 8,596,950
2017	-	17,193,900	17,193,900
2018	-	17,193,900	17,193,900
2019	-	17,193,900	17,193,900
2020	905,000	17,184,850	18,089,850
2021-2025	12,765,000	85,130,175	97,895,175
2026-2030	31,150,000	80,290,550	111,440,550
2031-2035	59,430,000	69,464,750	128,894,750
2036-2040	135,210,000	49,179,725	184,389,725
2041-2043	167,540,000	10,722,800	178,262,800
	$407,000,000	$372,151,500	$779,151,500

NOTE 7 - NET POSITION / FUND BALANCES

Restricted net position consisted of the following at June 30, 2015:

	Governmental Activities
Unspent categorical program revenues	$ 18,221,833
Special revenues	2,835,525
Capital projects	130,035,341
Debt service	183,449,737
Self-insurance	16,119,952
	$ 350,662,388

(Continued)

NOTE 7 - NET POSITION / FUND BALANCES (Continued)

Fund balances were composed of the following at June 30, 2015:

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Nonspendable:						
Revolving cash	$ 54,000	$ -	$ -	$ -	$ -	$ 54,000
Prepaid expenditures	617,812	110	899	-	2,859	621,680
Stores inventory	2,066,997	1,240,001	-	-	-	3,306,998
Total nonspendable	2,738,809	1,240,111	899	-	2,859	3,982,678
Restricted:						
Unspent categorical revenues	18,221,833	-	-	-	-	18,221,833
Special revenue	-	415,322	-	-	95,744	511,066
Capital projects	-	-	203,792,906	-	130,034,874	333,827,780
Debt service	-	-	-	183,449,737	-	183,449,737
Total restricted	18,221,833	415,322	203,792,906	183,449,737	130,130,618	536,010,416
Assigned:						
Mandated costs	62,894,049	-	-	-	-	62,894,049
1st interim balance	12,266,692	-	-	-	-	12,266,692
2nd interim balance	7,834,204	-	-	-	-	7,834,204
Unfunded risks	7,678,673	-	-	-	-	7,678,673
STRS and reserves	7,343,417	-	-	-	-	7,343,417
Site carryover	3,517,214	-	-	-	-	3,517,214
OPEB	1,875,901	-	-	-	-	1,875,901
Prop S Building	-	-	2,561,402	-	-	2,561,402
Other assignments	800,000	55,805	-	-	1,026,151	1,881,956
Total assigned	104,210,150	55,805	2,561,402	-	1,026,151	107,853,508
Unassigned:						
Reserve for economic uncertainties	24,236,000	-	-	-	-	24,236,000
Remaining unassigned	14,787,312	-	-	-	-	14,787,312
Total unassigned	39,023,312	-	-	-	-	39,023,312
Total	$ 164,194,104	$ 1,711,238	$ 206,355,207	$ 183,449,737	$ 131,159,628	$ 686,869,914

(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 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.

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.

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 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

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.

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 8.88 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the 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 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)

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

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate	Increase	Total
July 01, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
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, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed $47,882,108 to the plan for the fiscal year ended June 30, 2015.

State - 5.954 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed $200.7 million of the $267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of $66.9 million was included in an increased first quarter payment of $94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-2047.

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

The CalSTRS state contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding	Total State Appropriation to DB Program
July 01, 2014	2.017%	1.437%	2.50%	5.954%
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 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 shall 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.

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

At June 30, 2015, 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	$ 682,566,000
State's proportionate share of the net pension liability associated with the District	412,166,000
Total	$1,094,732,000

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. 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, 2014, the District's proportion was 1.168 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

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

For the year ended June 30, 2015, the District recognized pension expense of $68,941,414 and revenue of $29,047,954 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	168,081,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	47,882,108	-
Total	$ 47,882,108	$ 168,081,000

$47,882,108 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, 2016. 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 June 30,	
2016	$ 42,020,250
2017	$ 42,020,250
2018	$ 42,020,250
2019	$ 42,020,250

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 June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. 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)

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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

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. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-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:

Asset Class	Assumed Asset Allocation	Long-Term* Expected Real Rate of Return
Global Equity	47%	4.50%
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash / Liquidity	1	0.00

* 10-year geometric average

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

Discount Rate: The discount rate used to measure the total pension liability was 7.60 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 Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 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 7.60 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 (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	$1,063,943,000	$ 682,566,000	$ 364,568,000

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-2014.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.

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 agencies first join the PERF, 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, 2015 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers - The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed $27,757,643 to the plan for the fiscal year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of $242,318,083 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as June 30, 2013. 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, 2014, the District's proportion was 2.049 percent, which was a decrease of 0.089 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of $18,848,195. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	82,136,375
Changes in proportion and differences between District contributions and proportionate share of contributions	-	10,260,750
Contributions made subsequent to measurement date	27,757,643	-
Total	$ 27,757,643	$ 92,397,125

(Continued)

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

$27,757,643 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, 2016. 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 June 30,	
2016	$ 23,954,344
2017	$ 23,954,344
2018	$ 23,954,344
2019	$ 20,534,094

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 June 30, 2013. 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.

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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
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 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

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

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.

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return
Global Equity	47%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	12	6.83
Real Estate	11	4.50
Infrastructure & Forestland	3	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.50 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.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

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 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 rounded down to the nearest one quarter of one percent.

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

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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 421,794,000	$ 242,318,083	$ 90,247,000

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

In addition to the pension benefits described in Notes 8 and 9, the District provides post employment health care benefits 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 District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$ 5,775,080
Interest on net OPEB obligation	414,861
Adjustment to annual required contribution	(476,638)
Annual OPEB cost (expense)	5,713,303
Contributions made	(2,840,658)
Increase in net OPEB obligation	2,872,645
Net OPEB obligation - beginning of year	9,794,481
Net OPEB obligation - end of year	$ 12,667,126

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for the year ended June 30, 2015 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$ 4,101,470	68.0%	$ 7,137,745
June 30, 2014	$ 5,417,683	51.0%	$ 9,794,481
June 30, 2015	$ 5,713,303	49.7%	$ 12,667,126

As of July 1, 2013, the most recent actuarial valuation date, the plan was not funded. The unfunded actuarial accrued liability for benefits (UAAL) was $63.4 million. The covered payroll (annual payroll of active employees covered by the Plan) was $772.4 million, and the ratio of the UAAL to the covered payroll was 8.2 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, included in Required Supplementary Information following this section, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 6.7 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after 6 years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 29 years.

<u>Public Agency Retirement Services (PARS)</u>: During the fiscal years ended June 30, 2015, the District provided the option of a one-time Supplemental Employee Retirement Plan (SERP) to the District employees. Employees under the SERP will receive monthly annuity benefits. The District is obligated to pay annual installments for the calculated benefits for employees under the SERP and for the administration of the plan.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The annual requirements to amortize the SERP liability outstanding as of June 30, 2015 are as follows:

Year Ending June 30,	
2016	$ 7,694,197
2017	7,694,197
2018	7,694,196
2019	7,694,196
Total	$ 30,776,786

NOTE 11 - JOINT POWERS AGREEMENT

CSAC Excess Insurance Authority (CSAC EIA): The District participates in two joint powers agreements with CSAC Excess Insurance Authority (CSAC EIA) and Schools Excess Liability Fund (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 in the prior year.

Condensed audited financial information for CSAC EIA for the year ended June 30, 2013 (the latest information available) is as follows:

Total assets	$ 588,152,525
Total liabilities	$ 469,537,129
Total net position	$ 118,615,396
Total revenues	$ 538,894,700
Total expenditures	$ 525,831,124
Change in net position	$ 13,063,576

Condensed audited financial information for SELF for the year ended June 30, 2015 is as follows:

Total assets	$ 154,727,271
Deferred outflows of resources	$ 99,437
Total liabilities	$ 122,470,926
Deferred inflows of resources	$ 166,153
Total net position	$ 32,189,629
Total revenues	$ 11,968,752
Total expenditures	$ 23,063,637
Change in net position	$ (11,094,885)

(Continued)

NOTE 12 - 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

Capital Projects	Remaining Construction Commitment Less Accruals
La Jolla HS: Stadium Project	$ 11,337,680
O'Farrell Charter New Buildings	10,381,094
University City HS: Athletic Facilities & Parking Lot	8,018,189
Henry HS: Site Modernization Project	5,837,932
Bell MS: HVAC Classrooms (IDIQ)	5,632,249
Morse HS: HVAC Classrooms (IDIQ)	5,570,844
Encanto ES: Site Modernization	5,468,276
i21 Program	4,528,385
Henry HS: Theater	4,242,310
Hoover HS: HVAC Classrooms (IDIQ)	2,226,779
Pershing MS: WSM Project	2,068,627
Darnall E. Campus Charter: HVAC Classrooms	1,783,582
Misc. Closeout of Projects	1,329,185
Misc. Small Projects	1,221,541
Jackson Charter: HVAC Classrooms	880,681
San Diego HS: Interim Housing	784,657
O'Farrell Community School: Interim Housing	430,000
Kearny HS: Stadium Improvement Project	401,772
Grant ES: Develop Erosion Control Plan	388,646
Mission Bay HS: Stadium Improvement	335,634
Total	$ 72,868,063

NOTE 13 - RESTATEMENT

The July 1, 2014 governmental activities net position has been restated to correct an error for the understatement of accrued interest and accreted interest. The correction reduced the July 1, 2014 beginning net position by $104,749,488. Additionally, for the year ended June 30, 2014 the change in net position would have been reduced by approximately $31 million if the accrued interest and accreted interest were recorded in the financial statements.

(Continued)

NOTE 14 - SUBSEQUENT EVENTS

On July 29, 2015, the District issued $185,000,000 of Tax and Revenue Anticipation Notes. The notes mature on June 30, 2016 and has a coupon rate of 2.00%. The notes were sold by the District to to finance, in part, the District's General Fund cash flow requirements during the 2015-16 fiscal year.

On September 30, 2015, the District issued $75,400,000 of Election of 2012, Series D, General Obligation Bonds. The bonds mature on July 1, 2016 and have a coupon rate of 0.450%.

On September 30, 2015, the District issued $78,955,000 of Election of 2012, Series E, General Obligation Bonds. The bonds mature on July 1, 2017 and have a coupon rate of 3.00 - 4.00%.

REQUIRED SUPPLEMENTARY INFORMATION

SAN DIEGO UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 391,360,489	$ 391,360,489	$ 352,071,420	$ (39,289,069)
Local sources	462,174,085	462,174,085	499,905,218	37,731,133
Total LCFF	853,534,574	853,534,574	851,976,638	(1,557,936)
Federal sources	86,900,383	145,342,037	95,814,822	(49,527,215)
Other state sources	120,557,902	133,102,276	220,120,129	87,017,853
Other local sources	28,347,281	39,385,004	40,398,685	1,013,681
Total revenues	1,089,340,140	1,171,363,891	1,208,310,274	36,946,383
Expenditures:				
Current:				
Certificated salaries	529,766,879	547,271,726	544,291,481	2,980,245
Classified salaries	205,556,819	197,575,817	200,346,189	(2,770,372)
Employee benefits	294,762,635	292,923,863	317,433,049	(24,509,186)
Books and supplies	43,246,178	64,630,876	41,570,381	23,060,495
Contract services and operating expenditures	83,457,707	103,575,789	93,488,302	10,087,487
Other outgo	1,350,000	650,000	693,389	(43,389)
Capital outlay	7,987,376	36,020,239	3,940,879	32,079,360
Total expenditures	1,166,127,594	1,242,648,310	1,201,763,670	40,884,640
(Deficiency) Excess of revenues (under) over expenditures	(76,787,454)	(71,284,419)	6,546,604	77,831,023
Other financing sources (uses):				
Interfund transfers in	39,010,666	39,235,666	40,203,110	967,444
Interfund transfers out	(9,895,237)	(12,737,701)	(10,795,268)	1,942,433
Total other financing sources	29,115,429	26,497,965	29,407,842	2,909,877
Net change in fund balance	(47,672,025)	(44,786,454)	35,954,446	80,740,900
Fund balance, July 1, 2014	128,239,658	128,239,658	128,239,658	-
Fund balance, June 30, 2015	$ 80,567,633	$ 83,453,204	$ 164,194,104	$ 80,740,900

SAN DIEGO UNIFIED SCHOOL DISTRICT
CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

	Budget			Variance/
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Federal sources	$ 52,549,371	$ 52,649,371	$ 49,370,645	$ (3,278,726)
Other state sources	3,920,311	3,920,311	4,241,766	321,455
Other local sources	7,657,916	7,830,974	6,779,596	(1,051,378)
Total revenues	64,127,598	64,400,656	60,392,007	(4,008,649)
Expenditures:				
Current:				
Classified salaries	21,526,548	21,715,348	23,012,827	(1,297,479)
Employee benefits	13,403,531	13,172,531	11,645,669	1,526,862
Books and supplies	23,242,556	23,334,426	23,306,759	27,667
Contract services and operating expenditures	2,016,900	2,019,104	2,094,888	(75,784)
Capital outlay	250,000	298,126	248,560	49,566
Total expenditures	60,439,535	60,539,535	60,308,703	230,832
(Deficiency) Excess of revenues (under) over expenditures	3,688,063	3,861,121	83,304	(3,777,817)
Other financing uses:				
Operating transfers out	(3,489,811)	(1,289,811)	(387,234)	902,577
Net change in fund balance	198,252	2,571,310	(303,930)	(2,875,240)
Fund balance, July 1, 2014	2,015,168	2,015,168	2,015,168	-
Fund balance, June 30, 2015	$ 2,213,420	$ 4,586,478	$ 1,711,238	$ (2,875,240)

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF FUNDING PROGRESS
For the Year Ended June 30, 2015

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

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015
District's proportion of the net pension liability	1.168%
District's proportionate share of the net pension liability	$ 682,566,000
State's proportionate share of the net pension liability associated with the District	412,166,000
Total net pension liability	$1,094,732,000
District's covered-employee payroll	$ 520,247,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

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.

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015
District's proportion of the net pension liability	2.049%
District's proportionate share of the net pension liability	$ 242,318,083
District's covered-employee payroll	$ 218,874,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	110.71%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

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.

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015
Contractually required contribution	$ 47,882,108
Contributions in relation to the contractually required contribution	$ 47,882,108
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 539,213,000
Contributions as a percentage of covered-employee payroll	8.88%

All years prior to 2015 are not available.

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015
Contractually required contribution	$ 27,757,643
Contributions in relation to the contractually required contribution	$ 27,757,643
Contribution deficiency (excess)	$ -
District's covered-employee payroll	$ 235,813,000
Contributions as a percentage of covered-employee payroll	11.77%

All years prior to 2015 are not available.

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.

Excess of expenditure over appropriation in the General Fund for the year ended June 30, 2015 was as follows:

Classified Salaries	$	2,770,372
Employee benefits	$	24,509,186

Excess of expenditure over appropriation in the Cafeteria Fund for the year ended June 30, 2015 was as follows:

Classified Salaries	$	1,297,479
Contract Services and Operating Expenditures	$	75,784

These excesses are not in accordance with Education Code Section 42600.

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

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

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

SAN DIEGO UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2015

	Adult Education Fund	Child Develop-ment Fund	Deferred Maintenance Fund	Pupil Transportation Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Non-Major Governmental Total
ASSETS								
Cash in County Treasury	$ 131,872	$ 1,833,576	$ -	$ 992,035	$ 43,465,952	$ 86,398,345	$ 5,639,321	$ 138,461,101
Receivables	3,727	1,808,205	159	963	32,149	99,379	10,240	1,954,822
Due from other funds	46,015	6,656,758	-	-	116,609	1,233,708	162,906	8,215,996
Prepaid expenditures	-	2,392	-	-	-	-	467	2,859
Total assets	$ 181,614	$ 10,300,931	$ 159	$ 992,998	$ 43,614,710	$ 87,731,432	$ 5,812,934	$ 148,634,778
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 686	$ 156,931	$ -	$ -	$ 1,218,511	$ 1,402,595	$ 26,315	$ 2,805,038
Unearned revenue	1,121	-	-	-	-	-	-	1,121
Due to other funds	117,283	10,075,394	-	-	2,517,939	1,657,351	301,024	14,668,991
Total liabilities	119,090	10,232,325	-	-	3,736,450	3,059,946	327,339	17,475,150
Fund balances:								
Nonspendable	-	2,392	-	-	-	-	467	2,859
Restricted	42,410	53,334	-	-	39,878,260	84,671,486	5,485,128	130,130,618
Assigned	20,114	12,880	159	992,998	-	-	-	1,026,151
Total fund balance	62,524	68,606	159	992,998	39,878,260	84,671,486	5,485,595	131,159,628
Total liabilities and fund balances	$ 181,614	$ 10,300,931	$ 159	$ 992,998	$ 43,614,710	$ 87,731,432	$ 5,812,934	$ 148,634,778

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, 2015

	Adult Education Fund	Child Develop-ment Fund	Deferred Maintenance Fund	Pupil Transportation Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Non-Major Governmental Total
Revenues:								
Local Control Funding Formula:								
Local sources	$ 509,600	$ -	$ -	$ -	$ -	$ -	$ -	$ 509,600
Total LCFF	509,600	-	-	-	-	-	-	509,600
Federal sources	-	450,454	-	-	-	-	-	450,454
Other state sources	19,877	14,805,841	-	-	-	1,945,701	-	16,771,419
Other local sources	116,721	5,388,600	713	605,691	35,257,693	693,471	3,457,691	45,520,580
Total revenues	646,198	20,644,895	713	605,691	35,257,693	2,639,172	3,457,691	63,252,053
Expenditures:								
Current:								
Certificated salaries	373,791	8,625,291	-	-	-	-	-	8,999,082
Classified salaries	56,429	7,772,837	-	-	5,631,174	253,978	1,058,191	14,772,609
Employee benefits	154,354	7,618,735	-	-	3,103,471	77,056	349,545	11,303,161
Books and supplies	30,284	768,091	-	29,654	573,486	75,163	37,012	1,513,690
Contract services and operating expenditures	170,910	352,877	181,412	6,300	3,846,197	446,443	897,638	5,901,777
Capital outlay	-	-	-	55,209	10,452,764	10,912,038	36,036	21,456,047
Total expenditures	785,768	25,137,831	181,412	91,163	23,607,092	11,764,678	2,378,422	63,946,366
Excess (deficiency) of revenues over (under) expenditures	(139,570)	(4,492,936)	(180,699)	514,528	11,650,601	(9,125,506)	1,079,269	(694,313)
Other financing sources (uses):								
Operating transfers in	-	5,529,117	-	-	-	1,233,708	-	6,762,825
Operating transfers out	(23,968)	(982,847)	-	-	(11,888,849)	-	(27,109,061)	(40,004,725)
Proceeds from sale of building/land	-	-	-	-	-	-	21,618,399	21,618,399
Total other financing sources (uses)	(23,968)	4,546,270	-	-	(11,888,849)	1,233,708	(5,490,662)	(11,623,501)
Net change in fund balances	(163,538)	53,334	(180,699)	514,528	(238,248)	(7,891,798)	(4,411,393)	(12,317,814)
Fund balances, July 1, 2014	226,062	15,272	180,858	478,470	40,116,508	92,563,284	9,896,988	143,477,442
Fund balances, June 30, 2015	$ 62,524	$ 68,606	$ 159	$ 992,998	$ 39,878,260	$ 84,671,486	$ 5,485,595	$ 131,159,628

San Diego Unified School District (the "District") began operations in 1854 under the laws of the State of California. The San Diego Unified School District serves nearly 130,000 students in kindergarten through grade 12, which includes students in Charter School. The District's educational facilities include 108 elementary schools, 9 K-8 schools, 25 middle/junior high schools, 24 senior high schools, 12 atypical/alternative schools, and 49 charter schools.

GOVERNING BOARD

Name	Office	Term Expires
Marne Foster	President	December 2016
Dr. John Lee Evans	Vice President	December 2016
Michael McQuary	Member	December 2018
Richard Barrera	Member	December 2016
Kevin Beiser	Member	December 2018

DISTRICT ADMINISTRATORS

Cindy Marten
Superintendent of Public Education

Staci Monreal
Chief of Staff

Tim Asfazadour
Chief Human Resources Officer

W. Drew Rowlands
Chief Operations Officer

Jenny Salkeld
Chief Financial Officer

Andra Donovan
General Counsel

Lee Dulgeroff
Chief Facilities, Planning and Construction Officer

Dan Stoneman
Chief Innovation Officer

Ursula Kroemer
Chief Public Information Officer

Jim Solo
Executive Director, Leadership and Learning

Cheryl Hibbeln
Executive Director, Office of Secondary Schools

Sonia Picos
Executive Director, Special Education

(Continued)

DISTRICT ADMINISTRATORS (Continued)

Linda Trousdale
Acting Executive Director, Student Services

Richard Vernon Moore
Executive Director, Office of Youth Advocacy

Bruce Bivins
Area 1 Superintendent

Lamont Jackson
Area 2 Superintendent

Kimie Lochtefeld
Area 3 Superintendent

Dr. Sofia Freire
Area 4 Superintendent

Mitzi Merino
Area 5 Superintendent

Fabiola Bagula
Area 6 Superintendent

Cherly Ward
Director Board Services

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2015

	Second Period Report	Annual Report
Transitional Kindergarten through Third		
Regular ADA	36,614	36,522
Special Education	65	67
Total Transitional Kindergarten through Third	36,679	36,589
Fourth through Sixth		
Regular ADA	24,467	24,402
Special Education	69	73
Community Day School	1	2
Total Fourth through Sixth	24,537	24,477
Seventh through Eighth		
Regular ADA	14,024	14,002
Special Education	74	76
Community Day School	8	9
Total Seventh through Eighth	14,106	14,087
Ninth through Twelfth		
Regular ADA	28,407	28,020
Special Education	222	236
Community Day School	13	16
Total Ninth through Twelfth	28,642	28,272
District Total	103,964	103,425

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2015

Grade Level	Minutes Requirement	Minutes Requirement Reduced	2014-2015 Actual Minutes	Number of Days	Status
District:					
Kindergarten	36,000	35,000	56,120	180	In Compliance
Grade 1	50,400	49,000	54,000	180	In Compliance
Grade 2	50,400	49,000	54,000	180	In Compliance
Grade 3	50,400	49,000	54,000	180	In Compliance
Grade 4	54,000	52,500	54,000	180	In Compliance
Grade 5	54,000	52,500	54,000	180	In Compliance
Grade 6	54,000	52,500	54,000	180	In Compliance
Grade 7	54,000	52,500	60,285	180	In Compliance
Grade 8	54,000	52,500	60,285	180	In Compliance
Grade 9	64,800	63,000	64,880	180	In Compliance
Grade 10	64,800	63,000	64,880	180	In Compliance
Grade 11	64,800	63,000	64,880	180	In Compliance
Grade 12	64,800	63,000	64,880	180	In Compliance

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Education - Passed through California Department of Education			
84.010	NCLB: Title I, Part A Basic Grants, Low Income and Neglected	14329	$ 34,894,126
	Special Education Cluster:		
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec. 611 (Formerly 94-142)	13379	20,052,813
84.027A	IDEA Preschool Local Entitlement, Part B, Sec. 611 (Age 3-5)	13682	1,149,468
84.173	IDEA Preschool Grants, Part B, Sec. 619 Age (3-5)	13430	800,352
84.027	IDEA Local Assistance, Part B, Sec. 619 Private School ISPs	10115	215,769
84.173A	IDEA Preschool Staff Development, Part B, Sec. 619	13431	5,823
84.027A	IDEA Mental Health Allocation Plan, Part B, Sec. 611	14468	1,179,036
	Subtotal Special Education Cluster		23,403,261
	NCLB: Title III Programs:		
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Programs	14346	2,653,694
84.365	NCLB: Title III, Immigrant Education Program	15146	512,418
	Subtotal NCLB: Title III Programs		3,166,112
	Federal Impact Aid Programs:		
84.041	Federal Impact Aid	10015	7,641,635
84.041	Federal Impact Aid - Special Ed	14792	2,129,559
	Subtotal Federal Impact Aid Programs		9,771,194
	Magnet School Assistance Program:		
84.165	Magnet School Assistance Program	*	2,031,405
84.165	Magnet School Assistance Program - Positions	*	1,248,543
	Subtotal Magnet School Assistance Program		3,279,948

(Continued)

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Education - Passed through California Department of Education (Continued)			
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	$ 1,132,780
84.060	Indian Education	10011	73,556
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	297,052
84.184	Safe and Supportive Schools Programmatic Intervention	15164	92,262
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	3,449,116
84.287	NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	14681	2,603,286
84.184E	Readiness and Emergency Management for Schools	-	109,950
84.351D	Arts in Education	*	103,481
84.UNKNOWN*	JROTC	*	2,909,346
84.UNKNOWN*	IB EXAM	*	29,110
84.334(A)	California State Gear Up Program	10088	18,060
84.330C	Advanced Placement Program	*	784,497
84.158	Department of Rehab: Workability II, Transition Partnership	10006	738,880
	Total U.S. Department of Education		86,856,017
U.S. Department of Defense - Passed through California Department of Education			
	Direct Federal to Local Funding:		
12.UNKNOWN*	Operation Student Virtual Learning	*	504,628
12.UNKNOWN*	Thrive and Learn	*	741,871
12.UNKNOWN*	Op Student Achievement	*	20,097
12.UNKNOWN*	Operation World Language	*	259,334
	Subtotal Direct Programs		1,525,930
	Community Investment Program:		
12.600	Department of Defense Off Econ Adj Grant Hancok	*	1,423,573
12.600	Department of Defense Off Econ Adj Grant Miller	*	1,291,265
	Subtotal Community Investment Program		2,714,838
	Total U.S. Department of Defense		4,240,768

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Health and Human Services - Passed through California Department of Education		
93.575	Child Development: Federal General and Preschool, Family Child Care Home	15136	$ 450,456
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	*	455,860
93.576	Refugee and Entrant Assistance Discretionary Grant	*	4,250
93.778	Department of Health Services: Medi-Cal Billing Option	10013	2,224,691
	Total U.S. Department of Health and Human Services		3,135,257
	U.S. Department of Agriculture - Passed through California Department of Education		
10.553	Child Nutrition: National School Lunch Program	13526	49,283,867
10.579	Child Nutrition: NSLP Equipment Assistance Grant	14906	95,029
	Total U.S. Department of Agriculture		49,378,896
	Total Federal Programs		$ 143,610,938

* - PCS or CFDA Number not available for not applicable.

	Self-Insurance Fund
June 30, 2015 Unaudited Actual Financial Reporting Ending Fund Balance:	$ 83,733,952
Audit adjustment to record claims liability	(67,614,000)
June 30, 2015 Audit Financial Statements Ending Fund Balance	$ 16,119,952

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

See accompanying notes to required supplementary information.

	(Adopted Budget) 2016	2015	2014	2013
General Fund				
Revenues and other financing sources	$1,089,340,140	$1,248,513,384	$1,178,534,344	$1,064,659,612
Expenditures	1,161,760,676	1,201,763,670	1,116,177,090	1,079,292,899
Other uses and transfers out	(9,895,237)	10,795,268	10,216,324	9,141,951
Total outgo	1,151,865,439	1,212,558,938	1,126,393,414	1,088,434,850
Change in fund balance	$ (62,525,299)	$ 35,954,446	$ 52,140,930	$ (23,775,238)
Ending fund balance	$ 101,668,805	$ 164,194,104	$ 128,239,658	$ 76,098,728
Available reserves	$ 43,127,292	$ 39,023,314	$ 50,707,518	$ 45,258,671
Designated for economic uncertainties	$ 23,434,000	$ 24,236,000	$ 22,483,000	$ 21,717,000
Undesignated fund balance	$ 19,693,292	$ 14,787,314	$ 28,224,518	$ 23,541,671
Available reserves as percentages of total outgo	3.74%	3.22%	4.51%	4.20%
All Funds				
Total long-term liabilities	$3,446,506,136	$3,527,079,664	$3,761,921,741	$2,553,223,652
Average daily attendance at P-2	102,890	103,963	106,099	106,840

The General Fund fund balance has increased by $64,320,138 over the past three years. The fiscal year 2015-16 budget projects a decrease of $62,525,299. 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, 2015, 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 2015-2016.

Total long-term liabilities have increased by $973,856,012 over the past two years, as shown in Note 6 to the basic financial statements.

Average daily attendance has decreased by 2,877 over the past two years. A decrease of 1,073 ADA is projected for the 2015-2016 fiscal year.

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2015

Charter School	Status	Included in District Report
American's Finest Charter School	Active	No
Arroyo Paseo Charter High School	Active	No
Audeo	Active	No
Charter School of San Diego	Active	No
City Heights Preparatory Charter	Active	No
Coleman Tech High	Active	No
Darnall Charter	Active	No
e3 Civic High	Active	No
Einstein Academy	Active	No
Albert Einstein Middle Charter School	Active	No
Elevate Charter	Active	No
Empower Charter	Active	No
Epiphany	Active	No
Explorer	Active	No
Gompers Preparatory Academy	Active	No
Health Sciences High	Active	No
Health Sciences Middle	Active	No
High Tech High	Active	No
High Tech International	Active	No
High Tech Media Arts	Active	No
High Tech Middle	Active	No
High Tech Middle Media Arts	Active	No
Holly Drive Leadership Academy	Active	No
Iftin Charter School	Active	No
Innovations Academy	Active	No
Kavod	Active	No
Keiller Leadership Academy	Active	No
King-Chavez Academy of Excellence	Active	No
King-Chavez Arts Academy	Active	No
King-Chavez Athletics Academy	Active	No
King-Chavez Community High	Active	No
King-Chavez Preparatory Academy	Active	No
King -Chavez Primary Academy	Active	No
Kipp Adelante Preparatory Academy	Active	No
Laurel Preparatory Academy	Active	No
Learning Choice Academy	Active	No
Magnolia Science Academy San Diego	Active	No
McGill School of Success	Active	No
The Museum School	Active	No
O'Farrell Charter	Active	No
Old Town Academy K-8 Charter	Active	No
Preuss School UCSD	Active	No
Evangeline Roberts Institute of Learning	Active	No
San Diego Cooperative Charter	Active	No
San Diego Cooperative Charter School 2	Active	No
San Diego Global Vision Academy	Active	No
San Diego Global Vision Academy Middle	Active	No
Harriet Tubman Village Charter	Active	No
Urban Discovery Academy	Active	No

See accompanying notes to required supplementary information.

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. 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

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with A-133 requirements, and is presented on the modified accrual basis of accounting.

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, 2015.

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		$ 147,397,627
Less: Funds received in excess of expenditures		
Federally funded interest on QSCB's	*	(1,761,706)
Federal Impact Aid	84.041	(4,169,399)
IB Exam	*	(12,469)
DoDEA: Operation World Language	*	(16,976)
DoDEO: Operation Student Virtual Learning	*	(325,155)
Add: Funds expended in excess of revenues		
Medi-Cal Billing Option	93.778	80,704
Advanced Placement Incentive Program Grant	84.330C	606,120
JROTC	*	1,803,941
Child Nutrition Program	10.553	8,251
Total Schedule of Expenditure of Federal Awards		$ 143,610,938

* 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 2015-2016 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, 2015, 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2015.

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time School Districts	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
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
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 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 compliance with state laws and regulations as listed above, of San Diego Unified School District. 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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 Finding 2015-003 in the accompanying Schedule of Audit Findings and Questioned Costs, San Diego Unified School District did not comply with requirements regarding Attendance. Compliance with such requirements is necessary, in our opinion, for San Diego Unified School District to comply with state laws and regulations applicable to Attendance Reporting.

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 state laws and regulations referred to above for the year ended June 30, 2015. Further, based on our examination, for items not tested, nothing came to our attention to indicate that San Diego Unified School District had not complied with the state laws and regulations.

(Continued)

Other Matter

San Diego Unified School District's response to the noncompliance 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 compliance and, accordingly, we express no opinion on it.

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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

[redacted]

Sacramento, California

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, 2015, 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 .

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2015-001 that we considered to be a significant deficiency. Additionally, 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 2015-002.

(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*.

Response to Finding

San Diego Unified School District's responses to the 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 the financial statements and, accordingly, we express no opinion on them.

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.

[redacted]

Sacramento, California

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Diego Unified School District's major federal programs for the year ended June 30, 2015. San Diego Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Diego Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Diego Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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, 2015.

(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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Diego Unified School District's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

[redacted]

Sacramento, California

FINDINGS AND RECOMMENDATIONS

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)?	X Yes	______ 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:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	______ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553	Child Nutrition
84.041	Federal Impact Aid Program
84.165	Magnet School Assistance Program
84.287	21st Century Community Learning Centers

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)

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 SIGNIFICANT DEFICIENCY – RESTATEMENT OF ACCRETED AND ACCRUED INTEREST (30000)

Criteria

Accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board (Governmental GAAP) requires that the District accrue accreted interest on capital appreciation bonds over the life of the bond. Additionally, the District is required to accrue interest outstanding as of the reporting date (June 30th) for unpaid interest on the general obligation bond.

Condition

The District's financial statements prepared for the year ended June 30, 2014 did not include the accrual for accreted interest or the accrual for accrued interest.

Effect

The effect of this deficiency was an understatement of government-wide long-term liabilities of $104,749,488 as of July 1, 2014.

Cause

The District internal controls related to year end interest accruals for the general obligation bonds were not adequate to ensure all items were included in the government-wide financial statements.

Fiscal Impact

There is no fiscal impact as the District has restated the beginning net position to accrue the accreted interest and accrued interest as of July 1, 2014. Additionally the District recorded the appropriate journal entries in the current fiscal year to accrue all required liabilities as of June 30, 2015.

Recommendation

We recommend that the District prepare a schedule of annual accruals for accreted interest and accrued interest as of the end of the reporting period. This schedule should be maintained on an ongoing basis and reviewed annually prior to the recording of the top-side conversion entries for the government-wide financial statements.

Corrective Action Plan

The District concurs with the recommendation and will prepare a schedule of annual accruals for accreted interest and accrued interest. The schedule will be maintained and reviewed annually by staff and the District's financial advisor prior to the recording of the conversion entry.

(Continued)

2015-002 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000)

Criteria

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

Standley Middle School

Finding / Condition:

- Receipts or records are not maintained when funds are turned into the ASB advisors.
- A dual count is not being performed when funds are turned into the office.

San Diego High School, School of International Studies

Finding / Condition:

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

Hawthorne Elementary

Finding / Condition:

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

.

Morse High School

Finding / Condition:

- Monthly reconciliations are not performed in a timely manner.

Rodriguez Elementary

Finding / Condition:

- The school site is not retaining documentation to support cash receipt totals. Nor are detailed records of cash received from sales maintained.

Point Loma High School

Finding / Condition:

- Fundraiser forms are not being approved by the site Principal.

(Continued)

2015-002 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000) (Continued)

Mark Twain High School

Finding / Condition:

- Student store inventories are not being reviewed periodically to determine propriety as to character and quantities.
- Records of sales are not maintained
- Profit and loss statements are not created for the student store.

Robert E. Lee Elementary

Finding / Condition:

- The school site is not retaining documentation to support cash receipt totals. Nor are detailed records of cash received from sales maintained.

Dana Middle School

Finding / Condition:

- The school site is not retaining documentation to support cash receipt totals. Nor are detailed records of cash received from sales maintained.

Eugene Field Elementary

Finding / Condition:

- Documentation to support cash receipt totals and records of number and type of sales are not maintained.
- A dual count is not being performed when funds are turned into the office.
- Equipment was purchased by the student body that was inconsistent with District practices.

Pacific Beach Middle School

Finding / Condition:

- Fundraiser forms are not being approved by the site Principal.

Florence Elementary School

Finding / Condition:

- Fundraiser forms are not being approved by the site Principal.

Effect

ASB funds could potentially be misappropriated.

(Continued)

2015-002 DEFICIENCY - INTERNAL CONTROL - ASSOCIATED STUDENT BODY (30000) (Continued)

Cause

Adequate internal control procedures have not been implemented and enforced.

Fiscal Impact

Not determinable.

Recommendation

- Fundraiser's should be approved prior to the date of the fundraiser.
- Student store inventories should be reviewed periodically to determine propriety as to character and quantities.
- Records of sales should be reconciled to money received on a daily basis.
- Profit/loss statements should be completed for the student store.
- Cash count forms should be performed evidencing dual count of funds for receipt of funds.
- Cash receipts should be provided and maintained when money is turned into the office.
- Monthly reconciliation's should be done in a timely manner.

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.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2015-003 STATE COMPLIANCE - ATTENDANCE REPORTING (10000)

Criteria

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

Curie Elementary School had an absence note for a student that was not reflected properly in the attendance accounting system.

Effect

The effect of this finding is an overstatement of 0.008 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.

Corrective Action Plan

Staff training with school site personnel will be conducted. The attendance finding noted was corrected at the school site by attendance personnel. No corrections were necessary for the P-2 or Annual reports.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2014-01 At various school sites tested: • Cash receipts were not supported by documentation to support cash collection. • Cash receipts were not deposited on a timely manner. • Cash disbursement for inappropriate expenditure. • Meeting minutes are not maintained. • Lack of proper approval of expenditures. Recommendations: Staff members that handle student funds should be reminded of the importance of sound internal controls, proper documentation over cash receipts and the proper approval of expenditures. Instruction on the use of standardized formats should continue to be provided annually with compliance follow-up by the district office. The District should be provided each student boy account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.	Partially implemented.	See current year finding 2015-002.
2014-02 Inventory recorded on the general ledger did not agree to the Inventory count. Recommendation: The District should implement sufficient and appropriate internal control procedures to ensure transactions are recorded.	Implemented.	

(Continued)

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2014-03 At various school sites tested: • Students were not credited with the correct number of days' attendance. • Required early release approval form is not retained. Recommendation: The District should continue to provide oversight and training to staff responsible for reconciling attendance records regarding the importance of accurately reviewing scanned attendance for discrepancies when comparing against signed rosters and student early release policies.	Implemented.	
2014-04E Pupils enrolled in kindergarten for consecutive years did not have a signed parental agreement to continue form. Recommendation: The school sites should review the parental agreement form to ensure students continuing kindergarten after one year of enrollment have properly completed and signed parental agreement forms.	Implemented	
2014-05: ATTENDANCE REPORTING At various schools students were improperly counted as present. Recommendation: The school sites should follow District attendance procedures for the attendance system.	Partially Implemented	See current year finding 2015-003.

(Continued)

Finding/Recommendation	Current Status	District Explanation If Not Implemented
2014-06 At various schools, independent study contracts were not appropriately completed (missing signatures, work samples and contracts). Recommendation: Procedures are fully followed to obtain all required elements of the independent study agreement on or before the independent study start date.	Implemented.	