DAC Bond®

NEW ISSUE – FULL BOOK-ENTRY

RATINGS: Fitch: "AAA"
KBRA: "AA+"
Moody's: "Aa2"
(See "MISCELLANEOUS – Ratings" herein.)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the San Diego Unified School District, based upon an analysis of existing laws, regulations, rulings, and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

$370,645,000
SAN DIEGO UNIFIED SCHOOL DISTRICT
2016 General Obligation Bonds
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)
(Election of 2012, Series F)

$100,000,000
SAN DIEGO UNIFIED SCHOOL DISTRICT
2016 General Obligation Bonds
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)
(Election of 2012, Series G)
(Green Bonds)

Dated: Date of Delivery

Due: July 1, as shown on the inside cover.

This cover page contains certain information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The San Diego Unified School District (the "District") 2016 General Obligation Bonds (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Election of 2012, Series F) (the "Series F Bonds") and the 2016 General Obligation Bonds (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Election of 2012, Series G)(Green Bonds) (the "Series G Bonds" or the "Green Bonds" and together with the Series F Bonds, the "Bonds") were authorized at an election of the registered voters of the District held on November 6, 2012 at which the requisite 55% or more of the persons voting on the bond proposition ("Proposition Z") voted to authorize the issuance and sale of $2.8 billion principal amount of general obligation bonds of the District (the "2012 Election"). The Series F Bonds and the Series G Bonds are the sixth and seventh respective issuance of general obligation bonds of the District authorized at the 2012 Election.

THE BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT, SECURED AND PAYABLE FROM *AD VALOREM* PROPERTY TAXES ASSESSED UPON ALL PROPERTY SUBJECT TO TAXATION BY THE DISTRICT, WHICH THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN DIEGO (THE "COUNTY") IS EMPOWERED AND OBLIGATED TO LEVY WITHOUT LIMITATION AS TO RATE OR AMOUNT (EXCEPT FOR CERTAIN PERSONAL PROPERTY WHICH IS TAXABLE AT LIMITED RATES) ALL AS MORE FULLY DESCRIBED UNDER "SECURITY AND SOURCES OF PAYMENT" HEREIN. THE BONDS ARE PAYABLE ON A PARITY WITH ALL OTHER GENERAL OBLIGATION BONDS OF THE DISTRICT PAYABLE FROM *AD VALOREM* TAXES.

The Bonds are being issued as current interest bonds. Interest on the Bonds accrues from their date of delivery, computed on the basis of a 360-day year comprised of twelve (12) 30-day months, such interest being payable on January 1 and July 1 of each year, commencing July 1, 2016.

The Bonds will be issued in book-entry form only, in denominations of $5,000 principal amounts, or any integral multiple thereof. The Bonds will be initially registered in the name of a nominee of The Depository Trust Company ("DTC"). Purchasers will not receive certificates representing their interests in the Bonds. Payments on the Bonds will be made by the County of San Diego, California, Office of the Treasurer-Tax Collector, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "APPENDIX G: BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS – Redemption."

MATURITY SCHEDULES
(See Inside Cover)

Citigroup
J.P. Morgan

Goldman, Sachs & Co.
Morgan Stanley

The Bonds will be offered when, as and if issued by the District and received by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Certain matters will be passed upon for the District by its General Counsel and for the Underwriters by Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California and Chapman and Cutler LLP, Chicago, Illinois. KNN Public Finance, a Division of Zions Public Finance, Inc., Los Angeles, California, serves as Municipal Advisor to the District, and Norton Rose Fulbright US LLP, Los Angeles, California serves as Disclosure Counsel to the District in connection with the issuance of the Bonds. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about January 5, 2016.

Dated: November 18, 2015

MATURITY SCHEDULES

$370,645,000
SAN DIEGO UNIFIED SCHOOL DISTRICT
2016 General Obligation Bonds
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)
(Election of 2012, Series F)

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[1] (797355)
2026	$995,000	5.000%	2.320%	122.707[2]	2U7
2027	1,995,000	5.000	2.470	121.284[2]	2V5
2028	3,090,000	5.000	2.600	120.066[2]	2W3
2029	4,290,000	5.000	2.710	119.047[2]	2X1
2030	5,745,000	5.000	2.790	118.312[2]	2Y9
2031	7,055,000	5.000	2.860	117.673[2]	2Z6
2032	8,295,000	4.000	3.310	105.579[2]	3A0
2033	10,150,000	4.000	3.360	105.162[2]	3B8
2034	12,055,000	4.000	3.420	104.665[2]	3C6
2035	13,985,000	4.000	3.470	104.253[2]	3D4

$96,360,000 5.000% Term Bond due July 1, 2040, Yield: 3.270%; Price: 114.015[2] CUSIP[1] 7973553E2

$146,630,000 4.000% Term Bond due July 1, 2045, Yield: 3.740%; Price: 102.060[2] CUSIP[1] 7973553F9

$60,000,000 5.000% Term Bond due July 1, 2045, Yield: 3.330%; Price: 113.491[2] CUSIP[1] 7973553G7

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the District nor the Underwriters take any responsibility for the accuracy of the CUSIP numbers, which are being provided for reference only.

(2) Priced to par call on July 1, 2025.

$100,000,000
SAN DIEGO UNIFIED SCHOOL DISTRICT
2016 General Obligation Bonds
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)
(Election of 2012, Series G)
(Green Bonds)

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[1] (797355)
2026	$555,000	4.000%	2.320%	114.234[2]	3H5
2027	835,000	4.000	2.520	112.421[2]	3J1
2028	1,135,000	3.000	3.000	100.000	3K8
2029	1,450,000	3.000	3.140	98.469	3L6
2030	1,830,000	3.125	3.250	98.564	3M4
2031	2,160,000	3.250	3.350	98.798	3N2
2032	2,465,000	3.250	3.430	97.747	3P7
2033	2,955,000	3.375	3.500	98.374	3Q5
2034	3,460,000	4.000	3.420	104.665[2]	3R3
2035	3,985,000	4.000	3.470	104.253[2]	3S1

$27,200,000 5.000% Term Bond due July 1, 2040, Yield: 3.270%; Price: 114.015[2] CUSIP[1] 7973553T9

$51,970,000 4.000% Term Bond due July 1, 2045, Yield: 3.740%; Price: 102.060[2] CUSIP[1] 7973553U6

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the District nor the Underwriters take any responsibility for the accuracy of the CUSIP numbers, which are being provided for reference only.

(2) Priced to par call on July 1, 2025.

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been obtained from official sources that are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters. The information and expression of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District.

The Bonds have not been registered under the Securities Act of 1933, in reliance upon an exemption contained in such Act. The Bonds have not been registered under the securities laws of any state.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

By placing an order for the Bonds with an Underwriter, you agree that if you are allocated Bonds, the Underwriter may disclose your identity to the District as an initial purchaser of the Bonds, unless you advise your sales representative otherwise.

IN CONNECTION WITH THIS INITIAL OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AND BANKS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGES HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the United States Securities Act of 1933, as amended (the “Securities Act”). Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

SAN DIEGO UNIFIED SCHOOL DISTRICT
County of San Diego, California

BOARD OF EDUCATION

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

District Administrators

Cynthia Marten, Superintendent of Public Education
Jenny Salkeld, Chief Financial Officer
Jodie Macalos, Controller
Lee Dulgeroff, Chief Facilities Planning and Construction
Andra M. Donovan, General Counsel

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Municipal Advisor

KNN Public Finance, a Division of Zions Public Finance, Inc.
Los Angeles, California

Paying Agent

Treasurer-Tax Collector of the County of San Diego
San Diego, California

Disclosure Dissemination Agent

Digital Assurance Certification, L.L.C.
Orlando, Florida

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INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover pages and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

THE BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT, SECURED AND PAYABLE FROM *AD VALOREM* PROPERTY TAXES ASSESSED ON TAXABLE PROPERTIES WITHIN THE DISTRICT, WITHOUT LIMITATION AS TO RATE OR AMOUNT (EXCEPT FOR CERTAIN PERSONAL PROPERTY WHICH IS TAXABLE AT LIMITED RATES). THE BONDS ARE NOT AN OBLIGATION OF THE COUNTY OR OF THE GENERAL FUND OF THE DISTRICT. SEE "SECURITY AND SOURCES OF PAYMENT" HEREIN.

This Official Statement, which includes the cover and inside cover pages and appendices hereto, is provided to furnish information in connection with the sale of the San Diego Unified School District (the "District") 2016 General Obligation Bonds (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Election of 2012, Series F), in the aggregate principal amount of $370,645,000 (the "Series F Bonds") and the San Diego Unified School District 2016 General Obligation Bonds (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Election of 2012, Series G), in the aggregate principal amount of $100,000,000 (the "Series G Bonds" or the "Green Bonds" and, together with the Series F Bonds, the "Bonds"). The issuance of the Bonds was authorized by a resolution adopted on September 15, 2015, by the Board of Education of the San Diego Unified School District (the "District Resolution"), and the sale of the Bonds and the Supplemental Paying Agent Agreement for the Bonds were authorized by a resolution adopted on September 29, 2015 by the Board of Supervisors of the County of San Diego (the "County Resolution" and, together with the District Resolution, the "Resolutions"). The Bonds are being delivered pursuant to a Paying Agent Agreement dated as of August 1, 2010, as supplemented and amended, including by a Seventh Supplemental Paying Agent Agreement dated as of January 1, 2016 (collectively, the "Paying Agent Agreement"), by and between the District and the County of San Diego, as Paying Agent (the "Paying Agent"). The District anticipates that the Bonds will be issued and available for delivery through the facilities of DTC, New York, New York, on or about January 5, 2016.

Update on Expected Release of Audited Financial Statements

Under the heading "MISCELLANEOUS" herein, the subsection " - Financial Statements" has been added to indicate that the District's audited financial statements for the Fiscal Year ended June 30, 2015 are expected to be presented to the District Board of Education on December 8, 2015, and will be available on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA") website soon thereafter.

The District

The San Diego Unified School District serves an area of 211 square miles, encompassing most of the populated portion of the City of San Diego (the "City"). Approximately 85% of the City's assessed valuation lies within the District. Taxable property located in the District has a 2015-16 assessed value of $157,864,270,798, a 6.06% increase from the fiscal year 2014-15 assessed value of $148,840,299,336. The District's 2015-16 local secured assessed values are comprised of 269,859 residential and non-residential parcels. See "SECURITY AND SOURCES OF PAYMENT – Assessed Valuation" herein.

The District is governed by a five-member Board of Education (the "Board" or "Board of Education") nominated by the District and elected at large within the District to serve alternating four-year terms. The chief executive officer of the District is called the Superintendent of Public Education of the District.

In terms of enrollment, the District is the second largest school district in the State of California (the "State") with an estimated K-12 enrollment of 130,325 students (including charter schools) as of September 25, 2015. As of September 25, 2015, the District operates 108 elementary schools, 9 K-8 schools, 25 middle/junior high schools, 24 senior high schools, 11 atypical/alternative schools, 51 State preschool sites, 12 child development centers, 4 special education centers and is the sponsoring agency for 51 charter schools. See "APPENDIX B: FINANCIAL AND ECONOMIC INFORMATION FOR THE DISTRICT."

The District's 2015-16 budget for all funds provides for the employment of approximately 6,978 full-time equivalent certificated staff positions, 5,795 full-time equivalent classified employees and over 4,000 active hourly certificated and classified employees. The District's budget for the 2015-16 Fiscal Year exceeds $2 billion. The District's audited financial statements for the Fiscal Year ended June 30, 2014 are attached hereto as APPENDIX C. The District's audited financial statements for the Fiscal Year ended June 30, 2015 are expected to be presented to the District Board on December 8, 2015, and will be available on the Municipal Securities Rulemaking Board's EMMA website soon thereafter.

Purpose of the Bonds and Proposition Z, Proposition MM and Proposition S

Purpose of the Bonds. The District intends to use the proceeds from the sale of the Bonds to: (i) construct and improve various school facilities of the District under Proposition Z (as defined below), including but not limited to funding projects with environmental sustainability objectives in alignment with the District's Climate Action Plan, (ii) pay capitalized interest on the Bonds through, and including a portion of the payment due on, January 1, 2018 and (iii) pay costs of issuance associated with the Bonds. The Bonds are issued pursuant to certain provisions of the State Education Code, the State Government Code and other applicable law and pursuant to the Resolutions. See "THE BONDS – Authority for Issuance."

Proposition Z. The District received authorization at an election held on November 6, 2012, by more than 62% of the votes cast by eligible voters within the District on the measure to issue general obligation bonds in an amount not to exceed $2,800,000,000 for the purposes summarized as follows: repairing deteriorating 60-year-old classrooms, libraries, wiring, plumbing, bathrooms and leaky roofs; removing hazardous mold, asbestos, and lead; upgrading fire safety systems/doors; upgrading classroom instructional technology, labs and vocational education classrooms ("Proposition Z").

The Bonds are the sixth and seventh issuance, respectively under Proposition Z. All general obligation bonds of the District are payable on parity with one another.

On September 30, 2015, the District sold $75,400,000 aggregate principal amount of its 2015 General Obligation Bonds (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Election of 2012, Series D) (Federally Taxable) (the "Series D Bonds") and $78,955,000 aggregate principal amount of its 2015 General Obligation Bonds (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Election of 2012, Series E) (the "Series E Bonds") under its Proposition Z authorization. Such bonds were executed and delivered on October 14, 2015. Following the issuance of the Series D Bonds and the Series E Bonds, the District's remaining authorization will be $2,115,645,000 under Proposition Z.

Proposition MM. In November 1998, over 2/3 of District voters authorized $1,510,000,000 in general obligation bonds of the District pursuant to Proposition MM. The District has previously issued all of the bonds pursuant to Proposition MM and has no remaining authorization under such proposition.

Proposition S. The District received authorization at an election held on November 4, 2008, by more than 68% of the votes cast by eligible voters within the District on the measure known as "Proposition S" to issue general obligation bonds in an amount not to exceed $2,100,000,000 for the general purposes of improving neighborhood schools by:

- *repairing outdated student restrooms, deteriorated plumbing and roofs;*
- *upgrading career/vocational classrooms and labs;*
- *providing up-to-date classroom technology;*
- *improving school safety/security;*
- *replacing dilapidated portable classrooms;*
- *upgrading fire alarms; and*
- *removing hazardous substances.*

In December 2015, the District anticipates selling $100,000,000* aggregate principal amount of its 2016 General Obligation Bonds (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Election of 2008, Series I) pursuant to its Proposition S authorization. Such bonds are expected to be executed and delivered in January 2016. To date, the District has issued $616,861,914.90 aggregate principal or issue amount of general obligation bonds pursuant to Proposition S and has $1,483,138,085.10 in aggregate remaining general obligation bond authorization under such proposition.

See "APPENDIX B: FINANCIAL AND ECONOMIC INFORMATION FOR THE DISTRICT – Long Term Obligations" for details regarding the District's general obligation bonds.

Security and Source of Payment for the Bonds

The Bonds are payable from *ad valorem* taxes upon all property subject to taxation by the District, which the County Board of Supervisors is empowered and obligated to levy without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). Pursuant to Section 15250 of the State Education Code, the County is obligated to levy a tax for each year in which general obligation bonds of the District are outstanding, in an amount not less than that sufficient to pay principal of and interest on all outstanding bonds due during that year. See "SECURITY AND SOURCES OF PAYMENT."

Description of the Bonds

Payments. The Bonds are being issued as current interest bonds. Interest on the Bonds accrues from their date of delivery, computed on the basis of a 360-day year comprised of twelve (12) 30-day

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* Preliminary; subject to change.

months, and such interest is payable on January 1 and July 1 of each year (each, an "Interest Payment Date"), commencing July 1, 2016.

Principal of the Bonds is payable when due upon surrender of the Bonds at the office of the Paying Agent. As long as DTC (defined below) is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to Owners only to DTC. The Bonds mature on July 1 in the years indicated on the inside cover pages hereof.

Denomination and Registration. The Bonds will be issued in fully registered form only, without coupons, and will be issued in denominations and amounts of $5,000 principal amounts, or any integral multiple thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Owners will not receive physical certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. See "THE BONDS – General Provisions" and "APPENDIX G: BOOK-ENTRY ONLY SYSTEM."

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on the Bonds. See "TAX MATTERS" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their validity by Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about January 5, 2016.

Continuing Disclosure

The District has covenanted for the benefit of the Owners (including beneficial owners of the Bonds) to provide certain financial information and operating data relating to the District (the "Annual Report") by a date not later than nine months following the end of the District's fiscal year (which ends June 30), commencing with the report for the 2014-15 Fiscal Year (which is due no later than March 31, 2016), and to provide notices of the occurrence of certain enumerated events. See "APPENDIX E: PROPOSED FORM OF DISCLOSURE DISSEMINATION AGREEMENT." The District has entered into a Disclosure Dissemination Agent Agreement ("Disclosure Dissemination Agreement") for the benefit of the Owners with Digital Assurance Certification, L.L.C. ("DAC") under which the District has designated DAC as Disclosure Dissemination Agent. See "LEGAL MATTERS – Continuing Disclosure" herein. These covenants are being made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Professionals Involved in the Offering

Orrick, Herrington & Sutcliffe LLP, San Francisco, California, is acting as Bond Counsel to the District with respect to the Bonds. Certain matters will be passed upon for the District by its General Counsel. KNN Public Finance, a Division of Zions Public Finance, Inc., Los Angeles, California, is acting as Municipal Advisor to the District with respect to the Bonds. Norton Rose Fulbright US LLP, Los Angeles, California, is acting as Disclosure Counsel to the District. Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California and Chapman and Cutler LLP, Chicago, Illinois are acting as counsel to the Underwriters with respect to the Bonds. The Treasurer-Tax Collector of the County of San Diego, San Diego, California is acting as Paying Agent with respect to the Bonds. Bond Counsel, Disclosure Counsel and Underwriters' Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Bonds are available from the San Diego Unified School District, 4100 Normal Street, Room 3209, San Diego, California 92103-2682, Attention: Chief Financial Officer. The District may impose a fee for copying, handling and mailing such requested documents.

PLAN OF FINANCE

The Project

Project Description. The District received authorization under Proposition Z to issue general obligation bonds in an amount not to exceed $2,800,000,000 for the general purposes of repairing neighborhood schools and charter schools by: repairing deteriorating 60-year-old classrooms, libraries, wiring, plumbing, bathrooms and leaky roofs; removing hazardous mold, asbestos, and lead; upgrading fire safety systems/doors; and upgrading classroom instructional technology, labs and vocational education classrooms. Proceeds from the sale of the Bonds will be used for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, subject to the limitations set forth in the full text of Proposition Z. See "INTRODUCTION – Purpose of the Bonds and Proposition Z, Proposition MM and Proposition S" herein.

Green Bonds

The District has designated the Series G Bonds as "Green Bonds" to allow investors to invest directly in bonds that finance environmentally beneficial projects. The District considers projects that are designed to meet one or more of the following criteria to be "green" projects: (i) implement renewable energy; (ii) implement energy efficiency building and site improvements; (iii) implement site improvements that improve storm water quality; (iv) improve water use efficiency, including conservation through reduced water loss; (v) reduce pollution and CO_2 emissions; (vi) improve resilience (adaptation) to climate change; and (vii) implement "reduce, reuse, recycle" practices.

District projects that include these attributes generally fall into the following categories:

Energy Efficiency

- Dual Pane Windows
- Energy efficient mechanical systems
- Building insulation and cool roofs
- LED lighting conversions
- Natural lighting systems

Renewable Energy

- Photovoltaic (solar) energy system panels installed at school sites offsetting electricity consumption and reducing CO_2 greenhouse gas emissions

Water Conservation and Water Quality

- Replacing existing ornamental landscape with hardscape or drought tolerant and native landscape
- Replacing or upgrading irrigation systems with new efficient irrigation systems
- Recycling water for irrigation by connecting piping to recycled water sources
- Grey water recycling, water saving and irrigation
- Installing synthetic turf sports fields in place of grass fields
- School site improvements that increase storm water use for irrigation and improve water quality

Sustainable Waste Management Projects

- Facilities improvements that facilitate waste stream separation and recycling
- Use of sustainable construction materials

Proceeds of the Series G Bonds are expected to be used to fund or reimburse the District for the costs of some or all of such types of green projects.

Planned green bond funded projects include:

Green modernization projects totaling an estimated $60 million:

- Green sustainable scope will be identified, designed and incorporated within the existing Whole-Site Modernization projects
- New school buildings will incorporate California High Performing Schools sustainability standards
- Eligible scope will also include:
    - Energy efficient buildings
    - Windows, insulation, and cool roofs
    - LED and natural lighting systems
    - Sustainable drinking, irrigation and storm water systems
    - Climate change adaptation technologies
    - Sustainable construction materials

Energy efficiency and solar energy projects totaling an estimated $40 million:

- Solar photovoltaic panels installed at school sites reducing CO_2 emissions
    - Ground mounted
    - Parking lot Structures

Climate Action Plan. On January 20, 2015, the District's Board of Education committed to develop a San Diego Unified Climate Action Plan ("CAP") aligned with the City of San Diego's CAP.

The District plans to partner with the City of San Diego on a Feasibility Study of Community Choice Aggregation as an option to help achieve the goal of 100 percent renewable energy by the year 2035. The District's Sustainability Action Plans, "Dream Big Solutions for a Sustainable Future" are being developed to help reduce the District's environmental footprint with a goal towards net zero waste. The District continues to work on solar energy installations, LED lighting conversions, and maximizing water conservation.

Identification of Green Eligible Projects. The District's facilities project manager and project architect review the relevant aspects of the applicable school site modernization project, identify Green Bond eligible projects and prepare an estimation of project costs. During the design phase of the project, the architect develops detailed drawings and cost estimates that will be used to delineate and properly account for the estimated cost of the scope of work for the Green Bonds bid package prepared for the public bid process. All sustainable scope of work items and associated costs will be assigned to a designated cost account in order to ensure that all Green Bond costs are accounted for. The District's project management staff will undertake a review of and will certify all contractor payment invoices to ensure that costs are accurate and eligible prior to their payment.

The District designs projects in accordance with the Collaborative for High Performance Schools ("CHPS"). CHPS is intended to: (1) reduce greenhouse gas emissions, (2) promote environmentally responsible, healthier places to live and work, and (3) reduce energy and water consumption. CHPS is a point-based incentive program that incorporates the California Green Building Standards Code elements as a prerequisite to their more stringent design solution criteria.

Separate Green Bonds Account. The proceeds of the Green Bonds will be deposited into a separate account established by the District and will be allocated to expenditures for capital improvement projects identified by the District as satisfying its criteria for green projects. The District expects to provide fiscal year-end updates related to the total amount of annual green bond project expenditures, including the Series G Bonds, until all of the proceeds of the series G Bonds have been spent. Once all of the Series G Bond proceeds have been spent, no further updates will be provided.

The terms "Green Bonds" and "green project" are neither defined in nor related to provisions in the Resolution or Paying Agent Agreement. The use of such terms herein is for identification purposes only and is not intended to provide or imply that an owner of the Series G Bonds is entitled to any additional security other than as provided in the Resolution. The purpose of labeling the Series G Bonds as "Green Bonds" is, as noted, to allow owners of the Series G Bonds to invest directly in bonds that will finance environmentally beneficial projects. The District assumes no obligation to ensure that these projects comply with the principles of green projects as such principles may hereafter evolve.

The Series G Bonds will not constitute "exempt facility bonds" issued to finance "qualified green building and sustainable design projects" within the meaning of Section 142(1) of the Code.

The Series F Bonds are not being designated as "Green Bonds." The repayment obligations of the District with respect to the Bonds are not conditioned on the completion of any particular project or the satisfaction of any certification relating to the status of the Series G Bonds as Green Bonds, and owners of the Green Bonds do not assume any specific project risk related to any of the projects funded thereby.

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ESTIMATED SOURCES AND USES OF FUNDS

The net proceeds of the Bonds are expected to be applied as follows:

Sources of Funds	Series F Bonds	Series G Bonds (Green Bonds)	Total
Principal Amount of Bonds	$370,645,000.00	$100,000,000.00	$470,645,000.00
Net Original Issue Premium	31,150,461.55	5,218,240.85	36,368,702.40
Total Sources	$401,795,461.55	$105,218,240.85	$507,013,702.40
Uses of Funds			
Deposit to Building Fund	$370,645,000.00	$100,000,000.00	$470,645,000.00
Deposit to Interest and Sinking Fund[(1)]	29,526,750.29	4,780,807.81	34,307,558.10
Underwriters' Discount and Costs of Issuance[(2)]	1,623,711.26	437,433.04	2,061,144.30
Total Uses	$401,795,461.55	$105,218,240.85	$507,013,702.40

(1) Includes capitalized interest on the Bonds through, and including a portion of the payment due on, January 1, 2018.
(2) Costs of Issuance includes Bond Counsel and Disclosure Counsel fees, rating agency fees, paying agent fees, printing fees, County costs, demographic data and other issuance expenses. See "MISCELLANEOUS – Underwriting," herein, for specific information regarding Underwriters' compensation.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Articles 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the State Government Code, the State Education Code and other applicable law, and pursuant to the District Resolution adopted by the District Board of Education on September 15, 2015 and the County Resolution adopted by the County Board of Supervisors on September 29, 2015. The District Resolution requests that the County issue the Bonds on behalf of the District and directs that the District enter into a Paying Agent Agreement by and between the District and the County, as Paying Agent, under which provisions are made for the registration, transfer, exchange and payment of the Bonds.

General Provisions

The Bonds shall be issued as current interest bonds and the Series G Bonds shall be issued as Green Bonds. The Bonds shall be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof, shall be dated the date of their delivery, shall accrue interest at the rates and shall mature on July 1 in the years and in the principal amounts set forth on the inside cover page hereto. The Bonds shall bear interest at the respective rates set forth on the inside covers hereof, payable on January 1 and July 1 of each year, commencing July 1, 2016, until payment of the principal amount thereof. Interest on the Bonds shall be calculated on the basis of a 360-day year comprised of twelve (12) 30-day months.

No Bond shall have principal maturing on more than one principal maturity date. The Bonds will be initially registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Bonds. Interest on and principal of the Bonds are payable in lawful money of the United States of America to the Owner thereof, upon surrender of the Bonds at the office of the Paying Agent. So long as Cede & Co. or its registered assigns shall be the registered owner of any of the Bonds, payment shall be made to Cede & Co. by wire transfer as provided in the Paying Agent Agreement. The Paying Agent, the District, the County and the Underwriters of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, or interest in the Bonds. For information about the securities depository and DTC's book-entry system, see "APPENDIX G: BOOK-ENTRY ONLY SYSTEM."

Interest on the Bonds shall be payable to the Owner thereof from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, (ii) a Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the dated date thereof, or (iii) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has been paid in full. The interest on the Bonds is payable in lawful money to the person whose name appears on the bond registration books of the Paying Agent as the registered owner thereof as of the close of business on the applicable Record Date for each Interest Payment Date, whether or not such day is a business day, such interest to be paid by check or draft mailed on such Interest Payment Date to such registered owner at such registered owner's address as it appears on such registration books or at such address as the registered owner may have filed with the Paying Agent for that purpose. The interest payments on the Bonds may be made by federal fund wire transfer to any registered owner of at least $1,000,000 of outstanding Bonds who has requested in writing such method of payment of interest on the Bonds prior to the close of business on the applicable Record Date. "Record Date" means (a) the 15th day of the calendar month preceding each Interest Payment Date, whether or not such day is a Business Day and (b) any date established by the Paying Agent pursuant to the Paying Agent Agreement as a Record Date for the payment of defaulted interest on the Bonds, if any.

Registration, Transfer and Exchange of Bonds. The Bonds may be purchased in book-entry form only. See "APPENDIX G: BOOK-ENTRY ONLY SYSTEM." In the event the Bonds are not registered with a securities depository, the Bonds may be transferred, in whole or in part, upon the registration book maintained by the Paying Agent, and any Bond may be exchanged for Bonds of a like principal amount of the same series, interest rate, and maturity in other authorized denominations, upon presentation and surrender at the principal corporate trust office of the Paying Agent, together with a request for transfer or exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent.

Redemption

Optional Redemption. The Bonds shall be subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after July 1, 2025, at a redemption price equal to 100% of the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption.

Series F Term Bonds. The $96,360,000 Series F Term Bonds maturing on July 1, 2040, are subject to mandatory sinking fund redemption on July 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (July 1)	Principal Amount to be Redeemed
2036	$15,070,000
2037	17,070,000
2038	19,250,000
2039	21,590,000
2040†	23,380,000

† Maturity.

The $146,630,000 Series F Term Bonds maturing on July 1, 2045 and bearing interest at 4.000%, are subject to mandatory sinking fund redemption on July 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (July 1)	Principal Amount to be Redeemed
2041	$29,475,000
2042	16,980,000
2043	29,250,000
2044	33,300,000
2045†	37,625,000

† Maturity.

The $60,000,000 Series F Term Bonds maturing on July 1, 2045 and bearing interest at 5.000%, are subject to mandatory sinking fund redemption on July 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (July 1)	Principal Amount to be Redeemed
2042	$15,000,000
2043	15,000,000
2044	15,000,000
2045†	15,000,000

† Maturity.

The principal amount of the Series F Term Bonds, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such Term Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

Series G Term Bonds. The $27,200,000 Series G Term Bonds maturing on July 1, 2040, are subject to mandatory sinking fund redemption on July 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (July 1)	**Principal Amount to be Redeemed**
2036	$4,285,000
2037	4,835,000
2038	5,435,000
2039	6,075,000
2040†	6,570,000

† Maturity.

The $51,970,000 Series G Term Bonds maturing on July 1, 2045, are subject to mandatory sinking fund redemption on July 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to 100% of the principal amount thereof to be redeemed, together with interest accrued thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Redemption Date (July 1)	**Principal Amount to be Redeemed**
2041	$7,190,000
2042	7,850,000
2043	11,205,000
2044	12,285,000
2045†	13,440,000

† Maturity.

The principal amount of the Series G Term Bonds, to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000, by any portion of such Term Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

Notice of Redemption

Notice of redemption for the Bonds will be mailed postage prepaid not less than 20 nor more than 60 days prior to the redemption date (i) by first class mail to the respective Owners thereof at the addresses appearing on the bond registration books, and (ii) as may be further required in accordance with the Disclosure Dissemination Agreement. See "APPENDIX E: PROPOSED FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT" herein.

The actual receipt by any Owner of notice of such redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

When notice of redemption has been given, substantially as described above, and when the amount necessary for the payment of principal of and premium, if any, is set aside for such purpose, the Bonds designated for redemption will become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said Bonds at the place specified in the notice of redemption, such Bonds will be redeemed and paid at said redemption price out of the money provided therefor, and interest will cease to accrue on such Bonds called for redemption after the redemption date specified in such notice, and the registered owners of said Bonds so called for redemption after such redemption date will look for the payment of such Bonds and the premium thereon only to such money provided therefor.

Conditional Notice of Redemption

Any notice of optional redemption of the Bonds delivered in accordance with the Paying Agent Agreement may be conditional, and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date: (i) said notice shall be of no force and effect, (ii) the District shall not be required to redeem such Bonds, (iii) the redemption shall not be made and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons in the manner in which the conditional notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled.

Rescission of Notice

The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Bonds so called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Selection of Bonds for Redemption

Whenever provision is made in the Paying Agent Agreement for the redemption of less than all of the Bonds, the Paying Agent shall select, as directed by the District, the Bonds to be redeemed from all Bonds not previously called for redemption with respect to any optional redemption of such Bonds, among maturities of such Bonds, and by lot among Bonds with the same maturity in any manner which the Paying Agent in its sole discretion shall deem appropriate and fair. For purposes of such selection, any Bonds may be redeemed in part, in the denomination of $5,000 principal amount or any integral multiple thereof ("Authorized Denominations").

Defeasance

The District may pay and discharge any or all of the Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or Defeasance Securities (defined below), in an amount which will, together with the interest to accrue thereon and available monies then on deposit in the interest and sinking fund of the District, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates. In such event, the Owners of such Bonds shall cease to be entitled to the obligation of the District to levy taxes for the payment thereof, and such obligation and all agreements and covenants of the District and of the County to such Owners under the Resolutions and under the Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal, interest and premium, if any, represented by the Bonds, but only out of monies on deposit in the interest and sinking fund or otherwise held in trust for such payment.

"Defeasance Securities" means (i) direct, non-callable obligations of the United States Treasury; (ii) direct non-callable and non-prepayable obligations which are unconditionally guaranteed by the United States of America as to full and timely payment of principal and interest; (iii) non-callable, non-prepayable coupons from the above securities which are stripped pursuant to United States Treasury programs; (iv) non-callable and non-prepayable (or irrevocably called to a specified redemption date) refunded municipal bonds that are backed by an escrow funded with obligations of or guaranteed by the United States of America; (v) Resolution Funding Corporation (REFCORP) securities consisting of interest components stripped by the Federal Reserve Bank of New York; (vi) non-callable, and non-prepayable fixed rate Israel Notes guaranteed as to principal and interest by the United States of America through the United Agency for International Development (provided that, such notes maintain a rating at the same level as obligations of the United States Treasury and mature at least four business days before funds are needed for refunded bond debt service payments); (vii) United States State and Local Government Securities (SLGS); and (viii) the following non-callable, non-prepayable obligations of federal government-sponsored agencies that are not backed by the full faith and credit of the U.S. Government: Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Tennessee Valley Authority, Farm Credit System, United States Import-Export Bank, United States Department of Housing and Urban Development, Farmers Home Administration, General Services Administration and United States Maritime Administration (provided such entities maintain a rating at the same level as obligations of the United States Treasury.

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Annual Debt Service

The annual debt service on the Bonds and other outstanding general obligation bonds of the District following the issuance of the Bonds is shown below:

San Diego Unified School District
Annual Debt Service

		Prop. Z Series F Bonds General Obligation Bonds Net Debt Service			Prop. Z Series G Green Bonds General Obligation Bonds Net Debt Service			
Year Ending (July 1)	Outstanding General Obligation Bonds Total Debt Service[(1)(2)(3)]	Principal	Interest	Subtotal	Principal	Interest	Subtotal	General Obligation Bonds Total Net Debt Service[(3)(4)]
2016	$ 197,654,312	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 197,654,312
2017	207,874,354	0	0	0	0	0	0	207,874,354
2018	135,646,745	0	13,745,220	13,745,220	0	3,711,335	3,711,335	153,103,300
2019	142,129,318	0	16,621,100	16,621,100	0	4,176,981	4,176,981	162,927,399
2020	148,476,568	0	16,621,100	16,621,100	0	4,176,981	4,176,981	169,274,649
2021	154,861,118	0	16,621,100	16,621,100	0	4,176,981	4,176,981	175,659,199
2022	159,058,743	0	16,621,100	16,621,100	0	4,176,981	4,176,981	179,856,824
2023	163,828,313	0	16,621,100	16,621,100	0	4,176,981	4,176,981	184,626,394
2024	171,660,475	0	16,621,100	16,621,100	0	4,176,981	4,176,981	192,458,556
2025	184,232,450	0	16,621,100	16,621,100	0	4,176,981	4,176,981	205,030,531
2026	189,514,275	995,000	16,621,100	17,616,100	555,000	4,176,981	4,731,981	211,862,356
2027	198,149,575	1,995,000	16,571,350	18,566,350	835,000	4,154,781	4,989,781	221,705,706
2028	191,307,175	3,090,000	16,471,600	19,561,600	1,135,000	4,121,381	5,256,381	216,125,156
2029	194,677,725	4,290,000	16,317,100	20,607,100	1,450,000	4,087,331	5,537,331	220,822,156
2030	185,151,550	5,745,000	16,102,600	21,847,600	1,830,000	4,043,831	5,873,831	212,872,981
2031	174,843,038	7,055,000	15,815,350	22,870,350	2,160,000	3,986,644	6,146,644	203,860,031
2032	147,673,138	8,295,000	15,462,600	23,757,600	2,465,000	3,916,444	6,381,444	177,812,181
2033	150,679,975	10,150,000	15,130,800	25,280,800	2,955,000	3,836,331	6,791,331	182,752,106
2034	109,490,225	12,055,000	14,724,800	26,779,800	3,460,000	3,736,600	7,196,600	143,466,625
2035	123,400,475	13,985,000	14,242,600	28,227,600	3,985,000	3,598,200	7,583,200	159,211,275
2036	135,994,225	15,070,000	13,683,200	28,753,200	4,285,000	3,438,800	7,723,800	172,471,225
2037	144,154,025	17,070,000	12,929,700	29,999,700	4,835,000	3,224,550	8,059,550	182,213,275
2038	152,560,500	19,250,000	12,076,200	31,326,200	5,435,000	2,982,800	8,417,800	192,304,500
2039	133,456,725	21,590,000	11,113,700	32,703,700	6,075,000	2,711,050	8,786,050	174,946,475
2040	224,175,063	23,380,000	10,034,200	33,414,200	6,570,000	2,407,300	8,977,300	266,566,563
2041	215,035,550	29,475,000	8,865,200	38,340,200	7,190,000	2,078,800	9,268,800	262,644,550
2042	156,446,738	31,980,000	7,686,200	39,666,200	7,850,000	1,791,200	9,641,200	205,754,138
2043	94,861,388	44,250,000	6,257,000	50,507,000	11,205,000	1,477,200	12,682,200	158,050,588
2044	100,161,781	48,300,000	4,337,000	52,637,000	12,285,000	1,029,000	13,314,000	166,112,781
2045	105,717,169	52,625,000	2,255,000	54,880,000	13,440,000	537,600	13,977,600	174,574,769
2046	111,546,963	0	0	0	0	0	0	111,546,963
2047	117,664,500	0	0	0	0	0	0	117,664,500
2048	115,881,031	0	0	0	0	0	0	115,881,031
2049	65,476,600	0	0	0	0	0	0	65,476,600
2050	70,483,947	0	0	0	0	0	0	70,483,947
2051	72,045,000	0	0	0	0	0	0	72,045,000
Total	$5,345,970,746	$370,645,000	$376,790,220	$747,435,220	$100,000,000	$94,287,029	$194,287,029	$6,287,692,996

(1) Includes Outstanding General Obligation Bonds from Proposition MM, Proposition S and Proposition Z. See "APPENDIX B: FINANCIAL AND ECONOMIC INFORMATION FOR THE DISTRICT – Long Term Obligations."

(2) Interest payments for the Proposition S 2010 General Obligation Bonds (Election of 2008, Series D-1 and Series D-2) Qualified School Construction Bonds (Taxable Direct Subsidy Bonds) are expected to be paid from Subsidy Payments from the United States Department of the Treasury, however, due to the federal budget sequestration, a portion of such interest payments are payable from *ad valorem* taxes. Such portion of those interest payments is included herein, assuming a 6.8% reduction in subsidy payments for each payment through September 30, 2016. Net debt service assumes interest payments to be fully covered by subsidy payments and capitalized interest.

(3) Net debt service reflects the use of capitalized interest: (i) through January 1, 2016 for the Proposition S Series F Bonds, (ii) through July 1, 2021 for the Proposition S Series H Bonds, (iii) through January 1, 2017 for the Proposition Z Series E Bonds and (iv) through, and including a portion of the payment due on, January 1, 2018 for the Proposition Z Series F and Series G Bonds.

(4) Totals may not add due to rounding.

SECURITY AND SOURCES OF PAYMENT

General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District. When collected, the tax revenues are required by law to be deposited by the Treasurer-Tax Collector of the County (the "County Treasurer") in the District's Interest and Sinking Fund, which is required to be maintained by the County and to be used solely for the payment of general obligation bonds of the District.

The District will provide the County Treasurer with a schedule of the debt service on the Bonds for purposes of the County's annual tax levy, as required by Section 15140(c) of the State Education Code. Following receipt of that schedule, the County Auditor and Controller shall levy property taxes in each year in an amount at least sufficient to provide for payment of said debt service in full. See "Tax Rates and Levies" herein. See also "APPENDIX B: FINANCIAL AND ECONOMIC INFORMATION FOR THE DISTRICT – Long Term Obligations – County Tax Rate Reserve."

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts levy property taxes for payment of voter-approved bonds and receive property taxes from a portion of the 1% general County levy for general operating purposes as well.

Under California law, the District's funds are deposited with the County Treasurer and invested as provided for under the investment policy of the County. See "APPENDIX F: SAN DIEGO COUNTY INVESTMENT POOL." As long as the County is serving as Paying Agent, the investments under the Paying Agent Agreement will be governed by the Investment Management Agreement between the County and the District.

Pledge of Tax Revenues

Pursuant to the District Resolution, the District pledges all revenues from the property taxes collected from the levy by the County Board of Supervisors for the payment of the Bonds and amounts on deposit in the interest and sinking fund of the District to the payment of the principal or redemption price of and interest on the Bonds. This pledge is valid and binding from the date of adoption of the District Resolution for the benefit of the owners of the Bonds and successors thereto. The District Resolution provides that the property taxes and amounts held in the interest and sinking fund of the District are immediately subject to this pledge, and the pledge constitutes a lien and security interest which immediately attaches to the property taxes and amounts held in the interest and sinking fund of the District to secure the payment of the Bonds and is effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act. "Bonds" for purpose of this pledge means all bonds of the District heretofore or hereafter issued pursuant to voter approved measures of the District, including Proposition MM, Proposition Z and Proposition S, as all such Bonds are required by State law to be paid from the interest and sinking fund of the District.

The District Resolution provides that the pledge is an agreement between the District and the bondholders to provide security for the Bonds in addition to any statutory lien that may exist, and the

Bonds and each of the other bonds secured by the pledge are or were issued to finance one or more of the projects specified in the applicable voter-approved measure.

Statutory Restrictions and Lien on Debt Service Taxes -- SB 222

Under State law, school districts may levy the *ad valorem* taxes (in addition to their share of the 1% county tax to pay operating expenses) discussed above only to pay principal of and interest on general obligation bonds that, like the Bonds, are approved at an election to finance specified projects or are refunding bonds. Moreover, State law provides that the *ad valorem* taxes levied to pay the principal of and interest on school district general obligation bonds must be used for the payment of principal of and interest on the bonds and for no other purpose. Consequently, under State law, the District is not authorized to divert revenue from *ad valorem* taxes levied to pay the Bonds to a purpose other than payment of the Bonds.

California Senate Bill 222 (2015) ("SB 222"), which becomes effective January 1, 2016, provides that general obligation bonds issued by California local agencies, like the District, are secured by a statutory lien on the *ad valorem* taxes levied and collected to pay principal of and interest on the bonds, regardless of whether the bond issuer or bondholders take any steps to pledge, record, or take possession of the taxes.

For a discussion of possible legal risks to the enforceability of the Bonds and the security pledged for their payment, see "LEGAL MATTERS – Possible Limitations on Remedies" herein.

Teeter Plan

The County, since the 1993-94 Fiscal Year, has operated under provisions of Revenue and Taxation Code Sections 4701-4716 (commonly referred to as the "Teeter Plan") pursuant to which public agencies in the County will receive their total secured tax levies and special assessments irrespective of actual collections and delinquencies. Pursuant to such provisions, the County establishes a delinquency reserve and assumes responsibility for all secured delinquencies.

Because of this method of tax collection, the District is allocated 100% collection of its total secured tax levies. Under County policy, assessments for general obligations bonds are covered by the Teeter Plan. This method of tax collection and distribution is, however, subject to future discontinuance if demanded by the participating entities or upon action by the County Board of Supervisors. Further, the County may take action to discontinue the Teeter Plan with respect to any tax levying agency in the County if the rate of secured tax delinquency in any year exceeds 3% of the total of all taxes and assessments of that agency. The County has reported that the delinquency rate for taxes collected in the District are currently under 3%. See "Secured Tax Changes and Delinquencies" herein.

The District knows of no plans for the discontinuance of the Teeter Plan now pending in the County.

Assessed Valuation

The annual tax rate will be based on the assessed value of taxable property in the District. Changes in the annual debt service on the District's outstanding general obligation bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation of businesses out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, drought, fire or other natural disaster, could cause a reduction in the assessed value of taxable property in the District and, all other factors being equal, necessitate a corresponding increase in the annual tax rate. Conversely, factors such as increased assessed value of taxable property and/or an increase in the numbers of property taxpayers within the District could, all other factors being equal, cause a corresponding decrease in the annual tax rate.

As required by State Law, the District utilizes the services of the County for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax rolls as County, City and other special district taxes.

Drought. In recent years California has been experiencing severe drought conditions. In January of 2014, Governor Edmund G. Brown Jr. (the "Governor") declared a state-wide Drought State of Emergency due to the State facing serious water shortfalls due to the driest year in recorded history in the State and the resultant record low levels measured in State rivers and reservoirs. The California State Water Resources Control Board (the "State Water Board") subsequently issued a Statewide notice of water shortages and potential future curtailment of water right diversions. As a result of continuing dry conditions and low water content in the State`s snow pack water sources, in April of 2015, the Governor issued an executive order mandating specific conservation measures. The executive order included a requirement that the State Water Board impose restrictions to achieve a reduction of twenty-five percent in the State`s urban water usage through February 28, 2016. It is not possible for the District to make any representation regarding the extent to which these drought conditions could cause reduced economic activity within the boundaries of the District or the extent to which the drought has had or may have in the future on the value of taxable property within the District.

Constitutional and Statutory Initiatives

Article XIIIA of the California Constitution. On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the California Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment to Article XIIIA approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property that has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness and (as a result of a constitutional amendment approved by California voters on November 7, 2000) on bonded indebtedness incurred for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, approved by 55 percent of the voters voting on the bond measure. See APPENDIX B – "Constitutional and Statutory Initiatives" for additional information regarding Articles XIIIA, XIIIB, XIIIC and XIIID of the California Constitution, as well as Propositions 98, 111 and 39 that may affect District revenues or the District's ability to expend revenues. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-1976 tax bill under full 'cash value,' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." Assessed value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. As a result, property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than the market value of the property. Similar property that has recently been acquired may have a substantially higher assessed value reflecting the recent acquisition price. Increases in assessed value in a taxing area due to the change in ownership of property may occur even when the rate of inflation or consumer price index do not permit an increase in assessed valuation of property that does not change ownership. Proposition 13 has had the effect of stabilizing assessed valuation such that it does not fluctuate as significantly as the market value of property, but instead gradually changes as longer owned residential properties are transferred and reassessed upon such transfer. On June 18, 1992, the United States Supreme Court issued a decision upholding the constitutionality of Article XIIIA (*Nordlinger v. Hahn*, 112 S. Ct. 2326, 120 L. Ed. 2d 1 (1992)).

Article XIIIA has subsequently been amended to permit reduction of the full cash value base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the full cash value base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways. Proposition 8, approved by the voters in November of 1978, provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds.

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years. All taxable property is shown at full assessed value on the tax rolls. Consequently, the one percent tax rate is expressed as $1 per $100 of taxable value.

Prospective purchasers of the Bonds should be aware that, notwithstanding any decrease in assessed valuation for any fiscal year, the County is required to levy sufficient taxes to pay debt service on the Bonds. The consequence of any decrease in assessed valuation is a concomitant increase in the tax rate on taxable property so that sufficient tax revenues may be collected from taxpayers to cover debt service on the Bonds in full.

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Shown in the following two tables are the District assessed valuations and their tax roll components in the last five years, and a history of assessed valuations.

SAN DIEGO UNIFIED SCHOOL DISTRICT
Assessed Valuations
2011-12 through 2015-16

Fiscal Year July 1 – June 30	Net Assessed Valuation	State-Reimbursed Exemption	Gross Assessed Valuation
2011-12			
Local Secured	$127,764,081,647	$1,095,593,000	$128,859,674,647
Utility	22,888,656	-0-	22,888,656
Unsecured	6,109,460,087	1,671,701	6,111,131,788
Total	$133,896,430,390	$1,097,264,701	$134,993,695,091
2012-13			
Local Secured	$127,523,273,794	$1,075,390,400	$128,598,664,194
Utility	24,984,976	-0-	24,984,976
Unsecured	6,160,716,685	1,686,165	6,162,402,850
Total	$133,708,975,455	$1,077,076,565	$134,786,052,020
2013-14			
Local Secured	$132,691,514,788	$1,054,679,200	$133,746,193,988
Utility	20,001,306	-0-	20,001,306
Unsecured	6,364,611,552	1,743,560	6,366,355,112
Total	$139,076,127,646	$1,056,422,760	$140,132,550,406
2014-15			
Local Secured	$141,084,464,038	$1,042,925,927	$142,127,389,965
Utility	19,368,918	-0-	19,368,918
Unsecured	6,692,017,171	1,523,282	6,693,540,453
Total	$147,795,850,127	$1,044,449,209	$148,840,299,336
2015-16			
Local Secured	$149,918,524,921	$1,028,557,966	$150,947,082,887
Utility	20,998,958	-0-	20,998,958
Unsecured	6,894,647,859	1,541,094	6,896,188,953
Total	$156,834,171,738	$1,030,099,060	$157,864,270,798

Source: San Diego County Auditor and Controller.

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SAN DIEGO UNIFIED SCHOOL DISTRICT
History of Assessed Valuations
1997-98 through 2015-16

Fiscal Year July 1 – June 30	Assessed Valuation[1]	% Change from Previous Year
1997-98	$53,102,124,533	2.47%
1998-99	57,342,043,545	7.98
1999-00	63,590,856,897	10.90
2000-01	68,914,092,936	8.37
2001-02	74,558,996,509	8.19
2002-03	80,806,653,526	8.38
2003-04	87,856,623,236	8.72
2004-05	95,685,708,742	8.91
2005-06	108,123,995,636	13.00
2006-07	120,172,905,029	11.14
2007-08	131,390,290,644	9.33
2008-09	138,537,419,084	5.44
2009-10	137,384,713,473	(0.83)
2010-11	134,714,145,620	(1.94)
2011-12	134,993,695,091	0.21
2012-13	134,786,052,020	(0.15)
2013-14	140,132,550,406	3.97
2014-15	148,840,299,336	6.21
2015-16	157,864,270,798	6.06

[1] Valuations include local secured, utility and unsecured property at full market value and reimbursable exemptions.
Source: San Diego County Auditor and Controller.

The *ad valorem* property tax levy to provide for debt service on the Bonds is in addition to the general property tax levied by the County under Proposition 13. See "SECURITY AND SOURCES OF PAYMENT – Assessed Valuation – Constitutional and Statutory Initiatives."

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Shown in the following table is a summary of the 2015-16 local secured assessed valuation of the District by land use, displaying the number of parcels and the percentages of the total parcels in the District in each category.

SAN DIEGO UNIFIED SCHOOL DISTRICT
Local Secured Assessed Valuation and Parcels by Land Use[1]

	2015-16 Assessed Valuation[2]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial/Office	$25,934,160,234	17.18%	10,204	3.78%
Vacant Commercial	411,632,923	0.27	4,036	1.50
Industrial	8,236,302,534	5.46	3,612	1.34
Vacant Industrial	247,496,134	0.16	4,093	1.52
Recreational	637,035,901	0.42	1,733	0.64
Government/Social/Institutional	198,158,032	0.13	1,286	0.48
Subtotal Non-Residential	$35,664,785,758	23.63%	24,964	9.25%
Residential:				
Single Family Residence	$ 63,751,815,319	42.23%	169,361	62.76%
Condominium/Townhouse	16,911,125,583	11.20	31,333	11.61
Mobile Home Park	35,493,715	0.02	29	0.01
Timeshare	34,603,743	0.02	5,530	2.05
2+ Residential Units/Apartments	33,697,132,594	22.32	26,711	9.90
Vacant Residential	789,009,567	0.52	10,540	3.91
Subtotal Residential	$115,219,180,521	76.33%	243,504	90.23%
Unknown Use	$63,116,608	0.04%	1,391	0.52%
Total	$150,947,082,887	100.00%	269,859	100.00%

(1) Totals may not add due to rounding.
(2) Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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Shown in the following table is a summary of the 2015-16 per parcel assessed valuation of single-family homes within the District.

SAN DIEGO UNIFIED SCHOOL DISTRICT
Per Parcel 2015-16 Assessed Valuation of Single-Family Homes

	No. of Parcels	2015-16 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	169,361	$63,751,815,319	$376,426	$275,000

2015-16 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	6,094	3.598%	3.598%	$ 240,256,606	0.377%	0.377%
$50,000 - $99,999	21,676	12.799	16.397	1,561,620,107	2.450	2.826
$100,000 - $149,999	14,561	8.598	24.995	1,819,955,744	2.855	5.681
$150,000 - $199,999	16,390	9.678	34.672	2,869,626,800	4.501	10.182
$200,000 - $249,999	17,500	10.333	45.005	3,937,521,284	6.176	16.359
$250,000 - $299,999	15,395	9.090	54.095	4,207,651,496	6.600	22.959
$300,000 - $349,999	12,454	7.354	61.449	4,026,874,402	6.316	29.275
$350,000 - $399,999	10,679	6.305	67.754	3,994,394,729	6.266	35.541
$400,000 - $449,999	10,059	5.939	73.693	4,264,859,208	6.690	42.231
$450,000 - $499,999	8,239	4.865	78.558	3,894,075,575	6.108	48.339
$500,000 - $599,999	11,127	6.570	85.128	6,064,445,604	9.513	57.851
$600,000 - $699,999	7,677	4.533	89.661	4,954,408,075	7.771	65.623
$700,000 - $799,999	4,958	2.927	92.589	3,691,252,277	5.790	71.413
$800,000 - $899,999	3,086	1.822	94.411	2,603,736,593	4.084	75.497
$900,000 - $999,999	2,153	1.271	95.682	2,029,618,652	3.184	78.681
$1,000,000 - $1,099,999	1,278	0.755	96.437	1,333,574,646	2.092	80.772
$1,100,000 - $1,199,999	1,028	0.607	97.044	1,174,510,711	1.842	82.615
$1,200,000 - $1,299,999	781	0.461	97.505	970,054,847	1.522	84.136
$1,300,000 - $1,399,999	617	0.364	97.869	827,037,622	1.297	85.434
$1,400,000 - $1,499,999	435	0.257	98.126	625,917,165	0.982	86.415
$1,500,000 - $1,599,999	413	0.244	98.370	637,738,236	1.000	87.416
$1,600,000 - $1,699,999	307	0.181	98.551	503,207,594	0.789	88.205
$1,700,000 - $1,799,999	246	0.145	98.696	429,210,372	0.673	88.878
$1,800,000 - $1,899,999	249	0.147	98.843	459,030,233	0.720	89.598
$1,900,000 - $1,999,999	180	0.106	98.950	349,801,250	0.549	90.147
$2,000,000 and greater	1,779	1.050	100.000	6,281,435,491	9.853	100.000
Total	169,361	100.000%		$63,751,815,319	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Tax Rates and Levies

Taxes are levied for each fiscal year on taxable real and personal property as of the preceding January 1. Real property which changes ownership or is newly constructed is revalued at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects the portion of the remaining tax year for which taxes are due.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing real property the taxes on which have a lien sufficient, in the opinion of the county assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of ten percent attaches immediately to all delinquent payments. Properties on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the County notifies the State Controller, and the property may be sold at public auction by the County Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien dates and become delinquent on August 31. A ten percent penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assesse.

A portion of the property tax in the District is derived from utility property subject to assessment by the State Board of Equalization (the "SBE"). State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other state-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues are distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

San Diego County has adopted, subject to future discontinuance, the "Teeter Plan," as discussed herein, allocating 100% of the District's total secured tax and general obligation bond taxes. See "SECURITY AND SOURCES OF PAYMENT – Teeter Plan."

Shown in the following table are the District's past ten years' secured roll tax levies, combining the District's shares of the 1% County tax levies and the District's own debt service levies.

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SAN DIEGO UNIFIED SCHOOL DISTRICT
Secured Tax Levies

Fiscal Year	Secured Tax Levy[1]		
	1%[2]	Debt Service	Total
2004-05[3]	$380,945,711	$ 79,903,908	$460,849,619
2005-06	423,858,426	63,866,849	487,725,275
2006-07	463,176,266	83,805,774	546,982,040
2007-08	502,434,144	78,557,767	580,991,911
2008-09	526,396,581	85,692,466	612,089,047
2009-10	522,748,235	92,029,537	614,777,772
2010-11	515,874,655	92,119,990	607,994,645
2011-12	520,587,528	93,080,498	613,668,026
2012-13	520,305,576	91,886,581	612,192,157
2013-14	539,208,858	177,999,518	717,208,376
2014-15	570,685,396	190,196,626	760,882,022

(1) Excludes State Reimbursed Exemptions.
(2) Includes secured property and unitary property.
(3) Beginning Fiscal Year 2004-05, the District's share of Educational Revenue Augmentation Fund (ERAF) and a portion of their 1% property tax collection was shifted to pay the in lieu of vehicle license fee and sales and use tax payments to the County and cities (SB 1096).

Source: San Diego County Auditor and Controller, Property Tax Services Division.

Tax Rates

The following table sets forth typical tax rates for property within the District for fiscal years 2011-12 through 2015-16:

SAN DIEGO UNIFIED SCHOOL DISTRICT
Historical Tax Rates[1]
Typical Tax Rate per $100 of Assessed Valuation

	2011-12	2012-13	2013-14	2014-15	2015-16
General Tax Rate	1.00000	1.00000	1.00000	1.00000	1.00000
Metropolitan Water District	.00370	.00350	.00350	.00350	.00350
City of San Diego	.00500	.00500	.00500	.00500	.00500
San Diego Community College District	.03740	.03636	.04760	.04381	.03939
San Diego Unified School District	.06670	.06667	.12667	.12670	.12670
Total	1.11280	1.11153	1.18277	1.17901	1.17459

(1) Tax Rate Area 8-001; 2015-16 Assessed Valuation: $81,870,155,257.

Source: California Municipal Statistics, Inc.

Secured Tax Charges and Delinquencies

The County levies and collects all property taxes for property located within the County's taxing boundaries. The following table shows secured tax charges and delinquencies for the portion of the District within the County. Note that the District receives 100% of its *ad valorem* property taxes levied irrespective of actual delinquencies in the collection of property taxes by the County while the Teeter Plan is in place. See "Teeter Plan" herein.

SAN DIEGO UNIFIED SCHOOL DISTRICT
Secured Tax Charges and Delinquency Rates
Fiscal Years 2010-11 through 2014-15

Fiscal Year	Total Secured Tax Charges (1)	Amount Delinquent	Delinquency Rate
2010-11	$524,348,862.91	$1,826,949.77	0.35%
2011-12	525,873,412.16	1,439,084.44	0.27
2012-13	529,387,992.05	1,447,732.40	0.27
2013-14	551,495,689.89	1,007,952.02	0.18
2014-15	583,505,415.19	818,828.55	0.14

(1) Includes Current Secured, Current Unsecured, Current Secured Homeowners' Exemption, Current Unsecured Homeowner' Exemption.
Source: County of San Diego Auditor and Controller Department – Property Tax Services.

District Debt

Set forth below for the District is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. on September 16, 2015 for debt outstanding as of September 1, 2015. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report generally includes long term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable from the general fund or other revenues of such public agency. The top portion of the table reflects direct and overlapping tax and assessment debt, while the bottom portion of the table reflects overlapping general fund debt.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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SAN DIEGO UNIFIED SCHOOL DISTRICT
Direct and Overlapping Debt Statement
(as of September 1, 2015)

2015-16 Assessed Valuation: $157,864,270,798

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable [1]	Debt 9/1/15
Metropolitan Water District	6.425%	$ 7,094,485
Palomar Community College District	0.704	3,627,524
San Diego Community College District	99.442	1,258,960,408
San Diego Unified School District	**100.000**	**2,171,401,320**[2]
City of La Mesa	0.060	13,614
Grossmont Healthcare District	7.208	19,186,855
Palomar Pomerado Health Systems	1.879	8,784,515
City of San Diego Community Facilities District No. 1	100.000	16,340,000
City of San Diego Community Facilities District No. 3	100.000	14,725,000
City of San Diego and Special District 1915 Act Bonds	100.000	1,641,902
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$3,501,775,623
OVERLAPPING GENERAL FUND DEBT:		
San Diego County General Fund Obligations	35.515%	$124,895,601
San Diego County Pension Obligation Bonds	35.515	230,797,779
San Diego County Superintendent of Schools Obligations	35.515	5,178,087
Community College District Certificates of Participation	0.704–0.894	45,867
City of La Mesa General Fund Obligations	0.060	2,223
City of San Diego General Fund Obligations	75.471	476,410,688
San Miguel Consolidated Fire Protection District Certificates of Participation	0.780	30,381
Otay Municipal Water District Certificates of Participation	0.345	150,282
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$837,510,908
Less: Otay Municipal Water District Certificates of Participation		150,282
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$837,360,626
OVERLAPPING TAX INCREMENT DEBT:		
San Diego Redevelopment Agency (Successor Agency)	90.325-100. %	$477,320,751
TOTAL OVERLAPPING TAX INCREMENT DEBT		$477,320,751
GROSS COMBINED TOTAL DEBT		$4,816,607,282[3]
NET COMBINED TOTAL DEBT		$4,816,457,000

(1) Based on 2014-15 ratios.
(2) Excludes the Bonds, the Series D Bond and the Series E Bonds.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2015-16 Assessed Valuation:
Direct Debt ($2,171,401,320) 1.38%
Total Direct and Overlapping Tax and Assessment Debt............2.22%
Gross Combined Total Debt..3.05%
Net Combined Total Debt 3.05%

Ratios to Successor Agency Redevelopment Incremental Valuation ($19,826,247,479):
Total Overlapping Tax Increment Debt 2.41%

Source: California Municipal Statistics, Inc.

Largest Taxpayers

The twenty largest local secured taxpayers in the District and their assessed valuations for 2015-16 are shown in the following table.

SAN DIEGO UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers
Fiscal Year 2015-16

	Property Owner	Primary Land Use	2015-16 Assessed Valuation	Percentage of Total[1]
1.	Qualcomm Inc.	Industrial	$ 2,026,066,893	1.34%
2.	Irvine Company LLC	Office Building	1,099,422,635	0.73
3.	Host Hotels and Resorts LP	Hotel	1,086,695,046	0.72
4.	Fashion Valley Mall LLC	Shopping Center/Mall	487,878,282	0.32
5.	One Park Boulevard LLC	Hotel	469,580,933	0.31
6.	H.G. Fenton Co.	Industrial/Apartments	450,592,240	0.30
7.	Solar Turbines Inc.	Industrial	432,751,954	0.29
8.	Seaworld Parks and Entertainment	Theme Park	417,433,490	0.28
9.	Kilroy Realty LP	Industrial	398,661,119	0.26
10.	La Jolla Crossroads 1 LLC	Apartments	375,778,287	0.25
11.	La Mirage Apartments LLC	Apartments	366,328,748	0.24
12.	LHO Mission Bay Hotel LP	Hotel	328,848,415	0.22
13.	HSPF La Jolla Commons I Investors LLC	Office Building	325,736,593	0.22
14.	Pacific Gateway Ltd.	Hotel	308,076,710	0.20
15.	UTC Venture LLC	Shopping Center	305,571,565	0.20
16.	Scripps Mesa Developers	Apartments	295,135,677	0.20
17.	Pfizer Inc.	Industrial	290,525,724	0.19
18.	CSHVSDTC LLC	Industrial	256,500,000	0.17
19.	Arden Realty LP	Office Building	255,383,500	0.17
20.	BEX Portfolio LLC	Apartments	254,480,920	0.17
			$10,231,448,731	6.78%

[1] 2015-16 Local Secured Assessed Valuation: $150,947,082,887.
Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals.

The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

LEGAL MATTERS

Possible Limitations on Remedies

State law contains a number of safeguards to protect the financial solvency of school districts. See "APPENDIX B: FINANCIAL AND ECONOMIC INFORMATION FOR THE DISTRICT – AB 1200 Budget Requirements; County and State Oversight; Reports and Certifications." If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent of Public Instruction (the "Superintendent"), operating through an administrator appointed by the Superintendent, may be authorized under State law to file a petition for relief under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the district for the adjustment of its debts, if the district is insolvent, has received the consent of, and negotiated in good faith with, certain creditors or such negotiations are impractical or excused under the Bankruptcy Code, and is otherwise eligible to file a Chapter 9 bankruptcy case. School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, then the application of *ad valorem* taxes to pay the Bonds could be stayed during the proceeding (unless they are determined to be "special revenues" within the meaning of the Bankruptcy Code and not derived from District projects), and it is possible that the terms of the Bonds and Resolutions (including amount, rate, security, and tax-related covenants) could be altered by a plan of adjustment, if the bankruptcy court determines that the alterations are fair and equitable and otherwise comply with the requirements of the Bankruptcy Code. Bankruptcy courts are courts of equity with broad discretionary powers, and their decisions can be heavily influenced by the facts in a case, including whether commingled *ad valorem* tax revenues can be identified, and the overall goal of the Bankruptcy Code to facilitate an adjustment of debts. A bankruptcy proceeding, if initiated on behalf of the District, could have an adverse effect on the liquidity and value of the Bonds.

Bond Counsel's opinion is qualified with respect to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws related to and affecting creditors' rights. See APPENDIX D – "PROPOSED FORM OF OPINION OF BOND COUNSEL." Before any Superintendent appointed administrator may file for bankruptcy on behalf of a school district, certain steps have to be taken under California law. See "APPENDIX B: FINANCIAL AND ECONOMIC INFORMATION FOR THE DISTRICT – AB 1200 Budget Requirements; County and State Oversight; Reports and Certifications."

Legality for Investment in California

Under the provisions of the State of California Financial Code, the Bonds are legal investments for commercial banks in the State to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of its depositors, and, under provisions of the State Government Code, are eligible to secure deposits of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2014-15 Fiscal Year (which is due no later than March 31, 2016), and to provide notices of the occurrence of certain enumerated events, if material, in a timely manner not in excess of ten business days after the occurrence of the event.

In the past five years, the District did not timely file its Fiscal Year 2010-11 adopted Budget (the "2011 Budget"), nor did it timely file certain event notices, as may have been required by the District's prior continuing disclosure agreements. The 2011 Budget was available on the District's website and an incorporation by reference was subsequently filed in 2012. The District has entered into the Disclosure Dissemination Agent Agreement for the benefit of the Bond Owners with DAC, under which the District has designated DAC as Disclosure Dissemination Agent. The Annual Report and any notices of material events will be filed by DAC on behalf of and after receipt from the District with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System. The specific nature of the information to be contained in the Annual Report or certain Notice Events (each as defined herein) is set forth below under the caption "APPENDIX E: PROPOSED FORM OF DISCLOSURE DISSEMINATION AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

Litigation

General. No litigation is pending or threatened concerning the validity of the Bonds, and a certificate (or certificates) to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue and retire the Bonds.

There are a number of lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the finances of the District.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX D hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Compensation to be paid to Bond Counsel and Disclosure Counsel is contingent upon the issuance of the Bonds.

MISCELLANEOUS

Ratings

Fitch Ratings, Inc. ("Fitch"), Kroll Bond Rating Agency, Inc. ("KBRA") and Moody's Investors Service ("Moody's" and collectively with Fitch and KBRA, the "Rating Agencies") have assigned their municipal bond ratings of "AAA," "AA+" and "Aa2," respectively, to the Bonds. **The District has furnished to the Rating Agencies certain materials and information with respect to itself, and the Bonds. Generally, rating agencies base their ratings on such information and materials and on their own investigations, studies and assumptions.** Each rating reflects only the view of the rating agency and any explanation of the significance of such rating may be obtained only from the rating agency furnishing the same, at the following addresses: Fitch, 33 Whitehall Street, New York, New York 10004, telephone: (212) 908-0800; KBRA, 845 Third Avenue, Fourth Floor, New York, New York 10022, telephone: (646) 731-2348; and Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, telephone: (212) 553-0300. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

Underwriting

The Bonds are being purchased by Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC (collectively, the "Underwriters"), for whom Citigroup Global Markets Inc. is acting as representative (the "Representative"). The Underwriters have agreed, pursuant to the purchase contract(s) for the Bonds, to purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by Bond Counsel and certain other conditions.

The purchase price payable to the District for the Bonds will be $504,952,558.10. The Underwriters' discount will be $1,280,828.39. The Representative shall deposit $780,315.91 with Bond Counsel, to be applied by Bond Counsel to pay the costs of issuance pursuant to the purchase contract.

The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriters. The Underwriters may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Bonds.

Goldman, Sachs & Co. ("Goldman Sachs"), one of the Underwriters of the Bonds, has entered into a master deal agreement (the "Master Dealer Agreement") with Incapital LLC ("Incapital") for the distribution of certain municipal securities offerings, including the Bonds, to Incapital's retail distribution network at the initial public offering prices. Pursuant to the Master Dealer Agreement, Incapital will purchase Bonds from Goldman Sachs at the initial public offering price less a negotiated portion of the selling concession applicable to any Bonds that Incapital sells.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

Municipal Advisor

KNN Public Finance, a Division of Zions Public Finance, Inc. ("KNN") has been employed by the District to perform municipal advisory services in connection with the sale and delivery of the Bonds. KNN will not participate in the underwriting of the Bonds. Fees charged by KNN are not contingent upon the issuance of the Bonds.

Financial Statements

The audited financial statements of the District for the Fiscal Year ended June 30, 2014, included in APPENDIX C to this Official Statement, have been examined by Christy White Associates, independent certified public accountants, to the extent and for the periods indicated in its report. Christy White Associates has not consented to the inclusion of its report as APPENDIX C hereto. Christy White Associates has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Christy White Associates with respect to any event subsequent to its report dated November 20, 2014. The District's audited financial statements for the Fiscal Year ended June 30, 2015 will be examined by Crowe Horwath LLP, are expected to be presented to the District Board on December 8, 2015, and will be available on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System website soon thereafter.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolutions and the Paying Agent Agreement providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents described herein do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Bonds.

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The delivery of this Official Statement has been duly authorized by the District.

SAN DIEGO UNIFIED SCHOOL DISTRICT

By: /s/ Cynthia Marten
Superintendent of Public Education

APPENDIX A

DISTRICT ECONOMY

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DISTRICT ECONOMY

The following information has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District, the Underwriters or the Municipal Advisor.

Prospective purchasers of the Bonds should be aware that the area served by the District follows the downturns and upward trends of the general national economy and thus, a number of the tables below, which demonstrate historical income, employment, sales and other figures, are not an accurate predictor of future trends, nor are they an entirely current report of economic circumstances as of the date of printing of this Official Statement. The historical data displayed in this section is derived from a number of third-party sources from data accumulated over time, and thus cannot be presented on a real-time basis.

The District serves an area of approximately 211 square miles, embracing most of the populated portion of the City of San Diego (the "City").

City of San Diego

The City is located 125 miles south of Los Angeles, 525 miles south of San Francisco, and 17 miles north of the Mexican border. It grew out of the first California mission – Mission San Diego de Alcala – founded in 1769. The City was incorporated in 1850, the year California became the 31st State of the United States. The City is the county seat for the County of San Diego (the "County") and is the County's business and financial center.

The City covers approximately 330 square miles in the southwestern coastal area of the County of San Diego, including 72 square miles of water. The City limits extend to the Mexican border, contiguous in places to the boundaries of the cities of Chula Vista, National City, and Imperial Beach.

Population

The City is the second most populous city in California. It contains 42% of the total population of the County.

CITY OF SAN DIEGO
COUNTY OF SAN DIEGO
STATE OF CALIFORNIA
Population*

Year	City	Growth Rate	County	Growth Rate	State	Growth Rate
1990	1,110,623	- -%	2,498,016	- -%	29,760,021	- -%
2000	1,223,415	10.6	2,813,833	12.64	33,873,086	13.82
2001	1,228,432	0.4	2,849,238	1.3	34,256,789	1.1
2002	1,236,616	0.7	2,890,256	1.4	35,725,516	1.4
2003	1,251,700	1.2	2,927,216	1.3	35,163,609	(1.6)
2004	1,257,358	0.5	2,953,703	0.9	35,570,847	1.2
2005	1,261,035	0.3	2,966,783	0.4	35,869,173	0.8
2006	1,261,633	0.1	2,976,492	0.3	36,116,202	0.7
2007	1,266,978	0.4	2,998,477	0.7	35,399,676	(2.0)
2008	1,279,505	1.0	3,032,689	1.1	36,704,375	0.8
2009	1,294,031	1.1	3,064,436	1.0	36,966,713	0.7
2010	1,301,617	0.6	3,095,313	1.0	37,223,900	0.7
2011	1,309,784	0.6	3,115,810	0.7	37,427,946	0.8
2012	1,315,173	0.4	3,128,734	0.4	37,678,563	0.7
2013	1,328,073	1.0	3,154,574	0.8	37,984,138	0.8
2014	1,347,954	1.5	3,192,457	1.2	38,357,121	1.0
2015	1,368,061	1.5	3,227,496	1.1	38,714,725	0.9

*For 2001-09 and 2011-15, population statistics are as of January 1. For 1990, 2000 and 2010, population statistics are as of April 1.
Source: California State Department of Finance for 2001-09 and 2011-15; U.S. Department of Commerce, Bureau of Census, for 1990, 2000 and 2010.

Income

Effective Buying Income ("EBI"), or disposable personal income, includes personal income (wages, salaries, interest, dividends, profits, rental income and pension income) minus federal, state, local taxes and nontax payments (such as personal contributions for social security insurance). The following table summarizes the EBI and the median household EBI for the City, the County, the State, and the nation for the years 2011 through 2015.

CITY AND COUNTY OF SAN DIEGO, CALIFORNIA, AND UNITED STATES
Effective Buying Income

Year and Area	Estimated Aggregate Effective Household Buying Income (in thousands)	Estimated Median Effective Buying Income
2011		
City of San Diego	$ 32,869,501	$46,996
San Diego County	70,231,474	48,248
California	801,393,029	47,177
United States	6,365,020,076	41,368
2012		
City of San Diego	$ 30,920,765	$46,695
San Diego County	70,602,550	48,111
California	814,578,458	47,062
United States	6,438,704,664	41,253
2013		
City of San Diego	$ 33,637,960	$48,371
San Diego County	74,593,405	48,634
California	864,088,828	47,307
United States	6,737,867,730	41,358
2014		
City of San Diego	$ 33,267,120	$49,613
San Diego County	73,266,155	49,302
California	858,676,636	48,340
United States	6,982,757,379	43,715
2015		
City of San Diego	$ 35,103,155	$52,311
San Diego County	76,880,343	51,447
California	901,189,699	50,072
United States	7,357,153,421	45,448

Source: The Nielsen Company.

Employment

The civilian labor force in the County slightly decreased in 2014, reaching an average of 1,544,600 workers for the year. The total employment component of the labor force decreased to 1,445,400. City residents seeking employment averaged 42,200 during 2014 and County residents seeking employment averaged 99,200.

CITY OF SAN DIEGO, SAN DIEGO COUNTY, CALIFORNIA, AND UNITED STATES
Labor Force, Employment, and Unemployment[(1)(2)]

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate[(3)]
2009				
City of San Diego	695,200	627,700	67,500	9.7%
San Diego County	1,552,000	1,402,400	149,600	9.6
California	18,250,200	16,163,900	2,086,200	11.4
United States	154,206,000	139,881,000	14,325,000	9.3
2010				
City of San Diego	695,300	621,900	73,300	10.5%
San Diego County	1,557,500	1,393,200	164,300	10.6
California	18,176,200	15,916,300	2,259,900	12.4
United States	153,893,000	139,068,000	14,825,000	9.6
2011				
City of San Diego	699,908	630,625	69,283	9.9%
San Diego County	1,567,875	1,412,633	155,242	9.9
California	18,103,767	15,974,800	2,128,967	11.8
United States	153,620,000	139,873,000	13,747,000	8.9
2012				
City of San Diego	713,900	650,100	63,700	8.9%
San Diego County	1,599,200	1,456,300	142,800	8.9
California	18,494,900	16,560,300	1,934,500	10.5
United States	154,975,000	142,469,000	12,506,000	8.1
2013				
City of San Diego	709,800	656,200	53,500	7.5%
San Diego County	1,590,000	1,470,000	120,000	7.5
California	18,596,800	16,933,300	1,663,500	8.9
United States	155,389,000	143,929,000	11,460,000	7.4
2014				
City of San Diego	690,700	648,500	42,200	6.1%
San Diego County	1,544,600	1,445,400	99,200	6.4
California	18,811,400	17,397,100	1,414,300	7.5
United States	155,922,000	146,305,000	9,617,000	6.2

(1) Data reflects employment status of individuals by place of residence.
(2) Data not seasonally adjusted.
(3) Unemployment rate is based on unrounded data.
Source: California State Employment Development Department; U.S. Department of Labor, Bureau of Labor Statistics.

City Economy

A factor in the City's growth is a diversified economy. Expansion has been concentrated in four major areas: high tech manufacturing and research (including electronics, communications equipment, scientific instruments, drugs, and biomedical equipment); professional services; tourism; and international trade. In addition to these industries, the City benefits from an economic foundation composed of basic manufacturing (ship building, industrial machinery, television and video equipment, and printing and publishing), public and private higher education, health services, military, and local government.

The United States armed forces represent a substantial economic presence within the District, including several United States Navy and Marine Corps facilities. Civilian employees of military establishments and service members are among the largest groups of employees within the District and their children attend many District schools under the subsidy known as "Impact Aid Funds." See "APPENDIX B: FINANCIAL AND ECONOMIC INFORMATION FOR THE DISTRICT – Impact Aid Funds" herein. For Fiscal Year 2014, the Department of the Navy Base Closure and Realignment data submitted to Congress did not include base closures in San Diego County.

Expansion in the high tech manufacturing and research component of the City's economic base has been led by the emergence of telecommunications. Major participants in the City's telecommunications industry include manufacturers of personal communications equipment, radio/TV communications equipment, network communications equipment/systems, satellite communications equipment, and military surveillance/guidance systems. The City is a major location for telecommunications firms in the County, with the Sorrento Valley area emerging as a center in the development and manufacturing of products using wireless and digital technology.

Another component of the City's high tech industry is the biotechnology sector, which includes companies involved in developing chemical and biological products for use in the treatment and diagnosis of diseases and various medical conditions. As with telecommunications, the biotechnology industry is concentrated in the City, with the highest concentration in the area around the University of California at San Diego. Growth in both biotechnology and other high tech industries has been facilitated by the City's various research organizations. Among the more important research facilities located in the City are the Scripps Research Institute, the Salk Institute for Biological Studies, and the San Diego Super Computer Center.

The City is also home to a software industry. Components within this industry include basic computer programming services, prepackaged software, systems integration services, and development of multimedia products.

Major Employers

The County is host to a diverse mix of major employers representing industries ranging from education and health services, to diversified manufacturing, financial services, retail trade and amusement and recreation. The following table lists the County's major employers.

COUNTY OF SAN DIEGO
Major Employers
(as of 2014)

	Employer	Company Description	Number of Employees
1.	State of California	Administration of state functions, services, agencies	43,300
2.	University of California, San Diego	College/University	28,672
3.	Federal Government	Federal administration, civic, government	24,200
4.	U.S. Department of Defense	Defense/government agency	21,500
5.	County of San Diego	County government agency	20,100
6.	City of San Diego	City government	18,000
7.	Sharp Healthcare	Health care services provider (integrated health care system)	15,865
8.	Scripps Health	Community based health care system based in San Diego	13,750
9.	San Diego Unified School District	Public School District	13,559
10.	Kaiser San Diego Medical Center	Health care provider	8,900
11.	Naval Medical Center San Diego (Balboa Hospital)	Hospital	6,500
12.	Sempra Energy/SDG&E	Utility Company	5,000
13.	Space and Naval Warfare Systems Center Pacific (SPAWAR)	Space and Naval warfare systems command	5,000
14.	Rady Children's Hospital San Diego	Hospital/health care	4,850
15.	Northrop Grumman Corp.	Designer, systems integrator and manufacturer of military aircraft, defense electronics, precision weapons, commercial and military aerostructures	4,500
16.	SeaWorld San Diego	Theme park and entertainment company	4,500
17.	San Diego State University	State University	4,184
18.	YMCA of San Diego County	Youth development, community relations	4,053
19.	Barona Resort & Casino	Gaming Casino	3,000
20.	San Diego Zoo	Conservation organization, theme park attraction	3,000
21.	Scripps Research Institute	Research organization	2,892
22.	San Diego Police Department	Corrections/Law Enforcement	2,700
23.	Palomar College	Community College	2,665
24.	General Dynamics NASSCO	Ship Builder	2,550
25.	Chula Vista Elementary School District	District Education Service and Support Center	2,542

Source: San Diego Sourcebook – San Diego County Largest Employers, 2014.

Industry

Annual wage and salary workers in the County by industry for 2010 through 2014 are shown below.

COUNTY OF SAN DIEGO
Non-Agricultural Labor Force and Industry Employment
Annual Averages
2010 through 2014 by Class of Work

	2010	2011	2012	2013	2014
Mining and Logging	400	400	400	400	400
Construction	55,400	55,200	56,300	61,200	63,500
Manufacturing	92,900	93,100	93,400	94,600	96,400
Trade, Transportation and Public Utilities	197,300	200,800	206,800	212,300	214,800
Information	25,100	24,200	24,600	24,100	24,600
Financial Activities	67,200	67,600	69,500	71,400	70,500
Professional and Business Services	207,700	209,800	215,500	222,600	230,000
Educational & Health Services	145,500	150,200	154,500	179,300	186,900
Leisure & Hospitality	154,500	155,600	161,000	167,500	176,800
Other Services	46,100	47,600	49,300	49,200	52,300
Government	230,400	229,000	227,600	229,500	231,900
Non Agriculture Total	1,222,500	1,233,400	1,258,800	1,312,000	1,348,000

Source: California Employment Development Department.

Building Permits

The table below provides a summary of the building permit valuations, and the number of new dwelling units authorized in the City, for the years 2011 through July of 2015. The valuation of non-residential permits includes both private commercial construction and publicly funded, non-tax generating projects.

CITY OF SAN DIEGO
Building Permit Valuations
and Number of Dwelling Units
2011 through July 2015

	2011	2012	2013	2014	2015[1]
Valuation (in 000s)					
Residential	$613,838	$772,750	$1,190,100	$678,295	$855,941
Nonresidential	690,470	979,147	1,056,989	1,450,401	792,877
Total	$1,304,308	$1,751,897	$2,246,089	$2,128,696	$1,648,818
Number of New Dwelling Units					
Single Family	467	547	819	722	877
Multiple Family	2,148	3,299	4,603	1,823	2,711
Total	2,615	3,846	5,422	2,545	3,588

[1] Includes data from January through July 2015.
Source: Construction Industry Research Board, California Homebuilding Foundation CHF|CIRB.

Median Home Sale Prices

The table below provides a summary of the median home sale prices in the City of San Diego from 2001 through August of 2015.

CITY OF SAN DIEGO
Median Home Sale Prices

Year	Median Home Sale Prices	Percentage Change
2001	$262,000	--
2002	325,000	24.05%
2003	380,000	16.92
2004	450,000	18.42
2005	485,000	7.78
2006	486,000	0.21
2007	465,000	(4.32)
2008	373,000	(19.78)
2009	296,000	(20.64)
2010	340,000	14.86
2011	350,000	2.94
2012	350,000	0.00
2013	418,000	19.43
2014	447,000	6.94
2015*	483,500	8.17

*Figure as of August 2015; Sourced from CoreLogic (acquired DataQuick Information Systems)
Historical Data Source: DataQuick Information Systems.

Commerce

As the major trade and service center within the County, the City accounted for approximately 43% of the County's total taxable transactions in 2013. Taxable transactions from 2010 through the second quarter of 2014 are summarized below.

CITY OF SAN DIEGO
Taxable Transactions
(in thousands)[1]

	2010	2011	2012	2013	2014[2]
Retail and Food Services					
Motor Vehicle and Parts Dealers	$1,720,348	$1,884,077	$2,124,016	$2,293,742	$1,193,131
Home Furnishings and Appliance Stores	1,064,083	1,132,638	1,137,855	1,199,791	568,307
Bldg. Mat'l. and Garden Equip. and Supplies	735,040	795,649	848,388	904,729	463,218
Food and Beverage Stores	874,855	909,541	950,005	1,007,085	502,984
Gasoline Stations	1,527,002	1,850,576	1,916,674	1,916,253	1,007,504
Clothing and Clothing Accessories Stores	1,476,887	1,608,393	1,719,615	1,837,605	839,237
General Merchandise Stores	1,505,694	1,571,106	1,612,806	1,638,426	752,785
Food Services and Drinking Places	2,674,975	2,888,953	3,168,490	3,305,281	1,722,324
Other Retail Group	1,483,428	1,550,568	1,549,302	1,634,088	802,990
Total Retail and Food Services	13,062,313	14,191,502	15,027,152	15,737,000	7,852,478
All Other Outlets	4,816,619	5,306,003	5,517,501	5,757,505	2,932,498
Total All Outlets	$17,878,932	$19,497,504	$20,544,652	$21,494,505	$10,784,976

(1) Detail may not compute to total due to rounding.
(2) Figures as of the Second Quarter of 2014.
Source: "Taxable Sales in California," California State Board of Equalization.

Transportation

Excellent surface, sea and air transportation facilities serve county residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles area and points north. Interstate 15 runs inland, leading to Riverside-San Bernardino, Las Vegas and Salt Lake City. Interstate 8 runs eastward to Phoenix, Arizona.

San Diego's International Airport (Lindbergh Field) is located approximately one mile west of the downtown area at the edge of the San Diego Bay. The airport is the third most active commercial airport in California, served by 16 airline carriers. A west terminal of the airport was expanded in 1998, approximately doubling terminal capacity. In addition to San Diego International Airport, there are two naval air stations and seven general aviation airports located in the county.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego with stops at Solana Beach and Oceanside in the north county. San Diego's harbor is one of the world's largest natural harbors. The harbor, a busy commercial port, has also become an extremely popular destination for cruise ships. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach and Coronado.

Public transportation through the City and surrounding communities is provided by the San Diego Metropolitan Transit Development Board ("MTDB"). The San Diego Trolley, Inc. operates a fleet of electric trolleys that provides transportation for commuters and tourists from downtown San Diego to San Ysidro (adjacent to Tijuana), and from downtown San Diego to the southern part of the County and East County. The East Line extension to Santee was completed in 1996. This 3.6-mile extension connects the cities of El Cajon and Santee. The trolley also provides service from downtown San Diego to the waterfront area, including the Convention Center. An extension providing additional service from downtown to the historical Old Town section of the City was completed in 1996. In addition, the Mission Valley extension, which connects Old Town with Qualcomm Stadium, ending at the Mission San Diego, opened in 1997. In May 1998, the U.S. Congress approved a transportation bill that earmarked $325 million for a 6-mile trolley extension connecting the Mission Valley Line with the East Line in La Mesa. This extension, completed in 2004, extends east from Qualcomm Stadium connecting Mission Valley with San Diego State University, La Mesa, and East County.

A 43-mile Coaster Commuter rail line from Oceanside to downtown San Diego came into service in 1995. This line links communities along the coast from Oceanside to Del Mar with downtown San Diego and is operated by North County Transit District.

Research and Development

Research and development activity plays an important role in the area's economy. Construction of a major campus of the University of California at San Diego ("UCSD") in 1964 gave significant impetus to this development.

The County is a leading health sciences and biomedical center. Approximately 35,000 persons are engaged in life sciences-related activities in the metropolitan area, with over 28,000 employed directly in health services. In addition to UCSD, other established research institutions in the La Jolla area of the City include the Salk Institute for Biological Studies, the Scripps Clinic and Research Foundation, and the Scripps Institution of Oceanography.

Visitor and Convention Activity

An excellent climate, proximity to Mexico, extensive maritime facilities, and such attractions as the San Diego Zoo and Wild Animal Park, Sea World, Cabrillo National Monument, and Palomar Observatory allow San Diego to attract visitor and convention business each year. The development of the 4,600-acre Mission Bay Park at San Diego and the construction of meeting and convention facilities at the San Diego community concourse have contributed to the growth in tourism.

The visitor industry is the City's third largest in terms of income generation, behind manufacturing and the military. The following table depicts total visitor spending in San Diego County since 2005.

SAN DIEGO COUNTY
Total Visitor Spending
2005 – 2014
($ billions)

Year	Amount
2005	$7.22
2006	7.72
2007	7.90
2008	7.91
2009	6.96
2010	7.08
2011	7.49
2012	7.98
2013	8.39
2014	9.21

Source: San Diego Tourism Authority.

Contributing to the growth in total visitor spending has been an increase in convention activity, as displayed in the table below. The convention center has hosted the annual Comic-Con International Convention, the 1996 Republican National Convention and the 2007 California Democratic Party Convention.

SAN DIEGO CONVENTION CENTER
2005 – 2014

Calendar Year	Estimated Spending	Number of Conventions	Total Delegate Attendance
2005	$462,117,578	54	470,950
2006	528,133,742	71	573,398
2007	700,394,264	66	655,819
2008	666,328,990	68	633,883
2009	541,904,169	71	519,418
2010	567,413,270	64	543,931
2011	578,931,514	74	566,658
2012	621,304,790	67	561,523
2013	559,947,727	75	524,448
2014	593,105,421	76	527,621

Note: Table includes only primary events held at the San Diego Convention Center, it does not include other sources of convention activity in the San Diego region.
Source: San Diego Tourism Authority.

The City is the focal point for tourism in the County. Major attractions located in the city include the world-renowned San Diego Zoo, the San Diego Wild Animal Park, and Sea World. The San Diego Padres play home games at PETCO Park, a $449.4 million project, located on 18 acres, with a capacity of 46,000. Other attractions include the Cabrillo National Monument on Point Loma, Balboa Park, home to the Zoo and a host of other cultural and recreational activities, downtown's historic Gaslamp Quarter, and the Old Town State Park. The City's cruise ship industry is another important sector of the local visitor industry.

Education

As noted previously, the San Diego Unified School District serves most of the City. Additionally, certain portions of the City lie within two other unified school districts, four high school districts, and 14 elementary school districts.

There are 38 colleges and universities offering four-year and graduate degrees and five community college districts offering two-year programs in the County. Among the four-year institutions of higher education in the County are the University of California at San Diego, San Diego State University, the University of San Diego, California State University at San Marcos, Point Loma Nazarene University and National University.

Utilities

The San Diego Gas and Electric Company provides electric power and natural gas in the City and most communities in the western half of the County. Water service is supplied by the City. An adequate supplemental water supply is available from the Metropolitan Water District of Southern California via the San Diego County Water Authority. The Metropolitan Sewer System of the City of San Diego furnishes sewer service in the City and surrounding developed areas.

Community Facilities and Recreation

The City has constructed the Downtown Community Concourse, with its Convention and Performing Arts Center, the downtown Sports Arena, and the San Diego Stadium, located at the intersection of two interstate freeways. The City's Park and Recreation Department offers a comprehensive program of activities for all ages.

Balboa Park covers 1,400 acres in the city and includes museums, art galleries, theaters and recreation areas, in addition to miles of garden walks. Covering 128 acres within the park is the San Diego Zoo, famous for its innovative methods of displaying animals. The San Diego Planetarium Authority has constructed a Planetarium and Hall of Science on a three-acre site in Balboa Park. Mission Bay Park is a 4,600-acre public and private development including hotels and motels, marinas, restaurants and Sea World.

There are over 90 golf courses in the County, including the La Costa Golf Course, scene of the Tournament of Champions in 2006 and the championship Torrey Pines Golf Course, where the U.S. Open was held in 2008 and is scheduled to return in 2021.

The San Diego region benefits greatly from its natural geography and from its proximity to Mexico, with its sporting attractions such as Jai Alai, thoroughbred racing and ocean fishing, as well as the shopping and entertainment venues of Tijuana. Tijuana may be reached from downtown San Diego by the Red Trolley, and within a short drive from the center of the City, visitors may take in the many beaches, mountains and desert areas within the County.

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APPENDIX B-1

FINANCIAL AND ECONOMIC INFORMATION FOR THE DISTRICT

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FINANCIAL INFORMATION

This APPENDIX B provides information concerning the operations and finances of the San Diego Unified School District (the "District"). The Bonds are general obligation bonds of the District, secured and payable from ad valorem property taxes assessed on taxable properties within the District. The Bonds are not an obligation of the County or of the general fund of the District. Prospective purchasers of the Bonds should be aware that the following discussion of the District's financial condition, its fund balances, budgets and obligations, is intended as general information only, and no implication is made that the payment of principal or interest on the Bonds is dependent in any way upon the District's financial condition. The District neither receives nor accounts for ad valorem tax revenues collected by the County to pay debt service on the Bonds (or its other general obligation bonds). Pursuant to Section 15251 of the Education Code, all tax revenues collected for payment of debt service on the Bonds must be deposited into the interest and sinking fund of the District. The Bonds are, and will continue to be, payable solely from ad valorem taxes collected by the County within the boundaries of the District. See the body of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT."

The San Diego Unified School District provides elementary and secondary educational services to residents of a 211-square-mile area that includes most of the City of San Diego and a small adjoining unincorporated area. The District has operated as a unified school district under the laws of the State of California continuously since 1936. The District is the second largest school district in the State in terms of enrollment.

District Organization

The District is governed by an independent Board of Education (the "Board") consisting of five members elected at large for overlapping four-year terms. Effective July 28, 2015, the District Administrative Structure was updated as further described herein.

Cynthia Marten, Superintendent of Public Education. The District appointed Cynthia Marten Superintendent effective July 1, 2013. Ms. Marten has served as a teacher and administrator for more than 25 years, including her most recent position as Principal at Central Elementary School ("Central") for six years prior to her appointment as Superintendent. She began her career as a teacher in the Poway Unified School District, moving to Central, a District school, in 2003. During her tenure at Central, the school's Academic Performance Index score rose from 631 to 788. Ms. Marten is a product of the District, having attended Hardy Elementary School and Horace Mann Middle School before moving to La Jolla Country Day School for high school. She received her Bachelor's Degree from the University of Wisconsin La Crosse and holds a Master's Degree from UC San Diego in curriculum and instruction. Since beginning in her role as Superintendent, Ms. Marten has brought a District-wide singular focus on creating quality schools in every neighborhood. A clear direction for implementing the Board of Education's Vision 2020 is now at the center of every decision. This alignment allows for greater coherence and efficiencies.

Jenny Salkeld, Chief Financial Officer. Jenny Salkeld joined the District in February, 2010 as Controller, was appointed as the Interim Chief Financial Officer for the District in June, 2013 and was assigned the permanent position of Chief Financial Officer on November 19, 2013. Ms. Salkeld is responsible for management and oversight of Payroll and Benefits, Financing Planning, Monitoring and Accountability, Budget Development, and Controller. Ms. Salkeld has participated in the issuance of the District's Tax and Revenue Anticipation Notes, General Obligation Bonds and General Obligation Refunding Bonds in the collective aggregate principal amount of over $1.5 billion. On March 26, 2015, California State Treasurer John Chiang appointed Ms. Salkeld, together with 11 other individuals, to serve on the "State Task Force on Bond Accountability," a special task force commissioned to develop best practice guidelines on the fiduciary care and use of State and local bond proceeds.

Ms. Salkeld has extensive experience managing multimillion-dollar accounting, finance, and revenue operations and is accomplished in developing financial strategies that enhance organizational growth and maximize sustainability. Her expertise includes design of short- and long-term financial plans, investment management, financial problem solving, corrective action plan implementation, and compliance. In a previous private sector position, Ms. Salkeld was responsible for the accounting integration for a $450 million acquisition by a NASDAQ healthcare company. Additionally, she implemented a Board-approved Corporate Compliance Plan for a mid-size organization.

Ms. Salkeld holds a Master of Business Administration and Bachelor of Science in Accounting from the University of La Verne. She is a member of the Institute of Management Accountants. Ms. Salkeld has completed coursework at Walden University in the Doctor of Philosophy in Psychology program, with a specialization in Organizational Psychology, and is in the process of completing her dissertation. Ms. Salkeld is currently enrolled in the Chief Business Officer Program at the University of California, Riverside.

Jodie Macalos, Controller. Jodie Macalos started working for the District in September 1993 as a Financial Accountant for the Food Services Department. In 1998 she transferred to the Financial Accounting department and in 2009 she was promoted to Manager. As Manager, she was responsible for three departments, Financial Accounting, Food Services Accounting, and the Charter Schools Accounting office. On April 8, 2014, Ms. Macalos was appointed Controller of the District. Ms. Macalos prepares and monitors the revenue projections for the District's General Fund and she is responsible for preparing the TRANs cash flows and the District's total General Fund cash flows. She has financial oversight of the other funds of the District and works closely with the District's external auditors.

Ms. Macalos has a Bachelor of Science in Accounting from the University of San Diego and worked in public accounting for six years prior to working for the District.

Andra M. Donovan, General Counsel. Andra M. Donovan was appointed the District's General Counsel effective July 1, 2013. Ms. Donovan is an experienced school attorney; specializing particularly in finance, land use, facilities and labor/personnel matters. With more than eighteen years of experience in the practice of law, she has represented and advised school districts throughout in a wide array of legal matters; including tax-related litigation, bond measures, state funding audits, redevelopment claims and election-related litigation. Since October 2009, Ms. Donovan has served as the District's lead legal counsel in complex cases and is responsible for negotiating several high value interagency, multi-party facilities development agreements. Additionally, she serves as the San Diego County Office of Education's representative on the San Diego Redevelopment Oversight Board. Ms. Donovan has a juris doctor from the University of San Diego School of Law.

District Reorganization

In June 2013, the Board of Education approved an organizational restructuring of District leadership positions and programs (the "District Reorganization") effective July 1, 2013, which included the following new positions: Assistant Superintendent, Quality Neighborhood Schools (to provide coordination and oversight of the Area Superintendents, the Office of Teaching and Learning, and the Office of Leadership Development, and one cluster of schools); Area Superintendents (five area leaders reporting to the Assistant Superintendent, Quality Neighborhood Schools); Executive Director, Teaching and Learning (to provide leadership and oversight to the Office of Teaching and Learning); Executive Director, Leadership Development (to provide direction and oversight of leadership development efforts); Director, Leadership Development (to lead mentoring and coaching programs for principals and vice principals); and Principal Mentors (to provide differentiated and direct mentorship and coaching to the principals). The Superintendent of Schools title was changed to the Superintendent of Public Education and the Deputy Superintendent of Academics title was changed to the Deputy Superintendent of School Support Services. The Deputy Superintendent of School Support Services was to lead the Office of School Support Services.

In July 2013, the Office of Quality Neighborhood Schools was identified as the heart of the work, and the Superintendent assumed direct supervision of the Area Superintendents whose work is critical to supporting the District's goal of quality schools in every neighborhood. This also aligned with the implementation of Vision 2020, providing the Superintendent direct access to supporting the professional growth of the Area Superintendents and provided greater support to District schools. The Superintendent recommended the abolishment of the Assistant Superintendent of Quality Neighborhood Schools position and the staffing of a sixth Area Superintendent to provide more concentrated support to District schools. This phase of the restructuring plan resulted in an overall cost savings to the budget.

In April 2014, to further align the District's Central Office organizational structure with the Board's Vision 2020 and Quality Neighborhood School initiative, the District established, revised and abolished certain position classifications in the Finance Division, Leadership and Learning Division and in Operations, resulting in net salary and benefits savings of $22,745. On July 29, 2014, to augment the District's Central Office Reorganization, the District updated and established certain position classifications for: Area Superintendents; the Chief Public Information Officer within the Public Information and District Relations Division; the Chief Innovation Officer; the Chief Operations Officer; the Chief Facilities, Planning and Construction; and abolished the Chief Information and Technology Officer position. The modifications were cost neutral for the General Fund/Unrestricted Budget and resulted in an increased cost of $69,885 for the General Fund/Restricted and Other Capital Funds Budget.

On June 9, 2015 and June 23, 2015, the District Board approved the proposed 2015-16 San Diego Unified School District Organizational Chart and associated position establishment, abolishment, and changes to certain existing position classifications (and a slight reporting change with internal audits). The 2015-16 organization and associated actions are in alignment with the District's Vision 2020 for Qualified Schools in Every Neighborhood initiative and the Superintendent's continuing goal of creating a focused, efficient and coherent team that supports the multitude of functions necessary to assist student, teachers, principals, parents and communities and to increase internal and external communication, service and feedback. The modifications result in savings to the District's General Fund/Unrestricted Budget of $46,908. On July 28, 2015, the District Board revised the 2015-16 Organizational Chart to reflect the establishment, abolishment and changes to existing position classifications, resulting in savings of $67,000 to the Unrestricted General Fund. See "APPENDIX B-2 – DISTRICT ORGANIZATION CHART" herein.

Facilities, Staff and Enrollment

As of September 25, 2015, the District operated 108 elementary schools, 9 K-8 schools, 25 middle/junior high schools, 24 senior high schools, 11 atypical/alternative schools, 51 State preschool sites, 12 child development centers, 4 special education centers and is the sponsoring agency for 51 charter schools. (One charter school is scheduled to close in June of 2016. In September 2015, the District opened a new elementary school - the Jonas Salk Elementary School, serving grades K-5.) The District's 2015-16 budget for all funds as of June 23, 2015 provides for the employment of approximately 6,978 full-time equivalent certificated staff positions, 5,795 full-time equivalent classified employees and over 4,000 active hourly certificated and classified employees. As of September 25, 2015, the District's K-12 enrollment including charter schools totaled 130,325 students, representing more than 15 different ethnic groups. The District's racial/ethnic distribution of students is as follows: 46.7% Hispanic, 23.2% White, 9.0% African-American, 4.7% Filipino, 4.7% Indochinese, 3.4% Asian, 0.5% Pacific Islander, 0.3% Native American and 7.6% Multiracial. As of October 30, 2015, 59.52% of District students are eligible for free or reduced price meals, and estimated data for fiscal year 2014-15 shows that approximately 600 foster youth are enrolled and 26.5% of students are English learners, whose native languages constitute more than 56 different languages and dialects.

Employment

The District negotiates agreements with seven bargaining units under the Educational Employment Relations Act. These bargaining units and their approximate number of members budgeted as of Fiscal Year 2015-16 are as set forth in the table below. The District has also entered into certain memoranda of understanding with one non-represented group of employees, Confidential Employees (the "MOU").

The bargaining agreements (the "Agreements") are effective from July 1, 2013 through June 30, 2016 for CSEA and July 1, 2014 through June 30, 2017 for SDEA and AASD (each, as defined herein), and were presented to the District Board on May 26, 2015. The Agreements call for the following increases to the salary schedules of each bargaining unit, confidentials (defined below) and non-represented employees:

- 2014-15 salary rates to be increased by 1% retroactive to July 1, 2014
- 2015-16 salary rates to be increased by 4% effective July 1, 2015

These costs were included in the District's 2015-16 Budget and multi-year projections.

The table and information below summarizes the current state of affairs with respect to the District's bargaining units and non-represented employees. Each bargaining unit may have additional proposed changes to compensation and other terms and conditions with cost factors that are unique to such units, the costs of which are included in these figures, but the details may not be included herein.

BARGAINING UNITS
San Diego Unified School District

Employees[1]	Bargaining Unit	Expiration Date
6,600	San Diego Education Association (SDEA)	June 30, 2017
1,400	Office-Technical and Business Services (CSEA) San Diego Chapter 788	June 30, 2016
2,000	Operations-Support Services (OSS) (CSEA) San Diego Chapter 724	June 30, 2016
1,950	Paraeducators (CSEA) San Diego Chapter 759	June 30, 2016
270	Administrators' Association of San Diego (AASD) - Classified	June 30, 2017
350	Administrators' Association of San Diego (AASD) – Certificated	June 30, 2017
65	Police Officers' Association (POA)	June 30, 2015[2]
	Non-Represented Employees	
40	Confidential Employees	June 30, 2015[3]
70	Management Employees	N/A

(1) Approximate number of full-time equivalent employees budgeted as of Fiscal Year 2015-16.
(2) The District Board approved a 1% salary increase effective retroactively to July 1, 2014 for all bargaining units. The POA is currently in negotiations with respect to a successor contract (including salaries) and continues to operate under the expired contract during negotiations with the District.
(3) The District Board approved a 1% salary increase effective retroactively to July 1, 2014 and a 4% 2015-16 salary rate increase effective July 1, 2015 for non-represented confidential employees. The non-represented confidential employees will continue to operate under the expired MOU during negotiations with the District. (There will be no cost considerations since the salary increases were already included in the District's 2015-16 Budget.)
Source: The District.

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San Diego Education Association ("SDEA"). The SDEA, an affiliate of the California Teachers Association and National Education Association, represents all non-management certificated employees of the District. The District and SDEA negotiated with a mediator in April 2015 and reached a tentative agreement that was approved by the District Board of Education on May 26, 2015. The tentative agreement includes: a wage increase of 1% retroactive to July 1, 2014, a 4% 2015-16 salary rate increase effective July 1, 2015, and a reopener for the third year of the contract after the 2016-17 State budget is approved; maintained the existing fully funded health benefits; lower class sizes; an additional full time certificated staff member for schools that have high percentages of students who are English language learners, foster youth, or living in poverty; additional counselors and special education support at high-need schools; a thorough study of the special education program, its delivery of services, and the utilization of special education staff; and a retirement incentive for eligible educators who retire in 2015.

<u>2014 SDEA Supplemental Early Retirement Plan ("SERP")</u>. The District and SDEA agreed to the implementation of a 2014-15 SERP, through Public Agency Retirement Services. The SERP was offered to SDEA bargaining unit members who were eligible to retire under STRS or PERS and who had at least 5 years of District service. A benefit of 100% of the employee's contract salary will be paid to each employee in exchange for their early retirement. As of November 12, 2014, 478 SDEA employees enrolled in the SERP, generating net annual savings to the District of $8,190,451 for Fiscal Year 2014-15 and a five-year cumulative savings to the District of $30,438,992 (from Fiscal Years 2014-15 through 2018-19).

<u>2015 SDEA Retirement Incentive.</u> On April 30, 2015, the District and SDEA entered into a Memorandum of Understanding (the "2015 SDEA MOU") providing a retirement incentive to SDEA bargaining unit members that met certain eligibility criteria and retired from the District at the conclusion of the traditional or year-round school year (June or July, 2015). Under the original 2015 SDEA MOU, the incentive would be available to SDEA members only if at least 125 eligible SDEA members submitted their intent to retire by June 15, 2015. The District and SDEA agreed to waive the requirement previously agreed upon regarding the minimum required number to reflect the number of eligible SDEA members that met the specified criteria, notwithstanding that fewer than 125 eligible unit members chose to participate. The fiscal impact of the retirement incentive was included in the District's original 2015-16 Budget. The District Board approved the amendment to the 2015 SDEA MOU at the July 14, 2015 board meeting and 51 SDEA bargaining unit members participated.

California School Employees Association ("CSEA"). The District has three CSEA chapters which represent all non-management or confidential classified employees in the District. On May 26, 2015, the District Board approved a 1% salary increase retroactive to July 1, 2014 and a 4% 2015-16 salary increase effective July 1, 2015 for all three CSEA Chapters (Office-Technical and Business Services, Operations-Support Services and Paraeducators) with 2013-2016 Collective Bargaining Agreements. The District's tentative agreement with CSEA Operations-Support Services Chapter 724 (OSS) includes: a wage increase of 1% retroactive to July 1, 2014, a 4% 2015-16 salary rate increase effective July 1, 2015, together with increased minimum pay: effective July 1, 2014, any unit member with an assigned hourly rate of less than $11.50 per hour will advance to the next step within their grade at or above $11.50.

Administrators' Association of San Diego ("AASD"). The District has two AASD chapters which represent both certificated and classified management employees. The AASD tentative agreement covers the period beginning July 1, 2014 through June 30, 2017 and includes the following for certificated and classified supervisor units: a wage increase of 1% retroactive to July 1, 2014 and a 4% 2015-16 salary rate increase effective July 1, 2015; for classified supervisor units, the AASD tentative agreement also includes the restoration of six (6) workdays changed to unpaid days in 2004, effective July 1, 2015.

<u>2015 AASD (Classified and Certificated) Retirement Incentive.</u> On May 14, 2015, the District and AASD entered into a Memorandum of Understanding (the "2015 AASD MOU") providing a retirement incentive to AASD bargaining unit members that met a certain eligibility criteria, for Principals and Vice Principals who retired from the District at the conclusion of the traditional or year-round school year (June or July, 2015), and for all other unit members who retired from the District by July 31, 2015. Under the 2015 AASD MOU, the incentive would be available to not more than forty (40) eligible AASD members on a first come, first served basis, who submitted their written intent to retire by June 15, 2015. Eligible unit members who met the 2015 AASD MOU requirements will be provided up to $3,500 per year or the total cost of the plan the retiree is enrolled in, whichever is less, toward the

cost of retiree medical premiums. Eligibility for this retirement incentive payment will continue for five (5) years (through July 2020) from the date of retirement, until the retiree no longer participates on the District retiree medical plan or until the retiree turns age 65, whichever comes first. 23 AASD unit members participated in the 2015 AASD Retirement Incentive. The fiscal impact of the 2015 AASD Retirement Incentive was included in the District's original 2015-16 Budget.

Police Officers' Association ("POA"). The POA represents all police services sworn and non-sworn rank and file. The POA has a two year-agreement in place through June 30, 2015. On March 24, 2015, the District began the bargaining process for a successor agreement. Retroactive to July 1, 2014, the 2014-15 salary rates will be increased by 1%. The POA is currently in negotiations with the District regarding a successor agreement, which includes 2015-16 salary rates.

Non-Represented Confidential Employees. Confidential employees ("Confidentials") support the Executives of the District. The District has a Memorandum of Understanding ("MOU") that expired on June 30, 2015. The non-represented confidential employees will continue to operate under the expired MOU during negotiations with the District. On July 1, 2014, five (5) furlough days were restored and a 5% salary increase was enacted. On May 26, 2015, the District Board approved a wage increase of 1% retroactive to July 1, 2014 and a 4% 2015-16 salary rate increase effective July 1, 2015 for non-represented confidential employees. (There will be no cost considerations since the salary increases were already included in the District's 2015-16 Budget.)

Non-Represented Management Employees. On July 1, 2014, five (5) furlough days were restored and a 5% salary increase was enacted. On May 26, 2015, the District Board approved a wage increase of 1% retroactive to July 1, 2014 and a 4% 2015-16 salary rate increase effective July 1, 2015 for non-represented management employees.

Education Initiative

The District performed well above the State target of 800 on the most recently available Academic Performance Index ("API"), California's accountability measure. The District's 2013 API Growth score was 809, up from its 2012 Base API score of 808. As a result of 2014 legislation, the State Board of Education elected not to produce API scores during the transition to the new Common Core State Standards and development of a revised California accountability system.

Charter Schools of the District

Charter schools are public schools that provide grades K-12 instruction but are operated as or by nonprofit public benefit corporations. In the Fall of 2015, the District is projected to have 51 operational charter schools. One charter school is scheduled to close in June of 2016. The District's charter schools have a combined average daily attendance ("ADA") as of the 2014-15 second principal apportionment reporting period of 19,795.02. The growth of charter schools within the District may represent an encroachment upon the District's own enrollment figures when District students transfer to charter schools, with a resulting decrease in ADA and concomitant operating revenues. In fiscal year 2015-16, approximately 20.5% of current charter school students came from, or would otherwise be attending, schools outside of the District, which results in no loss of ADA funding for the District. The District is also required to transfer "in lieu of property taxes" to its authorized charter schools, and for the Fiscal Year 2015-16, the estimated total is $89.4 million.

On January 28, 2015, the District prevailed in a matter against Alpine Union School District ("Alpine"), a neighboring school district that authorized a charter school to open within the District's boundaries, without the District being notified. Under the State Education Code, charter schools must be located within the boundaries of the school district that authorizes them. If they are unable to locate facilities there, they are permitted to search for a site in another school district so long as such school district is notified prior to the charter being approved. Since Alpine failed to provide the District with notice of a charter school locating within its boundaries prior to approval of the charter, the court ordered that the charter issued by Alpine be revoked.

State Funding of Education

The State Constitution requires that from all State revenues there will first be set apart the moneys to be applied by the State for support of the public school system and public institutions of higher education. As discussed below, school districts in the State receive a significant portion of their funding from State appropriations.

The operating income of school districts in California is comprised of two components: a State portion funded from the State's general fund and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution. School districts may also be eligible for special categorical funding from State and federal government programs.

As part of the 2013-14 State Budget (defined herein), State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97") was enacted to establish a new system for funding school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula or LCFF, to replace the revenue limit funding system for determining State apportionments and the majority of categorical program funding. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49). The LCFF consists primarily of base, supplemental and concentration funding that focuses resources based on a school district's student demographics. Each school district and charter school will receive a per pupil base grant used to support the basic costs of instruction and operations. The implementation of the LCFF is to occur over a period of several years (and by 2021 or earlier), beginning in Fiscal Year 2013-14 when an annual transition adjustment was calculated for each school district, equal to such district's proportionate share of appropriations included in the 2013-14 State Budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. The Governor's Department of Finance estimates the LCFF funding targets could be achieved in eight years, with LCFF being fully implemented by 2020-21. School districts will have the same proportion of their respective funding gaps closed in each year, with funding amounts that vary in accordance with the size of each district's funding gap.

The LCFF includes the following components:

- An average base grant for each local education agency equivalent to $7,643 per unit of average daily attendance ("ADA") (by the end of the implementation period). This amount includes an adjustment of 10.4% to the base grant to support lowering class sizes in grades K‑3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools. It should be noted that the authorizing LCFF statute, AB 97, provides for a differentiated base grant amount according to four different grade spans: K-3, 4-6, 7-8, and 9-12. Unless otherwise collectively bargained for, following full implementation of the LCFF, school districts must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site so as to continue receiving its adjustment to the K-3 base grant. Such K-3 school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement Block Grant and the Home-to-School Transportation programs during Fiscal Year 2012-13.

- A 20% supplemental grant for students classified as English learners ("EL"), those eligible to receive a free or reduced price meal ("FRPM") and foster youth, to reflect increased costs associated with educating those students. These supplemental grants are only attributed to each eligible student once, and the total student population eligible for the additional funding is known as an "unduplicated count."

- An additional concentration grant equal to 50% of a local education agency's base grant, based on the number of unduplicated EL, FRPM and foster youth served by the local agency that comprise more than 55% of the school district's or charter school's total enrollment. Because the District's unduplicated count is above the 55% threshold, at an estimated 63.40% based on the current response rate to alternate eligibility forms, the District will be eligible for the concentration grant for eligible students above 55%.

- An “Economic Recovery Target” to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

Of the more than $25 billion in funding to be invested through the LCFF over the next eight years, the vast majority of new funding will be provided for base grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to base grants, 10 cents will go to supplemental grants, and 6 cents will go to concentration grants. Under the 2013-14 Budget, the average base grant is $7,643, which is an increase of $2,375 from the current average revenue limit. Base grants are to be adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among base grants are linked to differentials in Statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels. For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target (“ERT”) add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in Fiscal Year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in Fiscal Years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the eight-year implementing period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district’s adjusted base, supplemental and concentration grants will be multiplied by such district’s Second Principal Apportionment (P-2) ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district’s total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district’s share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the State Legislature to school districts.

The LCFF legislation includes a “hold harmless” provision which provides that a school district or charter school will maintain total revenue limit and categorical funding at its Fiscal Year 2012-13 level, unadjusted for changes in ADA, or cost of living adjustments.

A summary of the target LCFF funding amounts for California school districts and charter schools based on grade levels and targeted students classified as English learners, those eligible to receive a free or reduced price meal, foster youth, or any combination of these factors (“unduplicated” count) is shown below:

California School Districts and Charter Schools
Grade Span Funding at Full LCFF Implementation

Grade Span	Base Grant	K–3 Class Size Reduction and Grades 9-12 Adjustments	Average Assuming 0% Unduplicated FRPM, EL, Foster Youth	Average Assuming 25% Unduplicated FRPM, EL, Foster Youth	Average Assuming 50% Unduplicated FRPM, EL, Foster Youth	Average Assuming 100% Unduplicated FRPM, EL, Foster Youth
K–3	$6,845	$712	$7,557	$7,935	$8,313	$10,769
4–6	6,947	N/A	6,947	7,294	7,642	9,899
7–8	7,154	N/A	7,154	7,512	7,869	10,194
9–12	8,289	216	8,505	8,930	9,355	12,119

FRPM = eligible to receive a free or reduced-price meal; EL = English learners;
Source: California Department of Education

LCFF and the District

It is anticipated that the District will receive increased revenues as a result of the LCFF due to the District's high proportion of students who are EL, FRPM eligible or foster youth. The LCFF funds the District receives may be spent on a District-wide basis, provided the District identify the District-wide services and describe how these services meet the District's goals for the targeted students. Based on current data, the District would need to provide a 7% increase in services to those targeted students. The District is aware of certain risks associated with the LCFF, including future State budget challenges in the event of an economic recession and the impact of Proposition 30 revenues after the temporary sales and income taxes expire at the end of 2016 and 2018, respectively; the inability to collect all income eligibility survey forms to determine student demographics and student free and reduced priced meal status, as well as shifts in student demographic and enrollment counts, transition year expenses, and intervention by the California Department of Education in connection with school districts that are unable to demonstrate increased and improved services for students targeted by the LCFF.

Actual funding is based on the difference between the District's funding floor and its LCFF target (the LCFF gap). For the 2014-15 Fiscal Year, the District received $763.8 million in its funding floor amount plus a portion of its LCFF gap, which was equivalent to $79.9 million, for a total 2014-15 Annual LCFF Allocation of $843,753,032. (See table entitled, "SAN DIEGO UNIFIED SCHOOL DISTRICT LCFF Implementation" herein.)

California School Districts
LCFF Funding Gap and Annual Cost-of-Living Adjustments

	Fiscal Year 2013-14	**Fiscal Year 2014-15**	**Fiscal Year 2015-16**	**Fiscal Year 2016-17**
LCFF Gap Closed Percentage at 2015 Budget Act	12.00%	30.16%	51.52%	35.55%
Revised from	*11.78%*	*28.05%*	*30.39%*	*19.50%*
Annual Cost-of-Living Adjustment	1.57%	0.85%	1.02%	1.60%

Higher LCFF gap funding percentages could result in the LCFF targets being reached at a more rapid pace. Each Fiscal Year thereafter, the District's funding amount will be based on recalculation of its LCFF target and its funding floor including any prior year transition funding converted to a per-ADA value and then adjusted for current year ADA. As LCFF continues to be implemented, the District's base, supplemental and concentration grant funding will increase in an effort to bring the District's total funding to its overall LCFF target. This increased funding will provide additional resources for the District to invest in academic, programmatic and operational purposes, while providing a more positive fiscal outlook.

The following table sets forth the District's projected ADA of unduplicated EL, FRPM, and foster youth for Fiscal Years 2014-15 through 2020-21, the District's projected target LCFF funding amounts at full implementation (which represents a combined total of base grant, K-3 class size reduction and grades 9-12 adjustments, supplemental and concentration grant funding, each calculated by grade span), projected annual LCFF allocation and gap funding for Fiscal Years 2014-15 through 2020-21. The ADA figures are dependent upon the District's collection of "Income Eligibility" and other survey forms from District students. Note that such data assumes an unduplicated count of EL, FRPM and foster youth of 63.30% of enrollment for each of the Fiscal Years, based on current survey form collections. The following information consists of projections only, based on second interim reports and current survey collections, and is subject to change

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SAN DIEGO UNIFIED SCHOOL DISTRICT
LCFF Implementation
(Assumes 63.30% Unduplicated Free Reduced Price Meal (FRPM),
English Learner (EL) and Foster Youth Students ADA)
Fiscal Years 2014-15 Through 2020-2021[(1)(2)]
As of June 30, 2015

Fiscal Year	ADA[(3)]	LCFF Target at Full Implementation[(4)]	LCFF Floor	Gap Funding Included in Annual LCFF Allocation	Annual LCFF Allocation	Remaining Gap[(4)(5)]	Gap Funding %	COLA %
2014-15[(6)]	104,641	$1,028,836,835	$763,825,663	$79,927,369	$(843,753,032)	$185,083,803	30.16%	0.85%
2015-16	102,890	1,021,264,943	832,559,775	97,220,903	(929,780,678)	91,484,265	51.52	1.02
2016-17	101,381	1,022,684,188	918,706,961	36,963,904	(955,670,865)	67,013,323	35.55	1.60
2017-18	99,838	1,031,397,899	943,783,699	30,761,346	(974,545,045)	56,852,854	35.11	2.48
2018-19	98,329	1,043,565,634	962,461,167	16,123,568	(978,584,735)	64,980,899	19.88	2.87
2019-20	96,854	1,052,943,332	966,527,553	43,207,890	(1,009,735,443)	43,207,889	50.00	2.50
2020-21	96,854	1,052,943,332	1,009,735,443	43,207,889	(1,052,943,332)	0	100.00	N/A[(7)]

(1) Preliminary and projected figures for Fiscal Years 2014-15 through 2020-21.
(2) This table assumes 63.30% of District enrollment is comprised of unduplicated EL, FRPM, and foster youth students for each of the Fiscal Years listed. Beginning in Fiscal Year 2015-16, a school district's percentage of unduplicated EL, FRPM and foster youth students will be based on a rolling average of such district's EL, FRPM, and foster youth enrollment for the then-current Fiscal Year and the two immediately preceding Fiscal Years. If the unduplicated count in Fiscal Year 2013-14 is less than the unduplicated count for Fiscal Year 2014-15, for purposes of the three-year rolling average, the count for Fiscal Year 2014-15 will be used twice and the count for Fiscal Year 2015-16 will only be used once.
(3) ADA as of the second principal reporting period (P-2 ADA). Excludes charter schools.
(4) The LCFF Target at Full Implementation and Remaining Gap are subject to COLA adjustments.
(5) Remaining Gap is calculated by subtracting Annual LCFF Allocation from LCFF Target at Full Implementation ("LCFF Target"). As each year's LCFF Target is compiled and incorporates changes in ADA and COLA, the Remaining Gap figure will be subject to increases or decreases in the LCFF Target.
(6) Excludes grade-span adjustment penalty.
(7) Information not currently available.
Source: San Diego Unified School District.

Local Control and Accountability Plan ("LCAP"). As part of the LCFF, school districts, county offices of education, and charter schools are required to develop, adopt and annually update a three-year Local Control and Accountability Plan or "LCAP," beginning on July 1, 2014, using a template adopted by the California State Board of Education ("SBE"). The SBE is required to adopt evaluation rubrics to assist school districts and oversight entities in evaluating strengths, weaknesses, areas that require improvement, technical assistance needs, and where interventions are warranted on or before October 1, 2015. Subsequent revisions to the template or evaluation rubrics are required to be approved by the SBE by January 31 before the Fiscal Year when the template or rubric would be used. The LCAP is required to identify goals and measure progress for student subgroups across multiple performance indicators.

Education Funding Prior to Fiscal Year 2013-14. Historically, annual State apportionments of basic and equalization aid to school districts for general purposes were computed up to a revenue limit per unit of average daily attendance ("ADA"). Such apportionments generally amounted to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts. As described above, with the implementation of the LCFF, commencing in Fiscal Year 2013-14, school districts will receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target.

The District's ADA record in kindergarten through grade 12 and revenue limit per ADA under the prior education funding model from 2009-10 through 2013-14 are set forth in the table below. One of the factors in the decrease in ADA displayed in the following table was the transfer of District elementary students to charter middle schools. Pursuant to Senate Bill 319 ("S.B. 319"), California Education Code Section 47660 was amended and Section 42241.3 was added, to revise the calculation of revenue limit funding by excluding the ADA of conversion charter schools established on or after July 1, 2005 and excluding the ADA of all charter schools effective 2006-07, respectively.

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Average Daily Attendance and Revenue Limit for the District
Under Prior Education Funding Model

Fiscal Year	Revenue Limit Per ADA[(1)]	District Average Daily Attendance[(2)]	Charter School Average Daily Attendance
2009-10	$6,377	110,836	13,129
2010-11	6,374	110,357	14,873
2011-12	6,517	109,241	15,845
2012-13	6,730	107,487	16,923
2013-14	7,277	106,110	18,409[(3)]

(1) Through 2013-14, the amounts indicated represent final certification by the State. Revenue Limit amounts were reduced by a deficit factor applied by the State to school districts Statewide as listed below. The deficit factor was a percentage by which an allocation of funds to a school district was reduced when the appropriation was insufficient based on the funding formulas specified by law:

2009-10	18.355%
2010-11	17.963
2011-12	20.602
2012-13	22.360
2013-14	N/A[(4)]
2014-15	N/A[(4)]

(2) Excludes Charter Schools.
(3) The Charter School ADA for Fiscal Year 2013-14 is based on the second principal apportionment ADA and appropriate annual ADA counts.
(4) As of Fiscal Year 2013-14 the State of California changed methodologies for determining revenue allocation to local education agencies (LEA's) using the Local Control Funding Formula. The quoted per ADA figure as of Fiscal Year 2013-14 is an average for the District as a whole encompassing Grade Span, Supplemental, Concentration, and Career Technical Education (CTE) grants per ADA. Each student's ADA could differ by grade level and whether they are captured in the District's unduplicated count to receive any of these additional monies.
Source: San Diego Unified School District.

Impact Aid Funds

The United States armed forces represent a substantial economic presence within the District, including several United States Navy and Marine Corps facilities. Civilian employees of military establishments and service members are among the largest groups of employees within the District and their children attend many District schools under the subsidy known as "Impact Aid Funds." Impact Aid provides funding to local school districts with concentrations of children residing on military bases, Indian lands, low-rent housing properties, or other Federal properties that are exempt from local property taxes, and concentrations of children who have parents in the uniformed services or employed on eligible Federal properties who do not live on Federal property. In Fiscal Year 2013-14, the District received Impact Aid Fund payments in arrears of approximately $11,449,553 for the District's General Fund, which amount was attributed to initial payments for Fiscal Year 2012-13. In Fiscal Year 2014-15, the District received approximately $4 million in Impact Aid funds which allowed the District to close-out amounts owed for Fiscal Years 2009-10 and 2010-11. The Impact Aid application for Fiscal Year 2014-15 was submitted in September 2015. Impact Aid funds are typically paid a year or more in arrears.

State Funding of Education; State Budget Process

General. The District's operating income consists primarily of two components: a State portion funded from the State's general fund and a locally-generated portion derived from the District's share of the 1% local ad valorem property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding, including for State and federal programs. The District receives approximately 49% of its general fund revenues from the State (comprised of LCFF and other State Revenue), budgeted at approximately $594.3 million in Fiscal Year 2015-16. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

State funding is guaranteed to a minimum level for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs under "Proposition 98," a constitutional and statutory initiative amendment adopted by the State's voters in 1988, and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution). See "Proposition 98" herein.

Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is at the heart of annual budget negotiations and adjustments.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State (the "Governor") must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State's voters on November 2, 2010 as "Proposition 25," a final budget must be adopted by a simple majority vote (rather than a two-third majority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been routinely breached in the past. (Tax increases continue to require a two-thirds majority vote.) The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the 2010-11 Budget on October 8, 2010, the latest budget in the State's history. However, since the passage of Proposition 25, the Governor has signed the State Budget by late June.

The events leading to the inability of the State Legislature to pass a budget in a timely fashion are not unique, and the District cannot predict what circumstances may cause a similar failure in future years. In each year where the State budget lags adoption of the District's budget, it will be necessary for the District's staff to review the consequences of the changes, if any, at the State level from the proposals in the Governor's May Revision for that year, and determine whether the District's budget will have to be revised. The District cannot predict the final outcome of State budget negotiations, the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control.

Court Decision on State Payments Pending Budget Adoption. When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each district's State funding are affected differently. Under the rule of White v. Davis (also referred to as Jarvis v. Connell), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. The Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: www.sco.ca.gov. Should the Legislature fail to pass the budget or emergency appropriation before the start of any Fiscal Year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the White decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the Fiscal Year. The District does not expect the White decision to have any long-term effect on its operating budgets.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given Fiscal Year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as more accurate information regarding the various factors becomes available. The guaranteed amount will generally increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as a "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the State Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as a "maintenance factor."

Historically, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent, and others, sued the State or Governor in 1995, 2005, and 2009, to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 (QEIA), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds one Fiscal Year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98, and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District's principal funding formulas and revenue sources are derived from the budget of the State of California. **The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the County, the Underwriters, Bond Counsel and Disclosure Counsel nor the Owners of the Notes to provide State budget information to the District or the owners of the Notes. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov, which website is not incorporated herein by reference.**

2015-16 State Budget. On June 24, 2015, Governor Edmund G. Brown Jr. signed the Fiscal Year 2015-16 State Budget (the "2015-16 Budget") which expands child care, boosts funding for public schools and opens the State's public healthcare program to immigrant children who are in the country illegally. The new spending plan, which includes a $115.4 billion general fund, takes effect July 1 and provides for an estimated 170,000 immigrants 18 and younger to qualify for Medi-Cal. In addition, Governor Brown called special legislative sessions to find sustainable funding for transportation and public healthcare. For K-12 schools, the 2015-16 Budget increases funding levels by more than $3,000 per student in Fiscal Year 2015-16 over Fiscal Year 2011-12 levels with implementation of the LCFF. The 2015-16 Budget includes total funding of $83.2 billion ($49.7 billion General Fund and $33.5 billion other funds) for all K-12 education programs and also includes Proposition 98 funding of $68.4 billion for Fiscal Year 2015-16, an increase of $7.6 billion over the 2014-15 Budget Act level. In addition, the 2015-16 Budget reduces the Proposition 98 maintenance factor to $772 million.

Significant Adjustments in the 2015-16 Budget pertaining to K-12 education include the following:

LCFF. An increase of $6 billion Proposition 98 General Fund to continue the transition to the LCFF closing the remaining funding implementation gap by more than 51 percent.

Career Technical Education. The 2015-16 Budget establishes the Career Technical Education ("CTE") Incentive Grant Program and provides $400 million, $300 million, and $200 million Proposition 98 General Fund in Fiscal Years 2015-16, 2016-17, and 2017-18, respectively, for local education agencies to establish new or expand high-quality CTE programs.

Educator Support. An increase of $500 million one-time Proposition 98 General Fund for educator support, $490 million of which is designated to activities that promote educator quality and effectiveness, including beginning teacher and administrator support and mentoring, support for teachers who have been identified as needing improvement, and professional development that is aligned to the state academic content standards.

Special Education. The 2015-16 Budget includes $60.1 million Proposition 98 General Fund ($50.1 million ongoing and $10 million one-time) to implement selected program changes recommended by the California Statewide Special Education Task Force (the "Task Force"), making targeted investments that improve service delivery and outcomes for all disabled students.

K-12 High Speed Internet Access. An increase of $50 million in one-time Proposition 98 funding to support additional investments in internet connectivity and infrastructure to assist local educational agencies with securing required internet connectivity and infrastructure to implement the new computer-adaptive tests administered under Common Core.

K-12 Mandates. An increase of $3.2 billion in one-time Proposition 98 General Fund to reimburse K-12 local educational agencies for the costs of state-mandated programs to make a significant down payment on outstanding mandate debt, while providing school districts, county offices of education, and charter schools with discretionary resources to support critical investments such as Common Core implementation.

***K-12 Deferral*s**. The 2015-16 Budget provides $897 million Proposition 98 General Fund to eliminate deferrals consistent with the revenue trigger included in the 2014-15 Budget.

Adult Education. The 2015-16 Budget includes $500 million Proposition 98 General Fund for the Adult Education Block Grant program to provide funds for adult education administered by school districts, county offices of education, and community college districts. This program will coordinate efforts of various entities — such as schools, community colleges, universities, local workforce investment boards, libraries, social services agencies, public safety agencies, and employers - to provide education and training more effectively.

Early Education. An increase of $34.4 million ($30.9 million Proposition 98, $3.5 million General Fund) to provide access to full-day State Preschool for an additional 7,030 children from low-income working families. In addition, $145 million will shift from general child care to State preschool to allow full-day State preschool providers that are local educational agencies to access a single funding stream (Proposition 98) in their full-day State Preschool contracts.

The District cannot predict how State income or State education funding will vary over the term of the Bonds, and the District takes no responsibility for informing owners of the Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget" or www.ebudget.ca.gov. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

Proposition 30. The passage of the Governor's November Tax Initiative ("Proposition 30") on November 6, 2012 ballot results in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raising taxes on individuals after their first $250,000 in income and on couples after their first $500,000 in earnings. These increased tax rates affect approximately 1 percent of California personal income tax filers and went into effect starting in the 2012 tax year, ending at the conclusion of the 2018 tax year. The LAO estimates that, as a result of Proposition 30, additional state tax revenues of about $6 billion annually from Fiscal Years 2012–13 through 2016–17 will be received by the State with lesser amounts of additional revenue available in Fiscal Years 2011–12, 2017–18, and 2018–19. These additional monies were available to fund programs in the 2012-13 State Budget and prevented certain "trigger cuts" included in the 2012-13 State Budget. Proposition 30 also placed into the State Constitution certain requirements related to the transfer of certain State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services.

Revenues generated by Proposition 30 accounted for an increase of approximately 14 percent over Fiscal Year 2011–12 in funding for schools and community colleges as set forth in the 2012–13 State Budget. Almost all of this increase were used to pay K–14 expenses from the previous year and reduced delays in certain State K–14 payments. Proposition 30 also provides for additional tax revenues aimed at balancing the State's budget through Fiscal Year 2018–19, providing several billion dollars annually through Fiscal Year 2018–19 available for purposes including funding existing State programs, ending K–14 education payment delays, and paying other State debts. Future actions of the State Legislature and the Governor will determine the use of these funds. According to the LAO, revenues raised by Proposition 30 could be subject to multibillion-dollar swings, above or below the revenues projections, due to the majority of the additional revenue coming from the personal income tax rate increases on upper-income taxpayers. These fluctuations in incomes of upper-income taxpayers could impact potential State revenue and complicate State budgeting in future years. After the proposed tax increases expire, the loss of the associated tax revenues could also create additional budget pressure in subsequent years.

New revenues generated from Proposition 30 are deposited into a newly created State account called the Education Protection Account ("EPA"). School districts, county offices of education, and charter schools ("LEAs") will receive funds from the EPA based on their proportionate share of the Statewide revenue limit amount. A corresponding reduction is made to an LEA's revenue limit equal to the amount of their EPA entitlement. LEAs receive EPA payments quarterly, which began with the 2013-14 Fiscal Year. LEAs received their 2012-13 Fiscal Year EPA entitlement in one lump sum payment at the end of June 2013. The District received a payment of $100,202,828 on June 29, 2013. Beginning Fiscal Year 2013-14, the California Department of Education will allocate EPA revenues on a quarterly basis through the 2018-19 Fiscal Year. Payments will equal 25 percent of the annual EPA entitlement and future payments may be adjusted for ADA changes and previous over and under payments of EPA funds.

Proposition 2. Proposition 2, also known as The Rainy Day Budget Stabilization Fund Act ("Proposition 2") was approved by California voters on November 4, 2014. Proposition 2 provides for changes to State budgeting practices, including revisions to certain conditions under which transfers are made into and from the State's Budget Stabilization Account (the "Stabilization Account") established by the California Balanced Budget Act of 2004 (also known as Proposition 58). Commencing in Fiscal Year 2015-16 and for each Fiscal Year thereafter, the State is required to make an annual transfer to the Stabilization Account in an amount equal to 1.5% of estimated State general fund revenues (the "Annual Stabilization Account Transfer"). For a Fiscal Year in which the estimated State general fund revenues allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues, supplemental transfers to the Stabilization Account (a "Supplemental Stabilization Account Transfer") are also required. Such excess capital gains taxes, which are net of any portion thereof owed to K-14 school districts pursuant to Proposition 98, are required to be transferred to the Stabilization Account.

In addition, for each Fiscal Year, Proposition 2 increases the maximum size of the Stabilization Account to 10% of estimated State general fund revenues. Such excess amounts are to be expended on State infrastructure, including deferred maintenance, in any Fiscal Year in which a required transfer to the Stabilization Account would result in an amount in excess of the 10% threshold. For the period from Fiscal Year 2015-16 through Fiscal Year

2029-30, Proposition 2 requires that half of any such transfer to the Stabilization Account (annual or supplemental), shall be appropriated to reduce certain State liabilities, including repaying State interfund borrowing, reimbursing local governments for State mandated services, making certain payments owed to K-14 school districts, and reducing or prefunding accrued liabilities associated with State-level pension and retirement benefits. After Fiscal Year 2029-30, the Governor and the Legislature are given discretion to apply up to half of any required transfer to the Stabilization Account to the reduction of such State liabilities and any amount not so applied shall be transferred to the Stabilization Account or applied to infrastructure, as set forth above.

Accordingly, the conditions under which the Governor and the Legislature may draw upon or reduce transfers to the Stabilization Account are impacted by Proposition 2. Unilateral discretion to suspend transfers to the Stabilization Account are not retained by the Governor. Neither does the Legislature retain discretion to transfer funds from the Stabilization Account for any reason, as was previously provided by law. Instead, the Governor must declare a "budget emergency" (defined as an emergency within the meaning of Article XIIIB of the Constitution) or a determination that estimated resources are inadequate to fund State general fund expenditure, for the current or ensuing Fiscal Year, at a level equal to the highest level of State spending within the three immediately preceding Fiscal Years, and any such declaration must be followed by a legislative bill providing for a reduction or transfer. Draws on the Stabilization Account are limited to the amount necessary to address the budget emergency, and no draw in any Fiscal Year may exceed 50% of the funds on deposit in the Stabilization Account, unless a budget emergency was declared in the preceding Fiscal Year.

Proposition 2 also provides for the creation of a Public School System Stabilization Account (the "Public School System Stabilization Account") into which transfers will be made in any Fiscal Year in which a Supplemental Stabilization Account Transfer is required, requiring that such transfer will be equal to the portion of capital gains taxes above the 8% threshold that would otherwise be paid to K-14 school districts as part of the minimum funding guarantee. Transfers to the Public School System Stabilization Account are only to be made if certain additional conditions are met, including that: (i) the minimum funding guarantee was not suspended in the immediately preceding Fiscal Year, (ii) the operative Proposition 98 formula for the Fiscal Year in which a Public School System Stabilization Account transfer might be made is "Test 1," (iii) no maintenance factor obligation is being created in the budgetary legislation for the Fiscal Year in which a Public School System Stabilization Account transfer might be made, (iv) all prior maintenance factor obligations have been fully repaid, and (v) the minimum funding guarantee for the Fiscal Year in which a Public School System Stabilization Account transfer might be made is higher than the immediately preceding Fiscal Year, as adjusted for ADA growth and cost of living.

Under Proposition 2, the size of the Public School System Stabilization Account is capped at 10% of the estimated minimum guarantee in any Fiscal Year, and any excess funds must be paid to K-14 school districts. Any reductions to a required transfer to, or draws upon, the Public School System Stabilization Account, are subject to the budget emergency requirements as described above. However, in any Fiscal Year in which the estimated minimum funding guarantee is less than the prior year's funding level, as adjusted for ADA growth and cost of living, Proposition 2 also mandates draws on the Public School System Stabilization Account.

Prohibitions on Diverting Local Revenues for State Purposes; Proposition 1A and Proposition 22. Beginning in Fiscal Year 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies. Redevelopment agencies, through the California Redevelopment Association ("CRA") engaged in litigation to block the transfer of payments and recoup certain payments already made under certain legislation passed in July 2009 that is beyond the reach of Proposition 22, known as "ABX4 26." Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Redevelopment Agency Dissolution. On December 30, 2011, the California Supreme Court issued its decision in the case of California Redevelopment Association v. Matosantos, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and K-14 school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling $1.7 billion statewide. The District is unable to predict what affect the implementation of ABx1 26 will have on the District's future receipt of tax increment revenues.

As a result of the dissolution of California redevelopment agencies and ABx1 26, the tax increment previously paid to redevelopment agencies shall first be used to pay pass-through payments to other taxing entities and second to pay the redevelopment agencies enforceable obligations; with the remaining revenue (if any) paid to the taxing entities by the County Auditor-Controller in the same proportion as other tax revenue. The California Department of Finance estimated that, once the pass-through payments are made and enforceable obligations paid, the District was estimated to receive a distribution of approximately $42,439,823 for Fiscal Year 2011-12. The State, therefore, reduced its funding allocation to the District by this amount. The District received $5 million in early 2012 and on July 16, 2012, the District received $38,646,758, the remainder of its distribution from the County Auditor-Controller, for a total of $43,646,758. For Fiscal Year 2014-15, the District received $33,813,407 in redevelopment property tax trust fund residual distributions. See the table below for the District's receipts from redevelopment agency tax increment distributions for Fiscal Years 2011-12 through 2014-15.

San Diego Unified School District
Receipts from Redevelopment Agency Tax Increment Distributions
As of June 30, 2015

Fiscal Year	Amount Received
2011-12	$43,646,758
2012-13	61,543,084
2013-14	98,172,497
2014-15	33,813,407

Source: The District

District's Response to the 2015-16 Budget

The following information pertains to the District's response to the State's 2015-16 Budget. The District Board approved the District's Fiscal Year 2015-16 Budget on June 23, 2015, prior to the release of the State's Fiscal Year 2015-16 Budget. On July 28, 2015, the District Board was presented with an Amended District Budget as an information item that reflected the adoption of the State Budget.

Governor Edmund G. Brown Jr.'s approval of the 2015-16 State budget on June 24, 2015 delivered good news for school districts that have been monitoring the updated monthly revenue flow into the State Treasury for the 2014-15 Fiscal Year. The 2015-16 Budget reflects a strong economy and increased revenues from capital gains and other income from high-wage earners. The budget seeks to achieve a balance between meeting some of the State's priorities with ongoing resources while recognizing the volatility of the State's predominant revenue stream. The 2015-16 Budget maintains the basic framework of the January Budget Proposal, yet it makes several augmentations: elimination of $992 million in remaining K-14 deferred payments by the end of the 2014-15 Fiscal Year and proposes an appropriation of $3.2 billion in total discretionary one-time Proposition 98 funding that will be counted towards a school district's existing mandate backlog. The 2015-16 State budget also provides a third-year investment in LCFF, which eliminates approximately 51.52% of the remaining LCFF funding gap.

The 2015-16 State Budget reflects a significant commitment to the LCFF by increasing the gap funding to 51.52% resulting in a revenue increase of $32.6 million from the Governor's January Proposal to the District's approved Fiscal Year 2015-16 budget. Furthermore, the State budget includes one-time discretionary dollars that increased from $183 per ADA in the Governor's January Proposal to $530 per ADA. This yields approximately $55.5 million in 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. On June 23, 2015, the District Board approved the 2015-16 District Budget with a Total General Fund Budget of $1,358.2 million and a projected general fund unrestricted deficit for 2015-16 of $34.6 million. 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. The District's general fund unrestricted multi-year budget also identifies projected deficits of $94.7 million in 2016-17 and $119.50 million in 2017-18, with enrollment and operational efficiency solutions in an amount sufficient to address the projected deficits in each of those years. Given the timing of the District's approval of the budget and the Governor's approval of the State budget the subsequent day, the District was required to revise and submit its adopted budget to the San Diego County Office of Education within 45 days of State Budget adoption, if there were significant changes. The District revised and submitted an adopted budget to the Board of Education (as an information item) and SDCOE on July 28, 2015.

The key changes to the District's July 28, 2015 Amended Budget were 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 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, promotes educator quality and effectiveness); and

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).

The changes resulted in a surplus of $2.6 million as reflected in the table below.

The chart below sets forth the District's Fiscal Year 2015-16 proposed response to solving the estimated $34.60 million deficit, along with projections for Fiscal Years 2016-17 and 2017-18.

General Fund Unrestricted Solutions Proposed to Balance Budget
Fiscal Years 2015-16 through 2017-18
As of July 28, 2015[(1)]
(dollars in millions)

		Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
Estimated Actuals				
	Projected Deficit at Estimated Actuals	$(34.60)	$(94.70)	$(119.50)
	Enrollment			
	Increase High School Enrollment	3.10	3.10	3.10
	Early Childhood Program (Increase Enrollment)	5.00	5.00	5.00
	Operational Efficiencies			
	Enhance Survey Card Collections (Federal Impact Aid and LCFF)	5.50	7.00	7.00
	Strategic Staffing – Position Review	3.00		
	Central Office Program Adjustments	8.00		
	Right-Sizing Operations	10.00	79.60	104.40
	Budget Deficit Solution Opportunities Surplus/(Deficit)	**$ --**	**$ --**	**$ --**
Governor's Final Budget	LCFF Gap % Reduction	(2.70)	(3.60)	(3.70)
	Mandate Rate per ADA Reduction	(7.40)		
	Routine Restricted Maintenance Account	10.70	8.90	9.40
	Beginning Teacher Support and Assessment	2.00	2.00	2.00
	Budget Deficit Solution Opportunities Surplus/(Deficit)	**2.60**	**7.30**	**7.70**

(1) Budget projection for 2015-16 includes 2014-15 ending balance.
The $2.7 million sale of the Benchley property occurred on November 17, 2015; proceeds will be attributed to Fiscal Year 2015-16.

Cafeteria Fund Fiscal Review

On March 29, 2013, the California Department of Education (the "CDE") issued a report outlining its fiscal review of the District's Cafeteria Fund activities during the period of July 1, 2009 through June 30, 2012 (the "Cafeteria Fund Report"). The review was related to the District's charges to the Cafeteria Fund for custodial and utility costs and the "Due to – Due from" account utilized to track District cash advances to such Cafeteria Fund. Previously, the CDE requested that the District take the following corrective actions by June 4, 2013: (1) transfer approximately $13.4 million from its General Fund to the Cafeteria Fund for custodial and administrative salaries and benefits, utility costs and interest; and (2) reclassify approximately $18.2 million of the Cafeteria Fund "Due to General Fund" amounts as an expense to the General Fund. However, these requests were suspended while the District and CDE worked toward a resolution of the issues raised in the Cafeteria Fund Report.

On December 9, 2013, the CDE instructed the District to transfer a total of $13,083,290 from its General Fund to its Cafeteria Fund for disallowed unsupported salaries and benefits and utility costs for Fiscal Years 2009-10 through 2011-12. To date, the District has transferred funds in the amount of $4.2 million from its General Fund to its Cafeteria Fund, leaving a balance owed to the Cafeteria Fund of $8,883,290, not including interest. The matter has been resolved and the District and CDE have agreed on a five-year repayment plan, including interest at the rate of 1.00 percent per annum.

Associated Student Body Funds

According to a June 30, 2015 report, District auditors identified certain deficiencies in the handling of cash and the processing of invoices relating to student government activities at certain individual school sites. The total amount involved in the sampled school sites was less than $2.4 million. District-wide, the total student body funds balance was $7,655,649 as of June 30, 2014. To address the report findings, the District has provided training to school staff (principals, financial clerks, athletic directors and Associated Student Body (ASB) advisors) to mitigate future occurrences in the areas noted in the report.

Significant Accounting Policies and Audited Financial Statements

The California State Department of Education imposes uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the contemporary California School Accounting Manual. Independent auditing services are being conducted by Christy White, a Professional Accounting Corporation, San Diego, California (the "Auditor") through Fiscal Year 2013-14. The District's audit for the Fiscal Year ended June 30, 2014 is attached hereto as APPENDIX C. The 2013-14 financial statements as well as financial statements for prior years are available by contacting the District. A fee may be imposed for copying, shipping and handling. The District has not requested the consent of the Auditor regarding the inclusion of their report in this Official Statement. The Auditor has not undertaken to update its report or to review this Official Statement and expresses no opinion with respect to any events subsequent to the date of its report. For Fiscal Year 2014-15, the District has engaged a new audit firm, as part of its policy of rotating auditing firms. The District's audited financial statements for the Fiscal Year ended June 30, 2015 are expected to be presented to the District Board on December 8, 2015, and will be available on the EMMA website soon thereafter.

Financial Statements

The following tables contain accounting data abstracted from financial statements prepared by the District's independent auditors for the Fiscal Years 2011-12 through 2013-14, and budget information for 2014-15. (The District's audited financial statements for the Fiscal Year ended June 30, 2015 are expected to be presented to the District Board on December 8, 2015, and will be available on the EMMA website soon thereafter.) For the audited statement of revenues, expenditures and changes in fund balances for the Fiscal Years 2009-10 through 2013-14 in the format reported in the District's annual audited financial statements, see the following page.

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SAN DIEGO UNIFIED SCHOOL DISTRICT
General Fund Budgets Comparison
Revenues, Expenditures and Changes in Fund Balances[1]
For Fiscal Years Ending June 30

	Fiscal Year 2012-13 Adopted Budget[2]	Fiscal Year 2012-13 Audit[2]	Fiscal Year 2013-14 Adopted Budget[2]	Fiscal Year 2013-14 Audit[2]	Fiscal Year 2014-15 Adopted Budget[3]	Fiscal Year 2014-15 Unaudited Actuals[4]	Fiscal Year 2015-16 Adopted Budget[4]
BEGINNING BALANCE	$ 90,532,108[5]	$ 90,204,611	$ 74,665,720[5]	$ 75,698,930	$ 126,620,856[5]	$ 126,616,646	$ 162,318,205
Revenues and Other Sources							
Revenue Limit/LCFF[6]	$ 531,231,368	$ 574,422,513	$ 603,175,468	$ 777,393,443	$ 853,534,574	$ 851,976,637	$ 938,589,711
Federal Sources	114,615,567	116,012,148	89,127,043	97,257,592	86,900,383	95,814,822	130,124,985
Other State Sources	282,785,808	275,177,816	276,231,845	145,336,353	120,557,902	220,120,129	122,503,963
Other Local Sources	39,094,533	63,140,557	56,802,898	44,404,355	28,347,281	40,394,921	26,090,283
TOTAL REVENUES	967,727,276	1,028,753,034	1,025,337,254	1,064,391,743	1,089,340,140	1,208,306,508	1,217,308,942
TOTAL BEGINNING BALANCE AND REVENUES	$1,058,259,384	$1,118,957,645	$1,100,002,974	$1,140,090,673	$1,215,960,996	$1,334,923,155	$1,379,627,147
Expenditures and Other Uses							
Certificated Salaries	$ 464,766,096	$ 507,032,612	$ 517,602,972	$ 526,316,689	$ 529,766,879	$ 544,291,481	$ 582,658,557
Classified Salaries	180,567,019	181,509,355	194,646,675	192,619,151	205,556,819	200,346,189	216,586,090
Employee Benefits	268,826,489	275,486,905	297,638,263	280,672,700	294,762,635	317,433,049	331,043,442
Books and Supplies	47,623,085	32,425,773	44,866,935	37,273,303	43,246,178	41,570,382	42,435,165
Services and Other Operating Expenses	74,508,601	71,295,619	65,521,122	76,284,089	83,457,707	93,488,301	97,607,774
Capital Outlay	1,549,131	1,907,961	10,701,568	1,828,287	7,987,376	3,940,879	1,021,116
Other Outgo	(809,352)[7]	(1,192,232)[7]	(1,023,498)[7]	(1,083,890)[7]	(3,016,918)[7]	(700,662)[7]	(899,568)[7]
TOTAL EXPENDITURES	$1,037,031,069	$1,068,465,993	$1,129,954,037	$1,113,910,329	$1,161,760,676	$1,200,369,619	$1,270,452,575
EXCESS (DEFICIENCY) OF TOTAL BEGINNING BALANCE AND REVENUES OVER TOTAL EXPENDITURES	$ 21,228,315	$ 50,491,652	$ (29,951,063)	$ 26,180,344	$ 54,200,320	$ 134,553,536	$ 109,174,572
TOTAL OTHER FINANCING SOURCES(USES)	34,791,659	24,174,066	103,701,730	100,440,511	29,115,429	27,764,669	(57,654)
NET ENDING FUND BALANCE	$ 56,019,974	$ 74,665,718	$ 73,750,667	$ 126,620,855	$ 83,315,749	$ 162,318,205	$ 109,116,918

(1) Totals may not add due to rounding.
(2) Data from the District's Audited Financial Statements "General Fund – Budgetary Comparison Schedule – Actual (Budgetary Basis). Such amounts may not agree with the Revenues, Expenditures, and Changes in Fund Balance table found on the following page because (i) on behalf payments are not included in the actual revenues and expenditures reported in this schedule and (ii) actual amounts reported are for the General Fund only and do not include the financial activity of the Special Revenue Fund for Postemployment Benefits in accordance with fund type definitions promulgated by GASB Statement No. 54.
(3) Data from the District's Revised Adopted Budget for Fiscal Year 2014-15 as of September 9, 2014.
(4) Data from the District's Unaudited Actuals Report for Fiscal Year 2014-15 and Revised Adopted Budget for Fiscal Year 2015-16 as of September 15, 2016.
(5) Reflects unaudited actuals ending fund balance from prior year.
(6) Revenue Limit for Fiscal Year 2012-13. Local Control Funding Formula for Fiscal Years 2013-14 through 2015-16.
(7) Includes two categories of "Other outgo – Excluding transfers of indirect costs and –Transfers of indirect costs."

Sources: District Audited Financial Statements for Fiscal Year 2012-13. Fiscal Year 2013-14 data from the District's Audited Financial Statements "General Fund – Budgetary Comparison Schedule – Actual (Budgetary Basis). District's 2014-15 revised Adopted Budget as of September 9, 2014. District's 2015-16 Adopted Budget as of July 28, 2015.

SAN DIEGO UNIFIED SCHOOL DISTRICT
General Fund
Revenues, Expenditures and Changes in Fund Balances
For Fiscal Years Ending June 30

	2010	2011	2012	2013	2014
Revenues					
Revenue Limit/LCFF Sources				$574,422,513	$777,393,443
State Aid	$107,240,961	$165,359,538	$154,746,492	-	-
Local Sources	492,208,956	468,125,342	480,682,709	-	-
Transfers	(41,761,358)	(49,059,021)	(54,422,103)	-	-
Federal Sources	154,891,445	173,489,427	118,431,588	116,012,148	97,257,592
Other State Sources	297,757,320	314,285,212	314,221,554	302,477,085	172,925,157
Other Local Sources	53,469,229	46,826,135	48,396,134	63,146,218	44,410,339
Total Revenues	$1,063,806,553	$1,119,026,633	$1,062,056,374	$1,056,057,964	$1,091,986,531
Expenditures					
Instruction	686,216,967	694,779,721	700,257,809	709,089,254	728,927,663
Instruction-related services:					
Supervision of instruction	75,830,538	48,507,877	46,245,105	44,195,616	43,647,891
Instr. library, media and technology	12,588,663	13,047,240	10,714,743	10,018,725	9,675,823
School site administration	85,962,157	84,078,507	79,154,032	76,203,932	78,651,748
Pupil Support Services					
Home-to-school transportation	47,222,056	46,515,834	39,153,728	39,869,162	36,134,838
Food services	162,555	238,122	332,687	284,737	331,257
All other pupil services	94,674,460	90,677,465	88,073,481	88,649,278	95,533,109
General Administration Services:					
Data processing services	16,227,154	19,735,638	20,526,680	20,467,337	21,020,345
Other general administration	26,843,806	28,265,621	25,082,101	25,556,920	27,184,611
Plant Services	69,272,174	60,584,389	63,798,986	70,689,667	85,886,138
Facility acquisition and construction	1,987,501	2,981,541	5,600,647	1,974,838	2,560,414
Ancillary services	2,901,981	2,999,501	3,071,301	3,059,896	3,236,728
Community services	342,193	390,407	521,971	653,188	997,391
Enterprise activities	38,225	14,061	406,751	183,477	670,067
Other outgo:					
Transfers between agencies	1,625,775	1,427,278	1,681,553	1,398,329	1,182,873
Debt service – principal, interest and other[1]	3,749,765	4,587,536	4,378,169	3,470,906	4,825,025
Total Expenditures	1,125,645,970	1,098,830,738	1,088,999,744	1,095,765,262	1,140,465,921
Excess (Deficiency) of Revenues Over (Under) Expenditures	(61,839,417)	20,195,895	(26,943,370)	(39,707,298)	(48,479,390)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	12,340,008	9,956,122	8,275,000	33,868,032	111,230,079
Interfund transfers out	(15,142,279)	599,939	(7,843,979)	(9,595,265)	(10,609,759)
All Other Financing Sources	1,046,589	(11,122,522)	--	--	--
Total Other Financing Sources and Uses	(1,755,682)	(566,461)	431,021	24,272,767	100,620,320
Net Change in Fund Balance	(63,595,099)	19,629,434	(26,512,349)	(15,434,531)	52,140,930
Fund Balances, July 1 as originally stated	160,609,288	97,014,189	118,045,608	91,533,259	76,098,728
Adjustment for restatement		1,401,985			
Fund Balances, July 1 as restated		98,416,174			
Fund Balances, June 30	$ 97,014,189	$ 118,045,608	$ 91,533,259	$ 76,098,728	$128,239,658

[1] Debt service represents the District's tax and revenue anticipation notes ("TRANs") interest as well as any interest that was paid for interfund borrowing. For Fiscal Year 2014-15, the amount represents TRANs interest as well as a final payment for the new San Diego Central Library.
Source: District Audited Financial Statements.

SAN DIEGO UNIFIED SCHOOL DISTRICT
General Fund Balance Sheets
for Fiscal Years Ending June 30

	2010	2011	2012	2013[(1)]	2014
ASSETS					
Cash[(1)]	$ 45,994,770	$ 66,205,132	$ 63,277,886	$158,862,985	$113,543,146
Accounts and Property Taxes Receivable	112,611,509	163,910,993	156,795,780	101,674,790	86,937,371
Due from Other Funds	79,184,404	44,695,809	34,945,614	46,700,352	31,321,046
Prepaid Expenses	1,888,972	802,378	959,974	502,980	431,051
Inventory	865,521	2,818,140	2,558,379	1,910,848	1,902,849
Total Assets	$240,545,176	$278,432,452	$258,537,633	$309,651,955	$234,135,463
LIABILITIES AND FUND EQUITY					
Accounts Payable and Other Liabilities	$ 57,796,687	$ 56,020,507	$ 56,305,145	$ 83,564,999	$ 66,029,128
Deferred Income	8,844,224	13,153,753	5,497,242	13,497,722	409,845
Due to Other Funds	76,890,076	91,212,584	105,201,987	136,490,506	39,456,832
Total Liabilities	$143,530,987	$160,386,844	$167,004,374	$233,553,227	$105,895,805
Fund Balance[(2)]	97,014,189	118,045,608	91,533,259	76,098,728	128,239,658
Total Liabilities and Fund Equity	$240,545,176	$278,432,452	$258,537,633	$309,651,955	$234,135,463

(1) Includes receipt of EPA funds in the amount of $100,202,828 on June 29, 2013. The General Fund also had interfund borrowing of $30 million in March and $70 million in May, but due to the time of receipt of EPA funds, the District repaid the interfund loan in Fiscal Year 2013-14. See "Proposition 30" herein for more information regarding the EPA.
(2) Includes set-aside for a self-insurance fund.
Source: District Audited Financial Statements for years ended June 30, 2010, 2011, 2012, 2013 and 2014.

Fund Balances

The following table summarizes the fund balances for each of the District's governmental funds from Fiscal Year 2009-10 through Fiscal Year 2013-14.

SAN DIEGO UNIFIED SCHOOL DISTRICT
Fund Balance for Fiscal Years Ending June 30

	2010	2011	2012	2013	2014
General Fund	$97,014,189	$118,045,608	$91,533,259	$76,098,728	$128,239,658
Special Revenue Funds	10,383,957	3,627,722	1,535,566	3,214,664	2,915,830
Debt Service Funds	28,071,206	24,206,987	65,251,179	158,098,114	232,399,201
Capital Projects Funds	305,845,236	349,797,936	366,730,676	742,785,246	619,861,000
Total Governmental Fund Balances	$441,314,588	$495,678,253	$525,050,680	$980,196,752	$983,415,689

Source: District Audited Financial Statements for years 2010, 2011, 2012, 2013 and 2014.

AB 1200 Budget Requirements; County and State Oversight; Reports and Certifications

State law requires school districts to maintain a balanced budget in each Fiscal Year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. Since the adoption of specific legislation related to school district budget review, known as "AB 1200," in 1991, there has been no California school district that has filed for bankruptcy.

Under current law, a school district governing board must file with the county superintendent of schools a tentative budget by July 1 in each Fiscal Year and an adopted budget by September 8 of each Fiscal Year. After approval of the adopted budget, the school district's administration may submit budget revisions for governing board approval.

School districts in California must also conduct a review of their budgets according to certain standards and criteria established by the State Department of Education. A written explanation must be provided for any element in the budget that does not meet the established standards and criteria. The district superintendent or designee must certify that such a review has been conducted and the certification, together with the budget review checklist and a written narrative, must accompany the budget when it is submitted to the governing board for approval. The balanced budget requirement makes appropriations reductions necessary to offset any revenue shortfalls.

Furthermore, county superintendent of schools offices ("COE") are required to review district budgets, complete the budget review checklist and conduct an analysis of any budget item that does not meet the established standards. A copy of the completed checklist, together with any comments or recommendations, must be provided to the school district and its governing board by November 1. By November 30, every school district must have an adopted and approved budget, or the county superintendent of schools will impose a budget.

The Education Code of the State (Section 42130 *et seq*.) requires each school district to certify to the COE at two points during the Fiscal Year whether it is able to meet its financial obligations for the remainder of such Fiscal Year, and, based on current forecasts, for the subsequent Fiscal Year. The first report covers the period ending October 31 and the second report covers the period ending January 31. Such certifications are based on the governing board's assessment based on standards and criteria for fiscal stability adopted by the State Board of Trustee and the State Superintendent of Public Instruction (the "Superintendent"). Each certification is required to be classified as positive, qualified, or negative on the basis of a review of the respective report against such criteria, but may include additional financial information known by the governing board to exist at the time of each certification. Such certifications are to be filed with the COE within forty-five days after the close of the period being reported and, in the event of a negative or qualified certification, to the State Controller and the Superintendent. A positive certification is assigned to any school district that, based on then-current projections, will meet its financial obligations for the current Fiscal Year and subsequent two Fiscal Years. A negative certification is assigned to any school district that, based on then-current projections, will be unable to meet its financial obligations for the remainder of the Fiscal Year or the subsequent Fiscal Year, or for which existing expenditure practices jeopardize the ability of the school district to meet its multi-year financial commitments. A qualified certification is assigned to any school district, based on then-current projections, which may not meet its financial obligations for the current Fiscal Year or two subsequent Fiscal Years. The COE reviews the interim reports and certifications made by school districts and may change certification to qualified or negative, if necessary.

The governing board of a school district that files a qualified or negative certification for the second report is required to provide to the county superintendent of schools, the State Controller and the Superintendent by June 1 a third report for the period ending April 30.

Any school district that has a qualified or negative certification in any Fiscal Year may not issue, in that Fiscal Year or in the next succeeding Fiscal Year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent of schools determines that the school district's repayment of indebtedness is probable.

For school districts under fiscal distress, the county superintendent of schools is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent of schools, receive an emergency appropriation from the State, the acceptance of which constitutes an agreement to submit to management of the school district by a Superintendent appointed administrator.

In the event the State elects to provide an emergency appropriation to a school district, such appropriation may be accomplished through the issuance of "State School Fund Apportionment Lease Revenue Bonds" to be issued by the California Infrastructure and Economic Development Bank, on behalf of the school district. State law provides that so long as such bonds are outstanding, the recipient school district (via its State-appointed administrator) cannot file for bankruptcy.

The San Diego County Office of Education (the "SDCOE") approved the certification of the District's Second Interim Report on April 10, 2015. On May 12, 2015, the District's governing board approved the Third Interim Report for the Fiscal Year 2015-16 with a qualified certification. On May 18, 2015, the SDCOE issued a letter to the District stating that in accordance with California Education Code sections 42131 and 42133(a), and the California Department of Education's Management Advisory No. 92-04 dated June 17, 1992, the SDCOE has reviewed the District's financial condition, cash flow projections and projected budget for Fiscal Year 2015-16 as they relate to the 2015-16 Tax and Revenue Anticipation Notes, and has determined that the repayment of principal and interest on the Notes is probable. On June 2, 2015, the SDCOE issued a letter related to its review of the District's 2014-15 end-of-year projections and stated that such data appeared to adequately reflect the financial status of the District as of April 30, 2015.

Copies of the District's reports and certifications, as well as audited financial statements, may be obtained upon request from the District's Business Office located at 4100 Normal Street, San Diego, California 92103. A fee may be imposed for copying, mailing and handling.

Long Term Obligations

QZAB. The District participated in a Qualified Zone Academy Bond through the issuance on November 26, 2003, by the San Diego City Schools Financing Authority of $5,000,000 in Lease Revenue Bonds (Qualified Zone Academy Bond Projects), Series 2003 (the "QZAB"). The QZAB comprises a District lease obligation, payable solely from the General Fund of the District. The QZAB matures November 26, 2018, but has been economically defeased.

The debt service payments on the District's General Obligation Bonds listed below are secured by voter-approved ad valorem taxes from taxable property within the District.

General Obligation Bonds – Proposition MM. In November 1998, over 2/3 of District voters authorized $1.510 billion in general obligation bonds of the District pursuant to Proposition MM ("Proposition MM"). With the issuance of the 2005 General Obligation Bonds (Election of 1998, Series G) on September 8, 2005, all of the Proposition MM authorization have been issued, and the District has also effected the refunding of a number of its Proposition MM bond issues. Proposition MM proceeds were applied to fund the modernization of 161 existing schools and construction of 12 new and three rebuilt schools. In addition to the repair of aging schools, Proposition MM projects included ensuring the health and safety of school playground equipment, access to the physically disabled, fire alarm/security systems and climate controls, upgrading electrical systems for technology, building libraries, science classrooms and outdoor lunch court shelters, maintaining school buildings and grounds and improving the teaching and learning environment.

IRS Routine Examination of Certain Proposition MM District Bonds. On September 26, 2013, the District received written notification from the Internal Revenue Service that its 2006 General Obligation Refunding Bonds (Election of 1998, Series F-1) and (Election of 1998, Series G-1) have been selected for a routine examination. On January 10, 2014, the Internal Revenue Service issued a letter to the District stating that such examination was complete, and closed with a determination made of no-change to the position that interest received by the beneficial owners of the referenced bonds is excludable from gross income under Section 103 of the Internal Revenue Code.

Proposition S. The District received authorization at a Proposition 39 election held on November 4, 2008, by more than 68% of the votes cast by eligible voters within the District on the measure to issue general obligation bonds in an amount not to exceed $2,100,000,000 for the purposes summarized as follows: repairing outdated student restrooms, deteriorated plumbing and roofs; upgrading career/vocational classrooms and labs; providing up-to-date classroom technology; improving school safety/security; replacing dilapidated portable classrooms; upgrading fire alarms; and removing hazardous substances ("Proposition S").

The District issued the first series of bonds under Proposition S in the aggregate principal amount of $131,157,580.95 on May 7, 2009 simultaneously with the Tax Credit Bonds described below. On May 7, 2009, under the authorization of Proposition S and an allocation received by the District from the United States Secretary of the Treasury, the District issued its 2009 General Obligation Bonds (Election of 2008, Series B) Qualified School Construction Bonds (Tax Credit Bonds) (the "Tax Credit Bonds" or the "QSCBs") in the aggregate principal amount of $38,840,000. The District irrevocably elected to designate the Tax Credit Bonds as "qualified school construction bonds" as defined in Section 54F of the Internal Revenue Code and they do not bear interest to be paid by the District, but are associated with a tax credit for which United States taxpayers who own the Tax Credit Bonds may be eligible.

On August 18, 2010, the District issued its second issuance under the authorization of Proposition S and an allocation received from the United States Secretary of the Treasury, in the aggregate principal amount of $199,999,783.45, comprised of $163,869,783.45 2010 General Obligation Bonds (Election of 2008, Series C), $16,130,000 2010 General Obligation Bonds (Election of 2008, Series D-1) Qualified School Construction Bonds (Taxable Direct Subsidy Bonds) (the "Series D-1 Bonds") and $20,000,000 2010 General Obligation Bonds (Election of 2008, Series D-2) Qualified School Construction Bonds (Taxable Direct Subsidy Bonds) (the "Series D-2 Bonds," and together with the Series D-1 Bonds, the "2010 Taxable Bonds"). The 2010 Taxable Bonds are designated as "qualified school construction bonds" as defined in Section 54F of the Internal Revenue Code of 1986, as amended and the District made the irrevocable election to receive a direct subsidy to be paid to the District by the United States Department of the Treasury (the "Treasury").

On May 24, 2012, the District issued $149,998,824.05 aggregate principal amount of its 2012 General Obligation Bonds (Dedicated Unlimited Ad Valorem Property Tax Bonds) (Election of 2008, Series E) under Proposition S as capital appreciation bonds.

On April 16, 2014, the District issued (a) $15,095,000 aggregate principal amount of its 2014 General Obligations Bonds (Dedicated Unlimited Ad Valorem Property Tax Bonds) (Election of 2008, Series F) and (b) $50,000,726.45 aggregate principal or issue amount of its 2014 General Obligation Bonds (Dedicated Unlimited Ad Valorem Property Tax Bonds) (Election of 2008, Series G) under Proposition S.

On June 29, 2015, the District issued (a) $2,150,000 aggregate principal amount of its 2015 General Obligation Bonds (Dedicated Unlimited Ad Valorem Property Tax Bonds)(Election of 2008, Series H-1) (Federally Taxable) and (b) $29,620,000 aggregate principal amount of its 2015 General Obligation Bonds (Dedicated Unlimited Ad Valorem Property Tax Bonds) (Election of 2008, Series H-2) (together, the "Series H Bonds") under Proposition S. Following the issuance of the Series H Bonds described above, the District's remaining authorization is $1,483,138,085.10 under Proposition S.

IRS Routine Examination of Certain Proposition S District Bonds. On May 22, 2013, the District received written notification from the Internal Revenue Service that its 2010 General Obligation Bonds (Election of 2008, Series C) have been selected for a routine examination. On January 16, 2014, the Internal Revenue Service issued a letter to the District stating that such examination was complete, and closed with a determination made of no-change to the position that interest received by the beneficial owners of the referenced bonds is excludable from gross income under Section 103 of the Internal Revenue Code.

General Obligation Refunding Bonds. On March 15, 2012, the District issued $65,434,441.70 aggregate initial principal amount of 2012 General Obligation Refunding Bonds (Dedicated Unlimited Ad Valorem Property Tax Bonds) Series R-1 and $56,869,830 2012 General Obligation Refunding Bonds (Dedicated Unlimited Ad Valorem Property Tax Bonds) Series R-2. These bonds were issued in order to restructure the District's outstanding Proposition MM and Proposition S Bonds, reduce debt service in Fiscal Years 2011-12 and 2012-13, establish a tax rate reserve in excess of $50 million, and maintain the tax rate levied in 2007-08 (being $66.70 per $100,000 of assessed valuation).

On April 16, 2014, the District issued $199,285,000 aggregate principal amount of 2014 General Obligation Refunding Bonds (Dedicated Unlimited Ad Valorem Property Tax Bonds) Series R-3. These bonds were issued to refund a portion of certain outstanding debt evidenced by the District's bond issuances under Proposition MM.

On May 27, 2015, the District issued $172,505,000 aggregate principal amount of 2015 General Obligation Refunding Bonds (Dedicated Unlimited Ad Valorem Property Tax Bonds) Series R-4. These bonds were issued to refund certain outstanding debt evidenced by the District's bond issuances under Proposition MM. The District also caused certain funds of the District held in a tax rate reserve to be deposited with an escrow agent to defease a portion of certain outstanding bonds of the District.

County Tax Rate Reserve – Proposition MM and Proposition S. Pursuant to Proposition S, the District may only issue general obligation bonds if the projected annual tax rate to pay debt service on the proposed Proposition S bonds, when combined with the projected annual tax rate necessary to pay debt service on the then outstanding Proposition MM and Proposition S bonds of the District will not exceed $66.70 per $100,000 of assessed valuation. The District can only issue general obligation bonds under Proposition S if projected tax rates necessary to pay debt service on the Proposition S bonds would remain at or below $60.00 per $100,000 of assessed valuations of taxable property within the District. In 2012, due to lower assessed valuations of taxable property within the District than were projected at the time of bond issuance, the District anticipated that the tax rate necessary to pay debt service on the Proposition MM bonds and Proposition S bonds would exceed $66.70 per $100,000 of assessed valuation unless action were taken to restructure the outstanding bonds. The District's restructuring plan included the refunding and defeasance of $64,333,235 of its prior outstanding bonds and the refunding and exchange of $51,321,508.21 of its prior outstanding bonds, resulting in reduced debt service in Fiscal Years 2011-12 and 2012-13. As a result of such restructuring, the tax rate is now expected to decrease in 2032. This reduction in debt service in the near term allowed the accumulation of a tax rate reserve held and collected by the County (the "Proposition S Tax Rate Reserve"), which as of November 5, 2015, held approximately $52,530,000. The Proposition S Tax Rate Reserve is expected to be utilized over the term of the Proposition S bonds to avoid a fluctuating tax rate and to allow the District to continue implementing its capital improvement program through the issuance of additional Proposition S general obligation bonds within the tax rate parameters identified in Proposition S.

The District continues to pursue refundings and defeasances in order to manage its tax rate levels. On December 1, 2013, the District applied funds available in the Proposition S Tax Rate Reserve to redeem the July 1, 2014 maturity of its Proposition MM 2003 General Obligation Bonds (Election of 1998, Series E). On May, 27, 2015, the District applied funds available in the Proposition S Tax Rate Reserve to defease the July 1, 2018, July 1, 2019 and July 1, 2020 maturities of its Proposition MM 1999 General Obligation Bonds (Election of 1998, Series A). If future refundings of Proposition MM or Proposition S bonds cause the required tax rate necessary to pay debt service on the Proposition MM bonds and Proposition S bonds to fall below a level of $66.70 per $100,000 of assessed valuation, the District has requested that the County continue levying at the rate of $66.70 per $100,000 of assessed valuation until all the Proposition S bonds have been issued. Any taxes in excess of the amount necessary to pay debt service on the Proposition MM bonds and the Proposition S bonds in any year would be set aside in the Proposition S Tax Rate Reserve to reduce the likelihood of future fluctuations in the tax rate. Though the District and the County have executed a Memorandum of Understanding ("MOU") in connection with the Propositions S Tax Rate Reserve, the County is not obligated to continue levying at the full tax rate in order to build up the Proposition S Tax Rate Reserve.

Proposition Z. The District received authorization at a Proposition 39 election held on November 6, 2012, by more than 62% of the votes cast by eligible voters within the District on the measure to issue general obligation bonds in an amount not to exceed $2,800,000,000 for the purposes summarized as follows: repairing deteriorating 60-year-old classrooms, libraries, wiring, plumbing, bathrooms and leaky roofs; removing hazardous mold, asbestos, and lead; upgrading fire safety systems/doors; upgrading classroom instructional technology, labs and vocational education classrooms ("Proposition Z"). On April 30, 2013, the District issued $52,500,000 aggregate principal amount of 2013 General Obligation Bonds (Dedicated Unlimited Ad Valorem Property Tax Bonds) Election of 2012, Series A (Taxable), $3,000,000 aggregate principal amount of 2013 General Obligation Bonds (Dedicated Unlimited Ad Valorem Property Tax Bonds) Election of 2012, Series A-1 (Taxable), $60,500,000 aggregate principal amount of 2013 General Obligation Bonds (Dedicated Unlimited Ad Valorem Property Tax Bonds) Election of 2012, Series B and $414,000,000 aggregate principal amount of 2013 General Obligation Bonds (Dedicated Unlimited Ad Valorem Property Tax Bonds) Election of 2012, Series C. On September 30, 2015, the District sold $75,400,000 aggregate principal amount of 2015 General Obligation Bonds (Dedicated Unlimited Ad Valorem Property Tax Bonds) (Election of 2012, Series D) (Federally Taxable) and $78,955,000 aggregate principal amount of 2015 General Obligation Bonds (Dedicated Unlimited Ad Valorem Property Tax Bonds) (Election of 2012, Series E). Following the issuance of the Series D Bonds and the Series E Bonds, the District's remaining authorization will be $2,115,645,000 under Proposition Z.

County Tax Rate Reserve – Proposition Z. With the goal of minimizing the likelihood of future tax rate fluctuations in connection with the District's Proposition Z bond program, a separate tax rate reserve is held by the County for the District's Proposition Z bonds (the "Proposition Z Tax Rate Reserve"). See "County Tax Rate Reserve – Proposition MM and Proposition S" herein. Should the tax rate of $60.00 per $100,000 of assessed valuations of taxable property within the District provide amounts in excess of debt service requirements in connection with the District's Proposition Z bond program, the County shall set aside such excess amounts in the Proposition Z Tax Rate Reserve to be held for future years in order for the District to maintain the $60.00 per $100,000 of assessed valuation tax rate on Proposition Z bonds. Though the District and the County have executed a MOU in connection with the Propositions Z Tax Rate Reserve, the County is not obligated to continue levying at the full tax rate in order to build up the Proposition Z Tax Rate Reserve. As of November 5, 2015, the Proposition Z Tax Rate Reserve account held approximately $38,067,000.

Long-Term Obligations. The following table summarizes the District's long-term obligations as of June 30, 2014:

Long Term Obligations
As of June 30, 2014

	Audited Balance at June 30, 2014
General Obligation Bonds	$2,358,606,990
Unamortized premium net of issuance costs	105,274,123
Accreted Interest	98,356,759
Total General Obligation Bonds	$2,562,237,872
Compensated Absences	25,872,213
Net OPEB obligations	9,794,481
Total	$2,597,904,566

Source: The District's Audit Report, June 30, 2014.

Tax and Revenue Anticipation Notes. On July 29, 2015, the District issued $185,000,000 of its 2015-16 Tax and Revenue Anticipation Notes, Series A (the "2015 Notes"), maturing June 30, 2016. The District is required to fund the repayment fund with respect to the 2015 Notes in full from General Fund revenues as provided in the authorizing resolution for the 2015 Notes. The District is scheduled to make the first set-aside payment by January 14, 2016 and the second set-aside payment on or prior to April 30, 2016 to fund the repayment fund for the 2015 Notes.

Investment Policy

Under California law, the District's funds are deposited with the San Diego County Treasurer-Tax Collector and invested as provided for by State law and the investment policy of the County. See "APPENDIX E – SAN DIEGO COUNTY INVESTMENT POOL."

Pension Plans

CalSTRS. The District participates in the California State Teachers' Retirement System ("CalSTRS"). This defined benefit plan covers all certificated District employees who are employed at least fifty percent of the school year and some classified District employees. Employees and the District contribute 8% and 8.25%, respectively, of gross salary receipts or expenditures to CalSTRS. The State also contributes to CalSTRS funding, currently in an amount equal to 2% of teacher payroll for the Fiscal Year ending in the immediately preceding calendar year. As of July 1, 2015, employees hired before January 1, 2013 will contribute 9.20%, employees hired after January 1, 2013 will contribute 8.56% and the District will contribute 10.73%, respectively, of gross salary receipts or expenditures to CalSTRS. The District estimates that its Fiscal Year 2015-16 CalSTRS contribution will increase by approximately $14 million. The State's contribution will also increase over the next three years to a total of 6.328%. See "CalSTRS 2014 Funding Plan" herein.

California State Teachers' Retirement Fund. On February 14, 2013, CalSTRS submitted a report to the Legislature on the funding of the Defined Benefit Program (the "DB Program") in response to Senate Concurrent Resolutions 105 ("SCR 105"). SCR 105 encouraged CalSTRS, "in consultation with affected stakeholders, including, but not limited to, the Department of Finance and organizations representing members and school employers, to develop at least three options to address the long-term funding needs of the DB Program in a manner that allocates any increased contributions among the members of the system, school employers, and the State, consistent with the contractual rights of existing members, and to submit those options to the Legislature before February 15, 2013." SCR 105 further provided that "It is the intent of the Legislature to enact legislation during the 2013-14 Regular Session that addresses the long-term funding needs of the DB Program."

The report stated that "the definitive approach to addressing the long-term funding needs of the DB Program is to fully fund the program over a period of 30 years or less" and that "if implemented on July 1, 2014, the total contribution rate from all sources would have to increase by the equivalent of a projected 15.1% of compensation to fully fund the program in 30 years." The report stated that "it is projected that such a change would require an increased initial total annual contribution at that time of about $4.5 billion from all combined sources." The report also discussed the options of establishing a lesser funding target or increasing the amortization period (both of which would not require as large of a contribution). The report stated that "a delay in addressing the DB Program funding shortfall places the program at greater risk, particularly if there is another substantial market downturn."

CalSTRS 2014 Funding Plan. While the 2012 pension reform law lowered long-term costs at CalSTRS by reducing benefit levels and extending retirement ages for new teachers, CalSTRS has nonetheless required significant funding on an annual basis. To address the shortfall, Assembly Bill 1469 ("AB 1469"), signed into law by the Governor as part of the 2014-15 Budget, includes a comprehensive funding solution based on shared responsibility among the State, schools, and teachers, designed to put CalSTRS on a sustainable path and eliminate the unfunded liability in approximately 30 years. AB 1469 increases member, employer and State contributions over the next several years as part of a plan to eliminate CalSTRS's $74 billion unfunded liability. AB 1469 provides the State, schools, and teachers sufficient time to prepare for future budget costs, directing $276 million ($59.1 million General Fund) in additional contributions from all three entities in Fiscal Year 2014-15.

Under the plan, employees are required to contribute 8.15% of eligible salary commencing July 1, 2014, increasing from 8.00% with further annual increases to 9.20% effective July 1, 2015 and 10.25% effective July 1, 2016. Effective July 1, 2014, the required employer contribution rate increased from 8.25% of annual payroll to 8.88%, with further annual increases culminating in an annual contribution of 19.1% effective July 1, 2020. These school district contributions will be paid from existing revenue sources. The State's total contribution to the Defined Benefit plan increased from approximately 3% in Fiscal Year 2013-14 to 6.3% of payroll in Fiscal Year 2016-17 and ongoing. In addition, the State will continue to pay 2.5% of payroll annually for a supplemental inflation protection program — for a total of 8.8%. The plan also provides the CalSTRS board with limited authority to increase the school district and State contributions based on changing conditions. The authority also allows the CalSTRS board to reduce school district and State contributions if they are no longer necessary.

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MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Members Hired on or Prior to December 31, 2012	STRS Members Hired on or After January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: AB 1469.

Pursuant to AB 1469, K-14 school districts' contribution rate will increase over a seven-year phase in period in accordance with the following schedule:

K-14 SCHOOL DISTRICT CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	K-14 school districts	District Projected Cumulative General Fund and Special Education Contribution Increase (in millions)
July 1, 2014	8.88%	--
July 1, 2015	10.73	$ 3.2
July 1, 2016	12.58	13.5
July 1, 2017	14.43	23.9
July 1, 2018	16.28	34.7
July 1, 2019	18.13	45.6
July 1, 2020	19.10	56.8

Source: AB 1469.

The District estimates that its Fiscal Year 2015-16 CalSTRS contribution will increase by approximately $14 million over its Fiscal Year 2014-15 CalSTRS contribution.

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The following sets forth the District's regular annual contributions to CalSTRS for Fiscal Years 2010-11 through 2014-15, and its budgeted contribution for Fiscal Year 2015-16. Historically, the District has paid all required CalSTRS annual contributions.

SAN DIEGO UNIFIED SCHOOL DISTRICT
Annual Regular CalSTRS Contributions
Fiscal Years 2010-11 through 2015-16*

Fiscal Year	District Contributions
2010-11	$43,516,269
2011-12	42,099,065
2012-13	42,199,685
2013-14	42,920,415
2014-15	47,882,107
2015-16*	61,975,768

* Budgeted.
Source: The District.

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of State general fund contributions of approximately $29 million to CalSTRS (5.678848% allocation factor using the 2012-13 creditable compensation subject to CalSTRS).

CalPERS. The District also participates in the State Public Employees' Retirement System ("CalPERS"). This defined benefit plan covers classified personnel who are employed at least 50% of the work week. Benefit provisions are established by the Public Employees' Retirement Law. The District's contribution to CalPERS is capped by law at 13.02% of gross salary expenditures.

Active plan members are required to contribute 7% (miscellaneous) or 9% (safety) of their monthly salary and the District is required to contribute based on an actuarially determined rate. The following table sets forth the District's annual contributions to CalPERS for Fiscal Years 2010-11 through 2014-15, and budgeted amounts for Fiscal Year 2015-16. Historically, the District has paid all required CalPERS annual contributions.

SAN DIEGO UNIFIED SCHOOL DISTRICT
Annual CalPERS Regular Contributions
Fiscal Years 2010-11 through 2015-16*

Fiscal Year	District Contributions(1)(2)
2010-11	$26,510,581
2011-12	25,242,243
2012-13	25,881,704
2013-14	26,165,377
2014-15	28,198,294
2015-16*	34,845,368

(1) Includes regular contributions and employee contributions paid by the District and the "PERS Recapture." Pursuant to State law, the State is allowed to recapture the savings corresponding to a lower CalPERS rate by reducing a school district's revenue limit apportionment by the amount of the school district's CalPERS savings in that year. Such recapture has occurred with respect to the District in each Fiscal Year from 1982-83 through 2012-13. With the implementation of LCFF, the PERS Recapture was eliminated in Fiscal Year 2013-14.
(2) Includes PERS contributions for the District's Police Officers Association members.
* Budgeted
Sources: The District

STATE PENSION TRUSTS

The following information on the State Pension Trusts has been obtained from publicly available sources and has not been independently verified by the District, is not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the District, the Underwriters or the Municipal Advisor. Furthermore, the summary data below should not be read as current or definitive, as recent losses on investments made by the retirement systems generally may have increased the unfunded actuarial accrued liabilities stated below.

The assets and liabilities of the funds administered by CalPERS and CalSTRS, as well as certain other retirement funds administered by the State, are included in the financial statements of the State for the year ended June 30, 2014, as fiduciary funds. Both CalPERS and CalSTRS have unfunded actuarial accrued liabilities in the tens of billions of dollars. The amount of unfunded actuarially accrued liability will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution.

CalSTRS and CalPERS each issue separate comprehensive annual financial reports that include financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851-0275 and copies of the CalPERS annual financial report and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information presented in these reports is not incorporated by reference in this Official Statement.

Unlike typical defined benefit programs, however, neither the CalSTRS employer nor the State contribution rate varies annually to make up funding shortfalls or assess credits for actuarial surpluses. However, in recent years, the combined employer, employee and State contributions to CalSTRS have not been sufficient to pay actuarially required amounts. As a result, and due to significant investments losses, the unfunded actuarial liability of CalSTRS has increased significantly and is expected to continue to increase in the absence of legislation changing required employer or employee contributions. The District is unable to predict what the CalSTRS program liabilities will be in the future, or whether the Legislature may elect to require the District to make larger contributions in the future.

STATE OF CALIFORNIA
FUNDING STATUS OF STATE RETIREMENT SYSTEMS

Name of Plan	Unfunded Liability
Public Employees' Retirement Fund (CalPERS)[1]	$8.8 billion[2]
State Teachers' Retirement Fund Defined Benefit Program (STRS)[3]	$72.7 billion[3]

(1) As of June 30, 2014, the CalPERS provided pension benefits to 1,129,014 active and inactive program members and 586,959 retirees, beneficiaries, and survivors. 442,088 or 39.2% of CalPERS members are school employees and 1,513 school districts are CalPERS employers.

(2) The schools portion of CalPERS is 86.6% funded as of June 30, 2014.

(3) As of June 30, 2014, the CalSTRS Defined Benefit Program had approximately 603,702 active and inactive program members and 275,627 benefit recipients.

Source: CalPERS State and Schools Actuarial Valuation and CalSTRS Defined Benefit Program Actuarial Valuation.

California Public Employees' Pension Reform Act of 2013. The Governor signed the California Public Employee's Pension Reform Act of 2013 (the "Reform Act" or "PEPRA") into law on September 12, 2012. The Reform Act affects both CalSTRS and CalPERS, most substantially as they relate to new employees hired after January 1, 2013 (the "Implementation Date"). As it pertains to CalSTRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age, increasing the eligibility for the 2% "age factor" (the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. For non-safety CalPERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and also increases the eligibility requirement for the maximum age factor of 2.5% to age 67.

The Reform Act also implements certain other changes to CalPERS and CalSTRS including the following: (a) all new participants enrolled in CalPERS and CalSTRS after the Implementation Date are required to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (b) CalSTRS and CalPERS are both required to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for CalSTRS members who retire with 25 years of service), and (c) "pensionable compensation" is capped for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for CalSTRS and CalPERS members not participating in social security.

CalPERS Contribution Rate Increases. On April 17, 2013 the CalPERS Board of Administration approved new actuarial policies aimed to fully fund the pension system's obligations within 30 years. The new policies include a rate-smoothing method with a 30-year fixed amortization period for gains and losses. CalPERS announced that, based on investment return simulations performed for the next 30 years, increasing contributions more rapidly in the short term is expected to result in almost a 25 percent improvement in funded status over a 30-year-period. The new amortization schedule will be used to set contribution rates for public agency employers in the State beginning in the 2015-16 Fiscal Year. This delay is intended to allow the impact of the changes to be built into the projection of employer contribution rates and afford employers with additional time to adjust to the changes.

According to CalPERS, the new policies will result in an increased likelihood of higher peak employer contribution levels in the future but will not significantly increase average contribution levels. The median employer contribution rate over the next four years is expected to be higher. In the long-term, however, higher funded levels may result in lower employer contributions.

On February 20, 2014, the CalPERS Board of Administration adopted new mortality and retirement assumptions as part of a regular review of demographic experience. Key assumption changes included longer post-retirement life expectancy and earlier retirement ages. The impact of the assumption changes will be phased in over five years, with a twenty year amortization, beginning in 2016-17. The District is monitoring these changes but is not currently able to predict the level of increases to the District's required contributions.

Governmental Accounting Standards Board. In June 2012, the Governmental Accounting Standards Board ("GASB") approved two related statements that change how State and local governments report and account for the pension benefits provided to their employees. Statement No. 67, "Financial Reporting for Pension Plans," addresses financial reporting for state and local government pension plans and Statement No. 68, "Accounting and Financial Reporting for Pensions," establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these Statements will change how governments calculate and report the costs and obligations associated with pensions and are designed to improve the reporting of pension information while increasing the transparency, consistency, and comparability of pension information across governments. The Statements relate only to accounting and financial reporting and do not extend to how governments approach pension plan funding. Governments will now report a pension liability on the face of their financial statements. At present, the difference between a government's total pension obligation and assets available for benefits — often called the unfunded liability — is disclosed in notes, but does not appear on the face of the financial statements. Statement No. 67 will take effect for pension plans in Fiscal Years ended June 30, 2014 or later. Statement No. 68 will take effect for employers and governmental nonemployer contributing entities in Fiscal Years ended June 30, 2015 or later. The District will begin reporting its CalSTRS obligations in its audited financial statements for Fiscal Year ended June 30, 2015.

Post-Retirement Programs

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.* The pronouncement required public agency employers providing other postemployment benefits ("OPEB") to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. Employers that participate in *defined contribution* plans are required to recognize OPEB expense/expenditures for their required contributions to the plan and a liability for unpaid required contributions on the accrual or modified accrual basis, as applicable. The implementation date for this pronouncement will be staggered in three phases based upon the entity's annual revenues, similar to the implementation for GASB Statement Nos. 34 and 35. GASB Statement No. 45 ("GASB 45") became effective for the District in the 2007-08 Fiscal Year.

The District provides a partial contribution toward the monthly premiums for postretirement health care benefits to employees who retire from the District and meet certain age and service requirements. Employees must have a minimum of 17 years of service to the District prior to retirement, must be receiving a monthly benefit from CalPERS or STRS and must elect to participate in the program. (The program ceases once the retired employee reaches the age of 67.) As of July 1, 2013, 949 retirees met those eligibility requirements. The provisions and obligations to contribute are established through collective bargaining agreements between the District and various unions. The District's contributions are advance funded each year based on a specific amount agreed upon through union negotiations. The amount deposited is calculated using a base amount, plus salary increases, less any advance deposits made in the prior year. The contributions are deposited into a fund designated to account for District monies used to reduce medical contributions paid by retirees participating in a District-sponsored group medical plan for medical insurance. Contributions of approximately $586,600 were reimbursed to the General Fund from the Postemployment Benefits Fund in the Fiscal Year ended June 30, 2011, $513,900 in the year ended June 30, 2012, $435,315 in the year ended June 30, 2013 and $393,435 in the year ended June 30, 2014 for postretirement health care costs. The total amount expended from all resources for this purpose was $2,864,677 in 2012-13 (the same amount as in 2011-12), $2,931,168 in 2013-14, $3,089,783 in 2014-15 and $3,240,698 for 2015-16 (unaudited actual).

Based on an actuarial valuation of the District's post-retirement health care benefits dated July 1, 2013 (which valuation assumed that the District has *not* pre-funded any portion of the obligation), the District had an estimated outstanding unfunded actuarial accrued liability ("UAAL") of $63,433,214 and an annual required contribution ("ARC") of $5,452,162. The District made no contribution toward the ARC in 2011-12, 2012-13 or 2013-14 as the UAAL is associated entirely with the implicit subsidy associated with retirees paying a discounted rate for their medical premiums. The implicit subsidy does not represent a true liability that requires funding.

Self-Insurance and Commercial Insurance

The District self-funds vision benefits for all eligible employees (those categorized as 0.5 full-time equivalent). The Vision Self-Insurance Fund balance was $2,110,931 as of July 1, 2013, $2,286,255 as of June 30, 2014 and the unaudited actual as of June 30, 2015 was $929,796.

The District is fully self-insured for workers' compensation claims and appropriates moneys in each Fiscal Year to a fund for the payment of such claims, based on a rate set by an independent insurance consultant. As of June 30, 2014, the actual ending fund balance to be used for the payment of workers' compensation claims was $70,115,626 and the unaudited actual as of June 30, 2015 was $78,426,169.

In addition, the District appropriates each Fiscal Year moneys sufficient to fund the premiums for its comprehensive property and public liability insurance policies and to fund a reasonable reserve for the payment of the deductible amounts under such policies. The decision concerning the amount of such reserves is made by a risk manager, who is an employee of the District.

CONSTITUTIONAL AND STATUTORY INITIATIVES

Article XIIIA of the California Constitution. On June 6, 1978, California voters approved Proposition 13, which added Article XIIIA to the California Constitution ("Article XIIIA"). See "SECURITY AND SOURCES OF PAYMENT – Assessed Valuation – Constitutional and Statutory Initiatives" in the forepart of this Official Statement for additional information regarding Article XIIIA.

Proposition 26. On November 2, 2010, California voters approved Proposition 26 as an amendment to Section 3 of Article XIIIA (and Section 1 of Article XIIIC) of the State Constitution that requires a two-thirds vote in the Legislature to pass certain State fees, levies, charges and tax revenue allocations that under the State's previous rules could be enacted by a simple majority vote. Certain local fees must also be approved by two-thirds of voters. Proposition 26 expanded the scope and definition of a State or local tax to include many payments previously considered to be fees or charges, so that more proposals would require approval by two-thirds of the State Legislature or by local voters.

Article XIIIB of the California Constitution. An initiative to amend the California Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979 thereby adding Article XIIIB to the California Constitution ("Article XIIIB"). Under Article XIIIB state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIIIB does not affect the appropriations of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is to be based on certain 1978-1979 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

The District's 2014-15 "appropriations limit" is $619,382,434 and the "appropriations limit" for 2015-16 is estimated to be $636,419,502 (as of August 25, 2015). Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Articles XIIIC and XIIID of the California Constitution (Proposition 218). On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIIIC also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District.

Proposition 98. On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act" or "Proposition 98"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's Appropriations Limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to as "K-14 districts") at a level equal to the greater of (a) the same percentage of General Fund revenues as the percentage appropriated to such districts in 1986-1987, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the General Fund in the previous Fiscal Year, adjusted for increases in enrollment and changes in the cost of living. The 40.9% guarantee has been adjusted to 35% to account for a subsequent redirection of local property taxes whereby a greater proportion of education funding now comes from local property taxes.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of General Fund revenues to be allocated to K-14 districts than the 35% percentage, or to apply the relevant percentage to the State's budgets in a different way than is provided for in the current budget. In any event, the Accountability Act potentially may place increasing pressure on the State's budget in future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

The Accountability Act also changes how tax revenues in excess of the State Appropriations Limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 districts. Such transfer would be excluded from the Appropriations Limit for K-14 districts and the K-14 districts' Appropriations Limits for the next year would automatically be increased by the amount of such transfer. The maximum amount of excess tax revenues which could be transferred to K-14 districts is four percent of the minimum State spending for education mandated by the Accountability Act, as described above.

On March 18, 2003, State Senate Bill X1 18 ("SBX1 18") was signed into law. SBX1 18 reduced certain Proposition 98 appropriations for the 2002-03 Fiscal Year by shifting apportionments historically made by the State to schools in June to July, so that the June apportionment did not count toward the Fiscal Year 2002-03 Proposition 98 allocations.

Unitary and certain other state-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues are distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Because the District is not a basic aid district, any taxes lost due to a reduction in, or transfer to another jurisdiction of, utility property assessed valuation will be compensated by the State as equalization aid under the State's school financing formula.

Proposition 111 – Revisions to Proposition 98 and Article XIIIB. On June 5, 1990, the voters approved the "Traffic Congestion Relief and Spending Limitation Act of 1990," hereafter "Proposition 111," which modified the Constitution to alter the spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

The most significant provisions of Proposition 111 are summarized below:

Annual Adjustments. The annual adjustments to the spending limit will be liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is measured by the change in California per capita personal income. The definition of "change in population" will specify that a portion of the State's spending limit is adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues. "Excess" tax revenues will be determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next Fiscal Year were under its limit. In addition, the Proposition 98 provision regarding excess tax revenues is modified. After any two-year period, if there are excess State tax revenues, 50% of the excess will be transferred to K-14 districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 districts, but only up to a cap of four percent of the K-14 districts' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 districts is not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit will not be increased by this amount.

Exclusions from Spending Limit. Two new exceptions were added to the calculation of appropriations that are subject to the limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above their current nine cents per gallon level, sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect in January 1, 1990. These latter provisions were needed to make effective the transportation funding package approved by the Legislature and the Governor, previously.

Recalculation of Appropriations Limit. The Appropriations Limit for each unit of government, including the State, was recalculated beginning in the 1990-1991 Fiscal Year. It is based on the actual limit for the 1986-1987 Fiscal Year, adjusted forward to 1990-1991 as if Proposition 111 had been in effect.

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 that guarantees K-14 districts a certain amount of State General Fund revenues. Under prior law, K-14 districts were guaranteed the greater of (a) 35% of State General Fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita State General Fund revenues from the prior year was less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor (the "third test"). If the third test is used in any year, the difference between the third test and the second test becomes a "credit" to schools that will be paid in future years when State General Fund revenue growth exceeds personal income growth.

Application of Proposition 98. The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimum funding levels under the first test and the second test described herein are dependent on State General Fund revenues. In past Fiscal Years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimum funding levels. The State determined that there were loans to K-14 districts of $1.3 billion during Fiscal Year 1990-1991, $1.1 billion during Fiscal Year 1991-1992, $1.3 billion during Fiscal Year 1992-93 and $787 million during Fiscal Year 1993-94. These loans have been combined with the K-14 1992-93 loans into one loan totaling $1.76 billion. The State proposed that repayment of this loan would be from future years' Proposition 98 entitlements, and would be conditioned on maintaining current funding levels per pupil for K-12 schools.

In 1992, a lawsuit, *California Teachers' Association et al. v. Gould*, was filed, which challenged the validity of the off-budget loans. As part of the negotiations leading to the 1995-96 Budget Act, an agreement was reached to settle this case. The agreement provides that both the State and K-14 schools share in the repayment of prior years' emergency loans to schools. Of the total $1.76 billion in loans, the State repaid $935 million, while schools repaid $825 million. Repayments were spread over the eight-year period of 1994-95 through 2001-02 to mitigate any adverse fiscal impact.

Because of the complexities of Proposition 98, the ambiguities and possible inconsistencies in its terms, the applicability of its exceptions and exemptions and the impossibility of predicting future appropriations, the District cannot predict the impact of this or related legislation on the District's Revenues. Other Constitutional amendments affecting State and local taxes and appropriations have been proposed from time to time. If any such initiatives are adopted, the State could be pressured to provide additional financial assistance to local governments or appropriate revenues as mandated by such initiatives. Propositions such as Proposition 98 and others that maybe adopted in the future, may place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes.

Proposition 39. On November 7, 2000, voters approved Proposition 39 called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act"). The Smaller Classes Act amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code. As respects school districts, community colleges and county offices of education and effective upon its passage, the newly added Section 18(b) of Article XVI allows an alternative means of seeking voter approval for bonded indebtedness by 55 percent of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The reduced 55 percent voter requirement applies only if the bond measure submitted to the voters includes, among other items: 1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," 2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list"; and 3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to except from the one percent *ad valorem* tax limitation under Section 1(a) of Article XIIIA of the Constitution levies to pay bonds approved by the 55 percent of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908 (Statutes 2000 Chapter 44), which became effective upon passage of Proposition 39. AB 1908 amends various sections of the Education Code. Under amendments to Sections 15268 and 15270 of the Education Code, the following limits on projected *ad valorem* tax rates needed to pay debt service on bonds authorized apply in any single Proposition 39 election: 1) for a school district, the tax rate shall not exceed $30 per $100,000 of taxable property; 2) for a unified school district, the tax rate shall not exceed $60 per $100,000 of taxable property; and, 3) for a community college district, the tax rate shall not exceed $25 per $100,000 of taxable property. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

FUTURE INITIATIVES

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 1A, 2, 22, 30, 98 and 111, were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues.

APPENDIX B-2

2015-16 DISTRICT ORGANIZATION CHART

[SEE ATTACHED]

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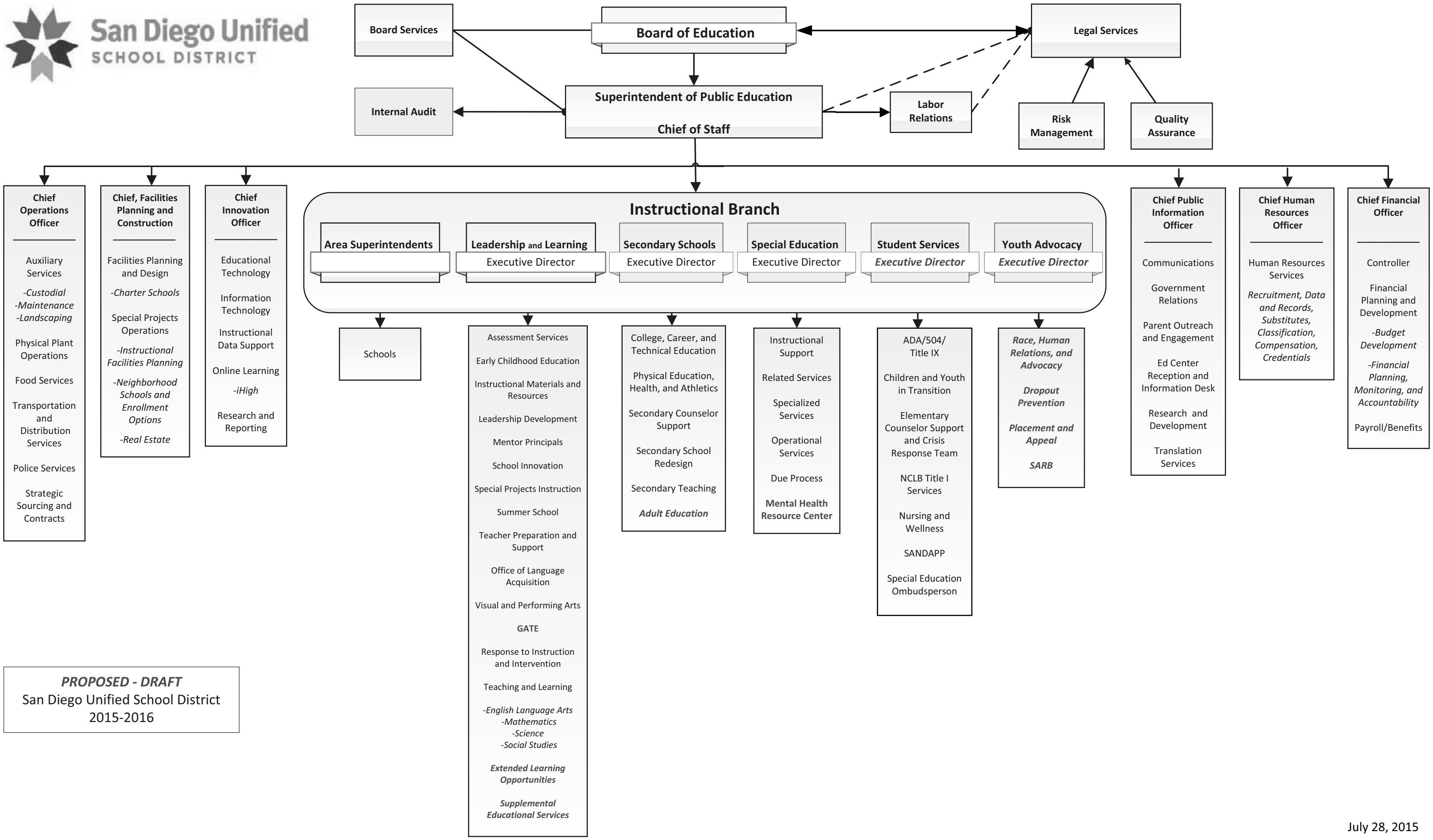
San Diego Unified
SCHOOL DISTRICT



PROPOSED - DRAFT
San Diego Unified School District
2015-2016

July 28, 2015

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APPENDIX C

AUDITED FINANCIAL STATEMENTS FOR THE DISTRICT
FOR THE YEAR ENDED JUNE 30, 2014

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SAN DIEGO UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2014

San Diego

Los Angeles

San Francisco
Bay Area

christy white
A PROFESSIONAL
ACCOUNTANCY CORPORATION
associates

SAN DIEGO UNIFIED SCHOOL DISTRICT
OF SAN DIEGO COUNTY

SAN DIEGO, CALIFORNIA

JUNE 30, 2014

The San Diego Unified School District (the "District") began operations in 1854 under the laws of the State of California. The San Diego Unified School District serves nearly 130,000 students in pre-school through grade 12 which includes 17,401 students in Charter School. The District's educational facilities include 107 traditional elementary schools, 11 K-8 schools, 24 traditional middle schools, 28 high schools, 49 charter schools and 13 alternative schools.

GOVERNING BOARD

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

DISTRICT ADMINISTRATORS

Cindy Marten
Superintendent

Staci Monreal
Chief of Staff

Jenny Salkeld
Chief Financial Officer

Andra Donovan
General Counsel

Tim Asfazadour
Chief Human Resources Officer

Joe Fulcher, Ph.D.
Chief Student Services Officer

Ursula Kroemer
Chief Public Information Officer

Drew Rowlands
Interim Chief Operating Officer

Lee Dulgeroff
Chief Facilities Planning and Construction

Dan Stoneman
Chief Innovation Officer

SAN DIEGO UNIFIED SCHOOL DISTRICT
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SUPPLEMENTARY INFORMATION

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CONTINUING DISCLOSURE INFORMATION

FINANCIAL SECTION

christy white associates
A PROFESSIONAL
ACCOUNTANCY CORPORATION

Christy White, CPA
Michael Ash, CPA
Tanya M. Rogers, CPA, CFE
John Whitehouse, CPA
Heather Rubio

SAN DIEGO
LOS ANGELES
SAN FRANCISCO/BAY AREA

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Licensed by the California State Board of Accountancy

INDEPENDENT AUDITORS' REPORT

Governing Board
San Diego Unified School District
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Diego Unified School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the San Diego Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Diego Unified School District, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 4 through 12, the budgetary comparison information on page 73, and the schedule of funding progress on page 74 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Diego Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014 on our consideration of San Diego Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Diego Unified School District's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
November 20, 2014

SAN DIEGO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

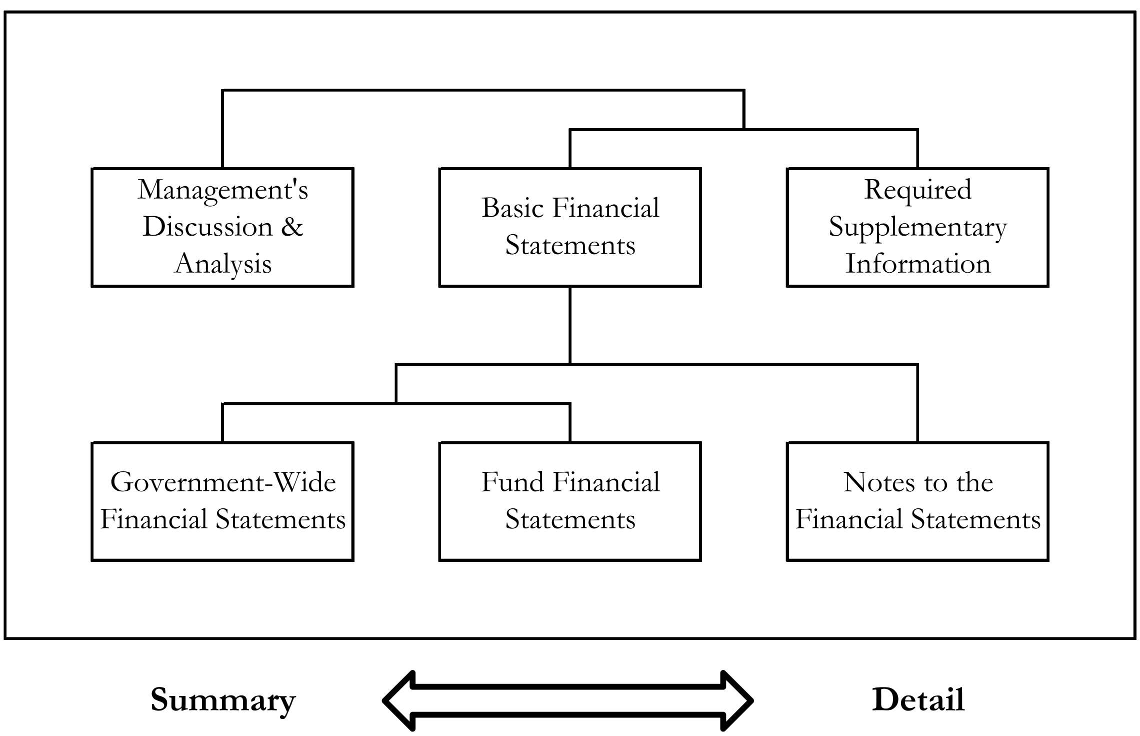
Our discussion and analysis of San Diego Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net position was $974.2 million at June 30, 2014. This was an increase of $128.9 million from the prior year.
- Overall revenues were $1,432.7 million which were greater than expenses of $1,386.8 million.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



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

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.

  - **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

  - **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

  - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

Government-Wide Statements

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

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

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. 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 $974.2 million at June 30, 2014, as reflected in the table below. Of this amount, $(15.9) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2014	**2013**	**Net Change**
ASSETS			
Current and other assets	$ 1,158,764,248	$ 1,168,631,663	$ (9,867,415)
Capital assets	2,569,210,234	2,410,869,891	158,340,343
Total Assets	3,727,974,482	3,579,501,554	148,472,928
DEFERRED OUTFLOWS OF RESOURCES	6,618,555	-	6,618,555
LIABILITIES			
Current liabilities	186,597,455	160,536,835	26,060,620
Long-term liabilities	2,573,820,058	2,573,730,280	89,778
Total Liabilities	2,760,417,513	2,734,267,115	26,150,398
NET POSITION			
Net investment in capital assets	582,613,341	639,544,350	(56,931,009)
Restricted	407,506,777	339,789,025	67,717,752
Unrestricted	(15,944,594)	(134,098,936)	118,154,342
Total Net Position	$ 974,175,524	$ 845,234,439	$ 128,941,085

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

Beginning net position was restated in 2014 due to GASB Statement No. 65, which no longer permits bond issuance costs to be amortized over the life of the bond. There was no restatement to beginning net position in 2013.

	Governmental Activities		
	2014	2013	Net Change
REVENUES			
Program revenues			
Charges for services	$ 3,025,345	$ 29,665,703	$ (26,640,358)
Operating grants and contributions	304,855,388	294,770,170	10,085,218
Capital grants and contributions	23,429,966	14,575,163	8,854,803
General revenues			
Property taxes	813,823,805	667,042,357	146,781,448
Unrestricted federal and state aid	227,960,911	236,730,389	(8,769,478)
Other	59,641,974	66,988,743	(7,346,769)
Total Revenues	1,432,737,389	1,309,772,525	122,964,864
EXPENSES			
Instruction	734,168,427	721,298,351	12,870,076
Instruction-related services	132,880,938	132,310,938	570,000
Pupil services	190,227,597	183,499,167	6,728,430
General administration	52,906,778	54,003,610	(1,096,832)
Plant services	101,012,608	85,858,098	15,154,510
Ancillary and community services	4,260,058	3,706,511	553,547
Debt service	79,018,849	27,263,119	51,755,730
Other Outgo	11,647,169	1,951,406	9,695,763
Depreciation	79,948,102	77,455,815	2,492,287
Other	743,179	301,064	442,115
Total Expenses	1,386,813,705	1,287,648,079	99,165,626
Change in net position	45,923,684	22,124,446	23,799,238
Net Position - Beginning, as Restated	825,372,652	823,109,993	2,262,659
Net Position - Ending	$ 974,175,524	$ 845,234,439	$ 26,061,897

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

As reported in the Statement of Activities on page 14, the net cost of all our governmental activities this year was $1,055.5 million. The amount ultimately financed for these activities through taxes and State Aid was $1,041.8 million, the cost paid by those who benefited from the programs was $3.0 million, the costs from capital grants and contributions is $23.4 million, the costs paid by other governments and organizations who subsidized certain programs with grants and contributions was $304.9 million and other revenues contributed $162.5 million.

	Net Cost of Services	
	2014	**2013**
Instruction	$ 550,690,971	$ 557,569,858
Instruction-related services	102,450,503	100,344,071
Pupil services	107,038,671	84,593,175
General administration	47,833,663	47,191,119
Plant services	73,913,208	49,694,954
Ancillary and community services	4,260,058	3,706,365
Debt service	79,018,849	27,263,119
Transfers to other agencies	11,246,316	656,632
Depreciation	79,948,102	77,455,815
Other	(897,335)	161,935
Total Expenses	$ 1,055,503,006	$ 948,637,043

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $983.4 million, which is greater than last year's ending fund balance of $980.2 million. The District's General Fund had $48.5 million less in operating revenues than expenditures for the year ended June 30, 2014. The District's Building Fund had $167.5 million less in operating revenues than expenditures for the year ended June 30, 2014. The District's County School Facilities Fund had $33.3 million less in operating revenues than expenditures for the year ended June 30, 2014. The District's Bond Interest and Redemption Fund had $73.4 million more in operating revenues than expenditures for the year ended June 30, 2014. The District's Non-Major Governmental Funds had $17.8 million more in operating revenues than expenditures for the year ended June 30, 2014.

CURRENT YEAR BUDGET 2013-14

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 – Local Control Funding Formula (LCFF) Sources of $167.1 million, Federal grants and special projects of $19.1million, State grants and special projects of ($129.8) million, and Local grants and special projects of ($10.3) million. At the time of budget adoption, LCFF had not been implemented and the District's original adopted budget was based on the revenue limit funding model. When the details of the LCFF funding model was provided, the District made the necessary adjustments to the budget to incorporate the Categorical programs that would now be funded through LCFF. This is noted in the large increase to LCFF Sources and the large decrease to State grants.
- Expenditures that were appropriated during the year which were not included in the originally adopted budget – Salaries and Benefits of $11.2 million, Books and Supplies of $20.3 million, Services and Other Operating Expenses of $10.8 million, and Capital Outlay of ($.2) million.

Even with these adjustments, actual revenues available were $6.9 million below the final budgeted amounts. The most significant variances resulted from:

- LCFF Sources were $7.1 million above final budget amounts.
- Federal revenues were $10.9 million below final budget amounts. Impact Aid increased by $1.9 million and NCLB/IASA grants were $4.9 million below appropriations. Other Federal grants were $7.8 million below appropriations which largely represents grant money that has been received but not spent by June 30, 2014.
- State and local revenues were $3.2 million below final budget amounts. Special Education Master Plan and Special Education Infant program was $.7 million above appropriations, After School Education Safety (ASES) program was $.6 million below appropriation, CSR K-3 was $.2 million below appropriations, Drug/Alcohol/Tobacco grant was $.3 million below appropriations, Lottery was $.1 million below appropriations, and Other State grants was $.5 million below appropriations. Interagency Services was $.7 million above appropriations, Special Ed SELPA Transfers from Other District was $.3 million above appropriations, Interest was $.3 million below appropriations, and various Local grants and miscellaneous revenues were $2.9 million below appropriations.

Actual expenditures were $57.8 million below the final budgeted amounts. The most significant positive variances resulted from:

- Salaries and benefits were $21.5 million below final budget amounts. The variance is broken down as follows:
    - Unrestricted resources - $4.7 million above
    - Federal, state, and local restricted resources - $26.2 million below
- Books and supplies were $27.9 million below final budget amounts. The variance is broken down as follows:
    - Unrestricted resources - $11.1 million below
    - Federal, state, and local restricted resources - $16.8 million below
- Capital Outlay was $8.6 million below final budget amounts. The variance is broken down as follows:
    - Unrestricted resources - $.1 million below
    - Federal, state, and local restricted resources – $8.5 million below

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2013-14 the District had invested $2,569.2 million in capital assets, net of depreciation.

	Governmental Activities		
	2014	2013	Net Change
CAPITAL ASSETS			
Land	$ 272,018,659	$ 271,184,488	$ 834,171
Construction in progress	1,226,953,762	1,097,384,777	129,568,985
Land improvements	244,356,095	237,538,508	6,817,587
Buildings & improvements	1,511,584,673	1,422,523,233	89,061,440
Furniture & equipment	252,849,939	247,185,748	5,664,191
Accumulated depreciation	(938,552,894)	(864,946,863)	(73,606,031)
Total Capital Assets	$ 2,569,210,234	$ 2,410,869,891	$ 158,340,343

Long-Term Debt

At year-end, the District had $2,573.8 million in long-term debt, a decrease 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		
	2014	2013	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 2,562,237,872	$ 2,524,666,353	$ 37,571,519
Capital leases	-	2,000,000	(2,000,000)
Early retirement incentive	-	14,132,940	(14,132,940)
Compensated absences	25,872,213	25,148,400	723,813
Claims liability	62,899,000	59,057,000	3,842,000
Net OPEB obligation	9,794,481	7,137,745	2,656,736
Less: current portion of long-term debt	(86,983,508)	(38,550,372)	(48,433,136)
Total Long-term Liabilities	$ 2,573,820,058	$ 2,593,592,066	$ (19,772,008)

This District issued two Proposition S bonds, series G and F. The Series A and A-1 bonds are short term bonds that will mature in two years or less. The Series F will primarily be used for information technology related projects approved in the ballot measure. The Series G is a longer term bond and will be used for construction projects consistent with the ballot language. The District also issued a $199,285,000 bond refunding various bonds in Proposition MM.

The bonds issued in the current year were as follows:

- 2014, Election 2008 Series F $15,095,000
- 2014, Election 2008 Series G $50,000,726
- 2014, Refunding of Proposition MM Bonds $199,285,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Landmark legislation passed in Year 2013 reformed California school district finance by creating the new Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The State anticipates all school districts to reach the statewide targeted base funding levels by 2020-21, but the annual amount funded to meet the target is uncertain.

Factors related to LCFF that the District is monitoring 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.

The State's economy is expected to grow at a modest rate of about 3% annually over the next two years, according to the UCLA Anderson Economic Forecast for September 2014. In the California forecast, Senior Economist Jerry Nickelsburg writes, "The California economy is moving forward in an expansion from the depths of the Great Recession. But, even though the number of jobs is now higher than any time in the past, the state remains below its potential in output and employment. That we are entering the sixth year of expansion illustrates just how painfully plodding this recovery process has been." The ability of the State to fund the LCFF and other programs is largely dependent on the strength of the State's economy and remains uncertain.

GASB 68, *Accounting and Financial Reporting for Pensions,* will be effective in the following fiscal year, 2014-15. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to result. The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability will be reported in the Statement of Net Position as of June 30, 2015. The amount of the liability is unknown at this time but is anticipated to be material to the financial position of the District. To address the underfunding issues, the pension plans intend to raise employer rates in future years and the increased costs could be significant.

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

All of these factors were considered in preparing the District's budget for the 2014-15 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 1,054,822,031
Accounts receivable	100,782,145
Inventory	2,726,485
Prepaid expenses	433,587
Capital assets, not depreciated	1,498,972,421
Capital assets, net of accumulated depreciation	1,070,237,813
Total Assets	3,727,974,482
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	6,618,555
LIABILITIES	
Accrued liabilities	99,197,986
Unearned revenue	415,961
Long-term liabilities, current portion	86,983,508
Long-term liabilities, non-current portion	2,573,820,058
Total Liabilities	2,760,417,513
NET POSITION	
Net investment in capital assets	582,613,341
Restricted:	
Capital projects	142,576,780
Debt service	232,399,201
Educational programs	32,530,796
Unrestricted	(15,944,594)
Total Net Position	$ 974,175,524

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
GOVERNMENTAL ACTIVITIES					
Instruction	$ 734,168,427	$ 502,346	$ 159,545,144	$ 23,429,966	$ (550,690,971)
Instruction-related services					
Instructional supervision and administration	47,423,053	118,677	27,371,433	-	(19,932,943)
Instructional library, media, and technology	9,393,164	831	1,245,472	-	(8,146,861)
School site administration	76,064,721	4,729	1,689,293	-	(74,370,699)
Pupil services					
Home-to-school transportation	35,914,968	1,130,071	5,542,693	-	(29,242,204)
Food services	58,233,974	2,285	48,107,939	-	(10,123,750)
All other pupil services	96,078,655	60,394	28,345,544	-	(67,672,717)
General administration					
Centralized data processing	21,020,345	-	-	-	(21,020,345)
All other general administration	31,886,433	28,835	5,044,280	-	(26,813,318)
Plant services	101,012,608	1,174,974	25,924,426	-	(73,913,208)
Ancillary services	3,236,728	-	-	-	(3,236,728)
Community services	1,023,330	-	-	-	(1,023,330)
Enterprise activities	743,179	-	1,640,514	-	897,335
Interest on long-term debt	79,018,849	-	-	-	(79,018,849)
Other Outgo	11,647,169	2,203	398,650	-	(11,246,316)
Depreciation (unallocated)	79,948,102	-	-	-	(79,948,102)
Total Governmental Activities	$ 1,386,813,705	$ 3,025,345	$ 304,855,388	$ 23,429,966	(1,055,503,006)
	General revenues				
	Taxes and subventions				
	Property taxes, levied for general purposes				606,368,506
	Property taxes, levied for debt service				187,069,044
	Property taxes, levied for other specific purposes				20,386,255
	Federal and state aid not restricted for specific purposes				227,960,911
	Interest and investment earnings				4,253,731
	Interagency revenues				4,333,878
	Miscellaneous				153,933,553
	Subtotal, General Revenue				1,204,305,878
	CHANGE IN NET POSITION				148,802,872
	Net Position - Beginning, as Restated				825,372,652
	Net Position - Ending				$ 974,175,524

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 113,543,146	$ 493,434,088	$ 110,430,264	$ 232,399,201	$ 64,938,556	$ 1,014,745,255
Accounts receivable	86,937,371	498,506	123,357	-	13,183,092	100,742,326
Due from other funds	31,321,046	14,325,835	5,844,462	-	4,845,906	56,337,249
Stores inventory	1,902,849	-	-	-	823,636	2,726,485
Prepaid expenditures	431,051	-	-	-	2,536	433,587
Total Assets	$ 234,135,463	$ 508,258,429	$ 116,398,083	$ 232,399,201	$ 83,793,726	$ 1,174,984,902
LIABILITIES						
Accrued liabilities	$ 66,029,128	$ 25,550,390	$ 3,255,494	$ -	$ 4,344,381	$ 99,179,393
Due to other funds	39,456,832	5,423,819	20,579,305	-	26,513,903	91,973,859
Unearned revenue	409,845	-	-	-	6,116	415,961
Total Liabilities	105,895,805	30,974,209	23,834,799	-	30,864,400	191,569,213
FUND BALANCES						
Nonspendable	2,387,900	-	-	-	826,173	3,214,073
Restricted	31,796,277	477,284,220	92,563,284	232,399,201	50,748,015	884,790,997
Committed	-	-	-	-	406,920	406,920
Assigned	43,347,963	-	-	-	948,218	44,296,181
Unassigned	50,707,518	-	-	-	-	50,707,518
Total Fund Balances	128,239,658	477,284,220	92,563,284	232,399,201	52,929,326	983,415,689
Total Liabilities and Fund Balances	$ 234,135,463	$ 508,258,429	$ 116,398,083	$ 232,399,201	$ 83,793,726	$ 1,174,984,902

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balance - Governmental Funds		$ 983,415,689
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets	$ 3,507,763,128	
Accumulated depreciation	(938,552,894)	2,569,210,234
Deferred amount on refunding:		
In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:		6,618,555
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Total general obligation bonds	$ 2,358,606,990	
Accreted interest	98,356,759	
Premiums	105,274,123	
Compensated absences	25,872,213	
Net OPEB obligation	9,794,481	(2,597,904,566)
Internal service funds:		
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:		12,835,612
Total Net Position - Governmental Activities		$ 974,175,524

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	$ 777,393,443	$ -	$ -	$ -	$ 509,600	$ 777,903,043
Federal sources	97,257,592	-	-	-	52,175,394	149,432,986
Other state sources	172,925,157	-	23,075,740	1,335,301	17,230,441	214,566,639
Other local sources	44,410,339	2,096,389	779,168	186,127,396	57,421,429	290,834,721
Total Revenues	1,091,986,531	2,096,389	23,854,908	187,462,697	127,336,864	1,432,737,389
EXPENDITURES						
Current						
Instruction	728,927,663	-	-	-	16,357,031	745,284,694
Instruction-related services						
Instructional supervision and administration	43,647,891	-	-	-	4,911,948	48,559,839
Instructional library, media, and technology	9,675,823	-	-	-	-	9,675,823
School site administration	78,651,748	-	-	-	98,232	78,749,980
Pupil services						
Home-to-school transportation	36,134,838	-	-	-	77,952	36,212,790
Food services	331,257	-	-	-	58,671,290	59,002,547
All other pupil services	95,533,109	-	-	-	643,639	96,176,748
General administration						
Centralized data processing	21,020,345	-	-	-	-	21,020,345
All other general administration	27,184,611	-	-	-	2,266,764	29,451,375
Plant services	85,886,138	-	166,951	-	16,063,775	102,116,864
Facilities acquisition and maintenance	2,560,414	169,611,050	56,956,739	-	10,328,080	239,456,283
Ancillary services	3,236,728	-	-	-	-	3,236,728
Community services	997,391	-	-	-	-	997,391
Enterprise activities	670,067	-	-	-	73,112	743,179
Transfers to other agencies	1,182,873	-	-	-	-	1,182,873
Debt service						
Principal	2,000,000	-	-	30,222,432	-	32,222,432
Interest and other	2,825,025	-	-	83,789,668	1,970	86,616,663
Total Expenditures	1,140,465,921	169,611,050	57,123,690	114,012,100	109,493,793	1,590,706,554
Excess (Deficiency) of Revenues Over Expenditures	(48,479,390)	(167,514,661)	(33,268,782)	73,450,597	17,843,071	(157,969,165)
Other Financing Sources (Uses)						
Transfers in	111,230,079	-	-	-	3,480,173	114,710,252
Other sources	-	65,095,726	-	232,049,045	102,879,188	400,023,959
Transfers out	(10,609,759)	-	(139,180)	-	(111,598,615)	(122,347,554)
Other uses	-	-	-	(231,198,555)	-	(231,198,555)
Net Financing Sources (Uses)	100,620,320	65,095,726	(139,180)	850,490	(5,239,254)	161,188,102
NET CHANGE IN FUND BALANCE	52,140,930	(102,418,935)	(33,407,962)	74,301,087	12,603,817	3,218,937
Fund Balance - Beginning	76,098,728	579,703,155	125,971,246	158,098,114	40,325,509	980,196,752
Fund Balance - Ending	$ 128,239,658	$ 477,284,220	$ 92,563,284	$ 232,399,201	$ 52,929,326	$ 983,415,689

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Governmental Funds		$ 3,218,937
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay:		
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay:	$ 240,583,033	
Depreciation expense:	(79,948,102)	160,634,931
Debt service:		
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		256,802,432
Debt proceeds:		
In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:		(298,347,014)

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2014

Gain or loss from the disposal of capital assets:	
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:	(2,294,588)
Accreted interest on long-term debt:	
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.	1,627,266
Compensated absences:	
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:	(723,813)
Postemployment benefits other than pensions (OPEB):	
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:	(2,656,736)
Other liabilities not normally liquidated with current financial resources:	
In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:	14,132,940
Amortization of debt issuance premium or discount:	
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:	4,345,798
Internal Service Funds:	
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:	5,444,164
Change in Net Position of Governmental Activities	$ 148,802,872

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities				
	Internal Service Funds				
	Liability Insurance	Property Insurance	Workers' Compensation Fund	Vision Fund	Total
ASSETS					
Current assets					
Cash and cash equivalents	$ 2,921,296	$ 458,965	$ 34,536,537	$ 2,159,978	$ 40,076,776
Accounts receivable	3,261	597	33,679	2,282	39,819
Due from other funds	-	-	35,692,126	123,993	35,816,119
Total Assets	2,924,557	459,562	70,262,342	2,286,253	75,932,714
LIABILITIES					
Current liabilities					
Accrued liabilities	17,400	1,193	-	-	18,593
Due to other funds	13,343	19,446	146,720	-	179,509
Total current liabilities	30,743	20,639	146,720	-	198,102
Non-current liabilities					
Claims payable	2,819,000	-	60,080,000	-	62,899,000
Total non-current liabilities	2,819,000	-	60,080,000	-	62,899,000
Total Liabilities	2,849,743	20,639	60,226,720	-	63,097,102
NET POSITION					
Unrestricted	74,814	438,923	10,035,622	2,286,253	12,835,612
Total Net Position	$ 74,814	$ 438,923	$ 10,035,622	$ 2,286,253	$ 12,835,612

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities				
	Internal Service Funds				
	Liability Insurance	Property Insurance	Workers' Compensation Fund	Vision Fund	Total
OPERATING REVENUE					
Transfers in from other funds	$ 283,019	$ 374,640	$ 23,509,215	$ 1,367,993	$ 25,534,867
Total operating revenues	283,019	374,640	23,509,215	1,367,993	25,534,867
OPERATING EXPENSE					
Salaries and benefits	161,177	251,178	614,865	-	1,027,220
Supplies and materials	193	90,128	2,826	-	93,147
Payments for claims	3,514,794	2,418,787	19,599,909	1,197,441	26,730,931
Total operating expenses	3,676,164	2,760,093	20,217,600	1,197,441	27,851,298
Operating income/(loss)	(3,393,145)	(2,385,453)	3,291,615	170,552	(2,316,431)
NON-OPERATING REVENUES/(EXPENSES)					
Interest income	12,811	2,443	103,268	4,771	123,293
Transfers in	3,975,000	3,662,302	-	-	7,637,302
Total non-operating revenues/(expenses)	3,987,811	3,664,745	103,268	4,771	7,760,595
CHANGE IN NET POSITION	594,666	1,279,292	3,394,883	175,323	5,444,164
Net Position - Beginning	(519,852)	(840,369)	6,640,739	2,110,930	7,391,448
Net Position - Ending	$ 74,814	$ 438,923	$ 10,035,622	$ 2,286,253	$ 12,835,612

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities
	Internal Service Funds
Cash flows from operating activities	
Cash received from user charges	$ 43,164,439
Cash payments for insurance claims	(23,443,618)
Cash payments for payroll, insurance, and operating costs	(1,444,033)
Net cash provided by (used for) operating activities	18,276,788
Cash flows from non-capital financing activities	
Interfund transfers in (out)	7,637,302
Net cash provided by (used for) non-capital financing activities	7,637,302
Cash flows from investing activities	
Interest received	123,293
Net cash provided by (used for) investing activities	123,293
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,037,383
CASH AND CASH EQUIVALENTS	
Beginning of year	14,039,393
End of year	$ 40,076,776
Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	$ (2,316,431)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(28,700)
(Increase) decrease in due from other funds	17,658,272
Increase (decrease) in accounts payable	(323,666)
Increase (decrease) in due to other funds	(554,687)
Increase (decrease) in claims liabilities	3,842,000
Net cash provided by (used for) operating activities	$ 18,276,788

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

SAN DIEGO UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014

		Agency Funds
		Student Body Fund
ASSETS		
Cash and cash equivalents	$	7,266,071
Accounts receivable		60,983
Prepaid expenses		2,303
Other assets		326,292
Total Assets	$	7,655,649
LIABILITIES		
Due to student groups	$	7,655,649
Total Liabilities	$	7,655,649

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

Accountability:

1. The District's Board of Trustees appointed the component units' board of directors.

2. The District is able to impose its will upon the component units, based on the following:

   a. All major financing arrangements, contracts, and other transactions of the component units must have the consent of the District.
   b. The District exercises significant influence over operations of the component units, as the District is the sole lessee of all facilities owned by the component units. Likewise, the District's lease payments are the major revenue source of the component units.

3. The component units provide specific financial benefits or impose specific financial burdens on the District, based on the following:

   a. Any deficits incurred by the component units will be reflected in the lease payments of the District.
   b. Any surpluses of the component units revert to the District at the end of the lease period.
   c. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the component units.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Component Units (continued)

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

Charter Schools – There are 49 charter schools which operate within the District's boundaries. These charter schools receive their funding directly from other government agencies, and have separate governing boards. Each charter school has an independent audit performed annually. The financial information has been grouped by business type, i.e., not-for-profit or governmental. The condensed unaudited financial information for June 30, 2014 is presented below:

	Total Non-Profit	Total Governmental	Total Charter Schools
Total assets	$ 81,260,426	$ 8,751,144	$ 90,011,570
Total liabilities	18,090,530	354,397	18,444,927
Total net assets	$ 63,169,896	$ 8,396,747	$ 71,566,643

Total revenues	$ 159,897,105	$ 7,817,140	$ 167,714,245
Total expenses	152,605,765	7,788,965	160,394,730
Change in net assets	$ 7,291,340	$ 28,175	$ 7,319,515

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

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

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

County School Facilities Fund: This fund is established pursuant to *Education Code Section* 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section* 17070 et seq.).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections* 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Non-Major Governmental Funds

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

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

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section* 8200 et seq.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section* 8328).

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Special Revenue Funds (continued)

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

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

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

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section* 42840).

Proprietary Funds

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

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

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements
The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Governmental Funds
Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period, or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

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

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

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

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

Interfund Balances
On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Compensated Absences
Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Accrued Liabilities and Long-Term Obligations
All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Premiums and Discounts
In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

Deferred Outflows/Deferred Inflows of Resources
In addition to assets, the District will sometimes report 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report 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 and so will not be recognized as an inflow of resources (revenue) until that time.

Fund Balance
Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 65 – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Statement is effective for periods beginning after December 15, 2012. The District has implemented GASB Statement No. 65 for the year ended June 30, 2014. The District has implemented GASB statement No. 65 for the year ended June 30, 2014.

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Statement is effective for periods beginning after June 15, 2014. The District has not yet determined the impact on the financial statements, as it will be based on the liabilities provided by the pensions June 2014 report which is not yet available.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* This standard seeks to clarify certain implementation issues related to amounts that are deferred and amortized at the time GASB 68 is first adopted. It applies to situations in which the measurement date of an actuarial valuation differs from the government's fiscal year. The Statement is effective for periods beginning after June 15, 2014. The District has not yet determined the impact on the financial statements, as it will be based on the liabilities provided by the pensions June 2014 report which is not yet available.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Cash in county	$ 1,011,284,482	$ 39,576,776	$ 1,050,861,258	$ -
Cash on hand and in banks	3,406,773	-	3,406,773	7,266,071
Cash with fiscal agent	-	500,000	500,000	-
Cash in revolving fund	54,000	-	54,000	-
Total cash and cash equivalents	$ 1,014,745,255	$ 40,076,776	$ 1,054,822,031	$ 7,266,071

B. Policies and Practices

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

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

Cash with a Fiscal Agent – The total amount of $500,000 represents cash held by Wells Fargo as a concentration account for the Self-Insurance Fund.

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

NOTE 2 – CASH AND INVESTMENTS (continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $1,050,976,784 and an amortized book value of $1,050,861,258. The average weighted maturity for this pool is 366 days.

NOTE 2 – CASH AND INVESTMENTS (continued)

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2014, the pooled investments in the County Treasury were rated AAAf/S1 by Standard and Poor's.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities	Total Fiduciary
Federal Government							
Categorical aid	$ 16,750,511	$ -	$ -	$ 9,938,098	$ -	$ 26,688,609	$ -
State Government							
Apportionment	35,626,367	-	-	262,929	-	35,889,296	-
Categorical aid	19,961,854	-	-	544,962	-	20,506,816	-
Lottery	8,406,957	-	-	-	-	8,406,957	-
Local Government							
Other local sources	6,191,682	498,506	123,357	2,437,103	39,819	9,290,467	60,983
Total	$ 86,937,371	$ 498,506	$ 123,357	$ 13,183,092	$ 39,819	$ 100,782,145	$ 60,983

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 01, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities				
Capital assets not being depreciated				
Land	$ 271,184,488	$ 1,555,691	$ 721,520	$ 272,018,659
Construction in progress	1,097,384,777	240,583,033	111,014,048	1,226,953,762
Total Capital Assets not Being Depreciated	1,368,569,265	242,138,724	111,735,568	1,498,972,421
Capital assets being depreciated				
Land improvements	237,538,508	8,028,542	1,210,955	244,356,095
Buildings & improvements	1,422,523,233	93,498,467	4,437,027	1,511,584,673
Furniture & equipment	247,185,748	7,931,348	2,267,157	252,849,939
Total Capital Assets Being Depreciated	1,907,247,489	109,458,357	7,915,139	2,008,790,707
Less Accumulated Depreciation				
Land improvements	119,596,559	8,631,790	1,119,871	127,108,478
Buildings & improvements	547,628,068	57,402,941	3,109,971	601,921,038
Furniture & equipment	197,722,236	13,913,371	2,112,229	209,523,378
Total Accumulated Depreciation	864,946,863	79,948,102	6,342,071	938,552,894
Governmental Activities				
Capital Assets, net	$ 2,410,869,891	$ 271,648,979	$ 113,308,636	$ 2,569,210,234

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2014 were as follows:

	Due From Other Funds					
Due To Other Funds	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Self-Insurance	Total
General Fund	$ 990,267	$ 1,154	$ 6,360	$ 2,644,008	$ 35,815,043	$ 39,456,832
Building Fund	2,540,968	735,936	2,146,915	-	-	5,423,819
County School Facilities Fund	3,311,819	13,588,745	3,666,295	12,446	-	20,579,305
Non-Major Governmental Funds	24,299,559	-	24,892	2,189,452	-	26,513,903
Self-Insurance Fund	178,433	-	-	-	1,076	179,509
Total Due From Other Funds	$ 31,321,046	$ 14,325,835	$ 5,844,462	$ 4,845,906	$ 35,816,119	$ 92,153,368

Adult Education Fund due to General Fund for indirect cost, reimbursement of job cost, expenses, and for salary and employee benefits.	$ 165,555
State Preschool Fund due to General Fund for indirect cost, reimbursement of job cost, expenses, and for salary and employee benefits.	6,076,811
Child Development Fund due to General Fund for indirect cost, reimbursement of job cost, expenses, and for salary and employee benefits.	906,063
Cafeteria Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.	15,655,891
Prop S Building 2012 Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.	1,484
Prop Z Building Fund due to General Fund for reimbursement of job cost and other expenses.	2,539,484
Capital Facilities Redevelopment Agency Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.	943,584
Developer Fees Capital Facilities Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.	211,504
County School Facilities Fund due to General Fund for reimbursement of job cost and expense.	3,311,819
Balboa Stadium Fund due to General Fund for reimbursement of expenses.	15,697
Property Management Fund due to General Fund for reimbursement of job cost, expenses, and for salary and employee benefits.	312,331
Liability Insurance Fund due to General Fund for reimbursement of salary and employee benefits.	13,345
Property Insurance fund due to General Fund for reimbursement of job cost and for salary and employee benefits.	18,369
Workers Compensation Fund due to General Fund for reimbursement of expenses and for salary and employee benefits.	146,720
Stores Revolving and SIM Revolving Fund due to General Fund for temporary loan and reimbursement of expenses.	192,096
General Fund due to Stores Revolving and Sim Revolving Fund for reimbursement of expenses.	794,074
Adult Ed Fund due to Stores Revolving for reimbursement of expenses.	577
Cafeteria Fund due to Stores Revolving for reimbursement of expenses.	11,546
SIM Revolving Fund due to Stores Revolving Fund for reimbursement of expenses.	4,096
General Fund due to County School Facilities Fund for reimbursement of expense.	6,360
General Fund due to Prop Z Building fund for reimbursement of expenses.	1,154
Prop S Building Bond Fund due to Prop S Building 2012 Fund for expenditure transfers.	506,924
Prop S Building 2012 Fund due to Prop Z Building Fund for reimbursement of expenses.	251
Prop S Building 2012 Fund due to Prop S State Matching Fund for reimbursement of expenses.	10,329
General Fund due to Adult Education Fund for prior year adj to state apportionment and Tier III Flexibility transfers.	111,087
General Fund due to State Preschool Fund to cover required expenses.	2,339,325
General Fund due to Child Development Fund for expenditure transfers.	27,472
State Preschool Fund due to Child Development Fund for expenditure transfers.	444,554
Child Development Fund due to State Preschool Fund for expenditure transfers.	497,016
Capital Facilities Redevelopment Fund due to State Preschool Fund to cover required expenses.	1,216,793
General Fund due to Cafeteria Fund for one day custodial expenses due to school closure for April fires.	14,880
General Fund due to Property Management Fund for transfers of salary expenditures.	151,243
General Fund due to Workers Compensation Fund for monthly premiums and for loan and interest.	35,691,050
General Fund due to Self Insured Vision Care Fund for monthly premiums.	123,993
County School Facilities Fund due to State Preschool Fund for reimbursement of expenses.	12,446
State Preschool Fund due to County School Facilities Fund for reimbursement of expenses.	24,892
Prop Z State Matching Fund due to Prop Z Building Fund for reimbursement of expenses.	13,588,745
Prop Z State Matching Fund due to County School Facilities Fund for reimbursement of expenses.	3,666,295
Prop Z Building Fund due to Prop S Building 2012 for reimbursement of expenses.	228,761
Prop Z Building Fund due to County School Facilities Fund for reimbursement of expenses.	2,136,587
Balboa Stadium Fund due to Property Management Fund for reimbursement of expenses.	31,089
Property Insurance Fund due to Workers Compensation Fund for reimbursement of expenses.	1,076
Total	$ 92,153,368

NOTE 5 – INTERFUND TRANSACTIONS (continued)

B. Operating Transfers

Interfund transfers for the year ended June 30, 2014 consisted of the following:

	Interfund Transfers In			
Interfund Transfers Out	General Fund	Non-Major Governmental Funds	Self-Insurance	Total
General Fund	$ 966,679	$ 2,263,380	$ 7,379,700	$ 10,609,759
County School Facilities Fund	-	-	139,180	139,180
Non-Major Governmental Funds	110,263,400	1,216,793	118,422	111,598,615
Total Interfund Transfers	$ 111,230,079	$ 3,480,173	$ 7,637,302	$ 122,347,554

Transfer from the General Fund to the State Preschool Fund to cover required expenses.	$ 2,263,380
Transfer from the General fund to the Postemployment Benefits Fund for annual contribution for retirees' medical benefits per un	305,500
Transfer from the General Fund to the Postemployment Benefits Fund per Administrator's Association agreement.	267,744
Transfer from the General Fund to the Liability Insurance Fund for premiums and insurance costs.	3,975,000
Transfer from the General Fund to the Property Insurance Fund for premiums and insurance costs.	3,404,700
Transfer from the Postemployment Benefits Fund to the General Fund for reimbursement of premiums paid for retirees' medical benefits per union contract.	393,435
Transfer from the Facilities Master Plan Fund to the General Fund for Property Sales.	97,700,000
Transfer from the Property Management Fund to the General Fund for Certificated Teacher Moves.	263,400
Transfer from the Mesa CC Mid College Fund to the General Fund as part of the budget solutions for FY 2013/2014.	2,000,000
Transfer from the Capital Facilities Redevelopment Agency Fund to the General Fund for CCDC monies per Original Budget.	7,300,000
Transfer from the Capital Facilities Redevelopment Agency Fund to the General Fund for CCDC monies per Original Budget.	3,000,000
Transfer from the Capital Facilities Redevelopment Agency Fund to the State Preschool Fund to cover required expenses.	1,216,793
Transfer from the County Schools Facilities Fund to the Property Insurance Fund for Birney Fire Upgrades.	139,180
Transfer from the Developer Fee Capital Facilities Fund to the Property Insurance Fund for portable purchased for Birney Fire and then moved to Roosevelt for student population increase.	118,422
Total	$ 122,347,554

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2014 consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities
Payroll	$ 30,281,804	$ 1,263,866	$ -	$ -	$ -	$ 31,545,670
Construction	208,148	24,286,524	3,255,494	2,965,388	-	30,715,554
Vendors payable	22,047,989	-	-	1,378,993	18,593	23,445,575
Other liabilities	13,491,187	-	-	-	-	13,491,187
Total	$ 66,029,128	$ 25,550,390	$ 3,255,494	$ 4,344,381	$ 18,593	$ 99,197,986

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2014, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	$ 12,923	$ -	$ 12,923
State categorical sources	190,318	-	190,318
Local sources	206,604	6,116	212,720
Total	$ 409,845	$ 6,116	$ 415,961

NOTE 8 – TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On July 18, 2013, the District issued $145,000,000 and $75,000,000 of Tax and Revenue Anticipation Notes. The notes matured on January 31, 2014 and June 30, 2014 respectively, yield .15% and .18% interest. The notes were sold by the District to supplement cash flows.

The funds will be held with the trustee, The Depository Trust Company, unless and until the District needs to draw funds out. Repayment requirements are that approximately $220,000,000 principal will be set aside in a repayment fund at the County Treasury and that the note is to be paid on the maturity date.

The monies were required to remain on deposit until maturity, at which time they were applied to pay the interest on the notes. All deposits were made to the Trustee on a timely basis. The District paid the note and is not required to make any additional payments on the note. The District has recorded the cash available to make the principal and interest payments as investments.

NOTE 9 – LONG-TERM DEBT

A schedule of changes in long-term debt, excluding claims payable on self-insurance activities described in Note 15, for the fiscal year ended June 30, 2014 is as follows:

	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 2,349,028,696	$ 264,380,726	$ 254,802,432	$ 2,358,606,990	$ 86,983,508
Unamortized premium*	75,653,633	33,966,288	4,345,798	105,274,123	-
Accreted interest	99,984,024	11,054,962	12,682,227	98,356,759	-
Total general obligation bonds	2,524,666,353	309,401,976	271,830,457	2,562,237,872	86,983,508
Capital leases	2,000,000	-	2,000,000	-	-
Early retirement incentive	14,132,940	-	14,132,940	-	-
Compensated absences	25,148,400	723,813		25,872,213	-
Net OPEB obligation	7,137,745	2,656,736	-	9,794,481	-
Total	$ 2,573,085,438	$ 312,782,525	$ 287,963,397	$ 2,597,904,566	$ 86,983,508

*Per GASB 65 the issuance costs will no longer show net of premium, see footnote 19 for adjustment

General Obligation Bonds

Proposition MM General Obligation Bond Authorization

In November 1998, voters approved the issuance of general obligation bond, not to exceed $1.51 billion (Proposition MM), for the purpose of repairing deteriorating roofs, drainage, heating, plumbing and electrical systems; upgrading fire security, disabled access, science laboratories, wiring for computers; removing hazardous lead paints; building needed libraries; enabling additional class size reduction, building schools and classrooms; and financing the acquisition and improvement of real property in order to address District needs. The District has issued the entire authorization through Series A through G totaling $1.51 billion. The District issued a refunding bond for $1,774.7 million to refund various portions of Proposition MM Series A through G.

Proposition S General Obligation Bond Authorization

On November 4, 2008, voters in San Diego passed the $2.1 billion general obligation bond measure, Proposition S. This bond program will provide resources for the District to repair renovate and revitalize 181 neighborhood schools. Proposition S extends the previously voter approved Proposition MM tax rate of $66.70 per $100,000 of assessed property value until the year 2029. Once the Proposition MM bonds are paid the tax rate will be $60.00 per $100,000 of assessed property value beginning 2030. The District issued Series A through G totaling $585.1 million including Qualified School Construction Bonds.

Proposition Z General Obligation Bond Authorization

On November 6, 2012, San Diego voters approved Proposition Z, a $2.8 billion bond proposition that the District will use to maintain safe and productive learning environments for students. The bond is a Proposition 39 bond, which requires approval from at least 55 percent of voters to pass. The tax rate imposed to meet repayment of the proposed bonds will not exceed $60 per year per $100,000 of assessed valuation of taxable property. The District issued Series A through C totaling $530.0 million.

NOTE 9– LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

The outstanding general obligation bonded debt; not including premium and issuance costs of the District at June 30, 2014 is summarized in the following:

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding June 30, 2013	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2014	Amount Due in One Year
Proposition MM									
1998, Series A	5/27/1999	4.20 - 5.34	2023	$ 139,995,085	$ 64,830,488	$ -	$ -	$ 64,830,488	$ 7,051,795
A - Accreted Interest					69,657,919	7,146,919	7,963,205	68,841,633	-
1998. Series B	12/14/2000	4.40 - 5.35	2025	149,999,084	127,315,188	-	24,081,295	103,233,893	1,225,978
B - Accreted Interest					9,038,772	610,869	4,719,022	4,930,619	-
1998, Series C	11/21/2001	2.95 - 5.00	2026	199,995,712	161,505,000	-	27,770,000	133,735,000	4,490,000
1998, Series D	9/12/2002	2.10 - 5.25	2027	274,995,346	226,925,000	-	5,040,000	221,885,000	5,865,000
1998, Series E	8/19/2003	1.90 - 5.25	2028	349,993,599	301,859,622	-	132,044,622	169,815,000	-
1998, Series F	9/2/2004	1.95 - 5.00	2029	199,996,373	181,470,000	-	33,035,000	148,435,000	3,475,000
1998, Series G	9/8/2005	3.00 - 5.00	2030	195,024,802	165,295,000	-	31,495,000	133,800,000	4,900,000
Subtotal of Original Issue Before Refunding				1,510,000,001	1,307,896,989	7,757,788	266,148,144	1,049,506,633	27,007,773
R-1 Refunding (Various)	3/15/2012	2.00 - 5.00	2030	65,434,442	65,434,442	-	-	65,434,442	-
R-3 Refunding (Various)	4/16/2014	2.00 - 5.00	2029	199,285,000	-	199,285,000	-	199,285,000	-
Total Proposition MM				1,774,719,443	1,373,331,431	207,042,788	266,148,144	1,314,226,075	27,007,773

NOTE 9– LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

The outstanding general obligation bonded debt; not including premium and issuance costs of the District at June 30, 2014 is summarized in the following (continued from schedule on the prior page):

Series	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding June 30, 2013	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2014	Amount Due in One Year
Proposition S									
Series A	5/7/2009	2.50 - 6.19	2033	131,157,581	130,007,026	-	1,336,515	128,670,511	1,305,735
A - Accreted Interest					14,440,400	2,793,448	-	17,233,848	-
Series B QSCB	4/21/2009		2023	38,840,000	38,840,000	-	-	38,840,000	-
Series C	8/18/2010	6.1 - 6.625	2050	163,869,783	169,418,105	-	-	169,418,105	-
C - Accreted Interest					6,846,933	453,586	-	7,300,519	-
Series D QSCB	8/5/2010	5.26	2027	36,130,000	36,130,000	-	-	36,130,000	-
Series E	5/24/2012	4.89 - 5.48	2051	149,998,825	149,998,825	-	-	149,998,825	-
Series F	4/16/2014	1.00 - 5.00	2016	15,095,000	-	15,095,000	-	15,095,000	3,170,000
Series G	4/16/2014	5.18 - 5.58	2038	50,000,726	-	50,000,726	-	50,000,726	-
G - Accreted Interest					-	50,140	-	50,140	-
Total Proposition S				585,091,915	545,681,289	68,392,900	1,336,515	612,737,674	4,475,735
Proposition Z									
2013, Series A	4/30/2013	0.342	2014	52,500,000	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	3,000,000
2013, Series B	4/30/2013	1.215	2015	60,500,000	60,500,000	-	-	60,500,000	-
2013, Series C	4/30/2013	4.00 - 5.00	2042	414,000,000	414,000,000	-	-	414,000,000	-
Total Proposition Z				530,000,000	530,000,000	-	-	530,000,000	55,500,000

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 Series A

Year Ended June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2015	$ 7,051,795	$ -	$ 7,963,205	$ 15,015,000
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	6,505,549	-	11,059,451	17,565,000
2020-2024	30,917,833	-	68,032,167	98,950,000
Total	$ 64,830,488	$ -	$ 115,444,512	$ 180,275,000

Capital appreciation bonds were issued as part of the Series A issuance with maturity dates from July 1, 2004 through 2023. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued of $68,841,633 has not been reflected in the long-term debt balance in the schedule above.

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 Series B

Year Ended June 30,	Principal	Interest	Total Debt Service
2015	$ 1,225,978	$ 5,063,328	$ 6,289,305
2016	1,182,915	3,222,875	4,405,790
2017	6,685,000	3,222,875	9,907,875
2018	7,560,000	3,222,875	10,782,875
2019	8,805,000	3,222,875	12,027,875
2020-2024	37,975,000	14,813,350	52,788,350
2025-2029	39,800,000	1,932,300	41,732,300
Total	$ 103,233,893	$ 34,700,478	$ 137,934,371

Capital appreciation bonds were issued as part of the Series B issuance with maturity dates from July 1, 2004 through 2015. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. Accreted interest accrued of $4,930,619 has not been reflected in the long-term debt balance in the schedule above.

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 Series B (continued)

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

1998 Series C

Year Ended June 30,	Principal	Interest	Total Debt Service
2015	$ 4,490,000	$ 7,194,475	$ 11,684,475
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
2020-2024	57,810,000	26,852,100	84,662,100
2025-2029	66,185,000	5,855,988	72,040,988
Total	$ 133,735,000	$ 67,312,713	$ 201,047,713

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series C bonds included a premium of $15,332,829. This amount is amortized using a straight-line method. Amortization of $623,286 was recognized during the 2013-14 year. In addition, the District incurred issuance costs of $1,671,006.

Capital appreciation bonds were issued as part of the Series C issuance with maturity dates from July 1, 2004 through 2012, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component.

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

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 Series D

Year Ended June 30,	Principal	Interest	Total Debt Service
2015	$ 5,865,000	$ 11,391,025	$ 17,256,025
2016	6,750,000	11,075,650	17,825,650
2017	7,700,000	10,714,400	18,414,400
2018	7,895,000	10,304,788	18,199,788
2019	8,975,000	9,840,863	18,815,863
2020-2024	64,120,000	39,918,250	104,038,250
2025-2029	120,580,000	13,530,713	134,110,713
Total	$ 221,885,000	$ 106,775,689	$ 328,660,689

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series D bonds included a premium of $12,104,117. This amount is amortized using a straight-line method. Amortization of $488,069 was recognized during the 2013-14 year. In addition, the District incurred issuance costs of $2,073,510.

Capital appreciation bonds were issued as part of the Series D issuance with maturity dates from July 1, 2004 through 2010, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. The accreted interest accrued has been redeemed, there is no accreted interest reflected in the long-term debt balance.

During fiscal year 2004-05, the District issued its Series D-1 and D-2 and D-3 General Obligation Refunding Bonds (the Series D Refunding Bonds), the proceeds of which were used to redeem certain maturities of the Series D General Obligation Bonds, on a crossover refunding basis.

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 Series E

Year Ended June 30,	Principal	Interest	Total Debt Service
2015	$ -	$ 8,951,100	$ 8,951,100
2016	-	8,951,100	8,951,100
2017	-	8,951,100	8,951,100
2018	-	8,951,100	8,951,100
2019	-	8,951,100	8,951,100
2020-2024	-	44,755,500	44,755,500
2025-2029	169,815,000	27,289,225	197,104,225
Total	$ 169,815,000	$ 116,800,225	$ 286,615,225

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series E bonds included a premium of $13,791,022. This amount is amortized using a straight-line method. Amortization of $553,856 was recognized during the 2013-14 year. In addition, the District incurred issuance costs of $2,909,922.

Capital appreciation bonds were issued as part of the Series E issuance with maturity dates from July 1, 2005 through 2013, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component. The accreted interest accrued has been redeemed in the current year, there is no accreted interest reflected in the long-term debt balance.

During fiscal year 2004-05, the District issued its Series E-1 and E-2 General Obligation Refunding Bonds (the Series E Refunding Bonds), the proceeds of which were used to redeem certain maturities of the Series E General Obligation Bonds, on a crossover refunding basis. The Series E Bonds to be redeemed will remain outstanding until July 1, 2013 (the Series E Crossover Date), upon which time proceeds of the Series E Refunding Bonds will be used to redeem the principal and premium, if any, of the specific maturities to be redeemed. Principal of $132,044,622 of the Series E Bonds was redeemed on July 1, 2013.

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 Series F

Year Ended June 30,	Principal	Interest	Total Debt Service
2015	$ 3,475,000	$ 6,970,889	$ 10,445,889
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
2020-2024	6,345,000	34,269,424	40,614,424
2025-2029	72,520,000	28,266,956	100,786,956
2030-2034	66,095,000	1,487,138	67,582,138
Total	$ 148,435,000	$ 98,626,027	$ 247,061,027

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The amount of the premium remaining after the 2006 refunding is $2,153,823. This amount is amortized using a straight-line method. Amortization of $94,882 was recognized during of 2013-14 year. In addition, the District incurred issuance costs of $442,063.

Capital appreciation bonds were issued as part of the Series F issuance with maturity dates from July 1, 2006 through 2012, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity date and payable only upon maturity or prior payment of the principal component.

On November 14, 2006 the District issued $144,960,000 in current interest bonds, Series F-1. Interest rates range from 4.0% to 5.25% payable semiannually on January 1 and July 1. The proceeds were issued to pay off portions of the 1998 Election, Series F general obligation bonds. The proceeds were placed into an irrevocable trust escrow account and will be used to fund future required principal and interest payments of the refunded bonds. The refunded portions of the bonds are considered in-substance defeased and are not recorded on the financial statements.

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 Series G

Year Ended June 30,	Principal	Interest	Total Debt Service
2015	$ 4,900,000	$ 6,238,231	$ 11,138,231
2016	4,800,000	6,054,031	10,854,031
2017	4,650,000	5,872,006	10,522,006
2018	-	5,785,981	5,785,981
2019	-	5,785,981	5,785,981
2020-2024	-	28,929,906	28,929,906
2025-2029	73,995,000	23,881,300	97,876,300
2030-2034	45,455,000	1,021,647	46,476,647
Total	$ 133,800,000	$ 83,569,083	$ 217,369,083

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The amount of the premium remaining after the 2006 refunding is $3,911,207. This amount is amortized using a straight-line method. Amortization of $172,299 was recognized during of 2013-14 year. In addition, the District incurred issuance costs of $712,658.

On November 14, 2006 the District issued $117,705,000 in current interest bonds, Series G-1. Interest rates range from 4.0% to 5.25% payable semiannually on January 1 and July 1. The proceeds were issued to pay off portions of the 1998 Election, Series G general obligation bonds. The proceeds were placed into an irrevocable trust escrow account and will be used to fund future required principal and interest payments of the refunded bonds. The refunded portions of the bonds are considered in-substance defeased and are not recorded on the financial statements.

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 R-1 and R-2 Refunding

Year Ended June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2015	$ -	$ -	$ -	$ -
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020-2024	-	-	-	-
2025-2029	-	-	-	-
2030-2034	65,434,442	-	99,255,558	164,690,000
Total	$ 65,434,442	$ -	$ 99,255,558	$ 164,690,000

On March 15, 2012 the District issued $65,434,442 in current interest bonds, to refund various Proposition MM bonds. Interest rates range from 4.0% to 5.25% payable semiannually on January 1 and July 1. The proceeds were issued to pay off portions of the 1998 Election, Series A, general obligation bonds. The proceeds were placed into an irrevocable trust escrow account and will be used to fund future required principal and interest payments of the refunded bonds. The refunded portions of the bonds are considered in-substance defeased and are not recorded on the financial statements.

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

1998 R-3 Refunding

Year Ended June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2015	$ -	$ 6,907,100	$ -	$ 6,907,100
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
2020-2024	123,350,000	18,593,875	-	141,943,875
2025-2029	12,780,000	1,027,250	-	13,807,250
2030-2034	2,685,000	67,125	-	2,752,125
Total	$ 199,285,000	$ 61,815,650	$ -	$ 261,100,650

On April 16, 2014 the District issued $199,285,000 in current interest bonds, to refund various Proposition MM bonds.. Interest rates range from 4.0% to 5.25% payable semiannually on January 1 and July 1. The proceeds were issued to pay off portions of the 1998 Election, Series B, C, E, F, and G general obligation bonds. The proceeds were placed into an irrevocable trust escrow account and will be used to fund future required principal and interest payments of the refunded bonds. The refunded portions of the bonds are considered in-substance defeased and are not recorded on the financial statements.

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

2008 Series A

Year Ended June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2015	$ 1,305,735	$ -	$ 234,265	$ 1,540,000
2016	1,085,319	-	264,681	1,350,000
2017	1,004,269	-	315,731	1,320,000
2018	848,543	-	336,457	1,185,000
2019	794,801	-	395,199	1,190,000
2020-2024	4,952,880	35,999,100	3,047,120	43,999,100
2025-2029	28,677,891	39,999,000	49,147,109	117,824,000
2030-2034	90,001,073	28,829,400	115,168,927	233,999,400
Total	$128,670,511	$104,827,500	$168,909,488	$402,407,500

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series A bonds included a premium of $3,503,141 that was used to pay for bond issuance costs in the same amount. These amounts were amortized using the straight-line method. Premium amortization of $144,758 amortization was recognized during the 2013-14 year.

Capital appreciation bonds were issued as part of the Series A issuance with a maturity date of July 1, 2033, each capital appreciation bond will accrete interest on the principal component, with all interest accreting through the applicable maturity $17,233,848 has not been reflected in the long-term debt balance in the table above.

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

2008 Series B

Year Ended June 30,	Principal	Interest	Total Debt Service
2015	$ -	$ -	$ -
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	3,840,000	-	3,840,000
2020-2024	35,000,000	-	35,000,000
Total	$ 38,840,000	$ -	$ 38,840,000

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.

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

2008 Series C

Year Ended June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2015	$ -	$ -	$ -	$ -
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020-2024	-	-	-	-
2025-2029	-	-	-	-
2030-2034	18,723,933	63,494,331	48,806,067	131,024,331
2035-2039	27,169,459	90,706,188	116,230,541	234,106,188
2040-2044	86,436,779	53,053,663	320,258,221	459,748,663
2045-2049	36,605,888	23,546,244	248,239,112	308,391,244
2050-2053	482,046	174,238	1,277,954	1,934,238
Total	$ 169,418,105	$ 230,974,663	$ 734,811,895	$ 1,135,204,663

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The amount of the premium is $35,886,872. This amount is amortized using a straight-line method. Amortization of $147,911 was recognized during the 2013-14 year. In addition, the District incurred issuance costs of $2,149,921.

Capital appreciation bonds were issued as part of the Series C issuance with a maturity date of July 1, 2050, each capital appreciation bond will accrete interest on the principal component with all interest accreting through the applicable maturity $7,300,519 has been reflected in the long-term debt balance.

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

2008 Series D

Year Ended June 30,	Principal	Interest	Total Debt Service
2015	$ -	$ 136,832	$ 136,832
2016	-	136,832	136,832
2017	-	136,832	136,832
2018	-	136,832	136,832
2019	-	136,832	136,832
2020-2024	-	615,742	615,742
2025-2029	36,130,000	-	36,130,000
Total	$ 36,130,000	$ 1,299,900	$ 37,429,900

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.

NOTE 9 – LONG-TERM DEBT (continued)

2008 Series E

Year Ended June 30,	Principal	Interest	Accreted Interest	Total Debt Service
2015	$ -	$ -	$ -	$ -
2016	-	-	-	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020-2024	-	-	-	-
2025-2029	-	-	-	-
2030-2034	11,361,336	21,095,981	21,598,664	54,055,981
2035-2039	23,195,839	68,663,563	47,014,161	138,873,563
2040-2044	26,310,403	54,194,628	48,969,597	129,474,628
2045-2049	62,636,223	17,831,428	155,127,459	235,595,109
2050-2053	26,495,024	-	179,517,985	206,013,009
Total	$149,998,825	$161,785,600	$452,227,866	$764,012,290

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series E bonds included a premium of $887,319 that was used to pay for bond issuance costs in the same amount. These amounts were amortized using the straight-line method. Premium amortization of $22,693 was recognized during the 2013-14 year.

2008 Series F

Year Ended June 30,	Principal	Interest	Total Debt Service
2015	$ 3,170,000	$ -	$ 3,170,000
2016	-	144,315	144,315
2017	11,925,000	298,125	12,223,125
Total	$ 15,095,000	$ 442,440	$ 15,537,440

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series F bonds included a premium of $887,319 that was used to pay for bond issuance costs in the same amount.

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

2008 Series G

Year Ended June 30,	Principal	Accreted Interest	Total Debt Service
2015	$ -	$ -	$ -
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020-2024	-	-	-
2025-2029	-	-	-
2030-2034	13,250,929	21,399,071	34,650,000
2035-2039	36,749,798	86,035,202	122,785,000
Total	$ 50,000,726	$107,434,274	$157,435,000

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The Series G bonds included a premium of $887,319 that was used to pay for bond issuance costs in the same amount.

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

2013 Series A

Year Ended June 30,	Principal	Interest	Total Debt Service
2015	$ 52,500,000	$ 89,775	$ 52,589,775
Total	$ 52,500,000	$ 89,775	$ 52,589,775

2013 Series A-1

Year Ended June 30,	Principal	Interest	Total Debt Service
2015	$ 3,000,000	$ 6,390	$ 3,006,390
Total	$ 3,000,000	$ 6,390	$ 3,006,390

NOTE 9 – LONG-TERM DEBT (continued)

General Obligation Bonds (continued)

2013 Series B

Year Ended June 30,	Principal	Interest	Total Debt Service
2015	$ -	$ 735,000	$ 735,000
2016	60,500,000	367,500	60,867,500
Total	$ 60,500,000	$ 1,102,500	$ 61,602,500

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The amount of the premium is $970,710. This amount is amortized using a straight-line method. Amortization of $448,020 was recognized during the 2013-14 year. In addition, the District incurred issuance costs of $264,328.

2013 Series C

Year Ended June 30,	Principal	Interest	Total Debt Service
2015	$ -	$ 17,228,900	$ 17,228,900
2016	7,000,000	17,211,400	24,211,400
2017	-	17,193,900	17,193,900
2018	-	17,193,900	17,193,900
2019	-	17,193,900	17,193,900
2020-2024	9,900,000	85,494,725	95,394,725
2025-2029	26,865,000	81,677,725	108,542,725
2030-2034	53,690,000	72,292,750	125,982,750
2035-2039	112,240,000	54,347,950	166,587,950
2040-2044	204,305,000	18,159,700	222,464,700
Total	$414,000,000	$397,994,850	$811,994,850

Proceeds received in excess of debt are added to the maturity amount and amortized to interest expense over the life of the liability. The amount of the premium is $25,605,087. This amount is amortized using a straight-line method. Amortization of $887,889 was recognized during the 2013-14 year. In addition, the District incurred issuance costs of $2,347,177.

NOTE 9 – LONG-TERM DEBT (continued)

Early Retirement Incentive

In 2008-09, the District offered an early retirement incentive, through the Public Agency Retirement Services, which was accepted by 1,062 certificated and classified employees, who were eligible to retire under STRS or PERS and who had at least 5 years of district service. A benefit of 100% of the employee's contract salary was paid to each employee in exchange for their early retirement. The District projects a net cost savings for the non-replacement employees over the next five years to be $31.9 million. The total liability for the incentive paid amounts to $70,893,394, there are no payments outstanding as of June 30, 2014.

Capital Lease

On April 10, 2010 the District entered in to a lease agreement with the City of San Diego for a portion of the building known as the "New San Diego Central Library" for an initial Lease term of 40 years starting on first day of the first month following occupancy date.

The District will prepay using Proposition S Funds as follows:

- Five Million Dollars ($5,000,000) shall be paid on the Commencement of Construction.

- Five Million Dollars ($5,000,000) shall be paid when the Building is twenty-five percent (25%) complete, as certified by project architect.

- Five Million Dollars ($5,000,000) shall be paid when the Building is fifty percent (50%) complete, as certified by project architect.

- Three Million Dollars ($3,000,000) shall be paid when the Building is seventy-five percent (75%) complete, as certified by project architect.

- Two Million Dollars ($2,000,000) shall be paid upon Completion of Construction.

As of June 30, 2014 the capital lease has been paid off.

NOTE 10 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2014:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable						
Revolving cash	$ 54,000	$ -	$ -	$ -	$ -	$ 54,000
Stores inventory	1,902,850	-	-	-	823,636	2,726,486
Prepaid expenditures	431,050	-	-	-	2,537	433,587
Total non-spendable	2,387,900	-	-	-	826,173	3,214,073
Restricted						
Educational programs	31,796,277	-	-	-	4	31,796,281
Capital projects	-	477,284,220	92,563,284	-	50,013,496	619,861,000
Debt service	-	-	-	232,399,201	-	232,399,201
All others	-	-	-	-	734,515	734,515
Total restricted	31,796,277	477,284,220	92,563,284	232,399,201	50,748,015	884,790,997
Committed						
Adult education	-	-	-	-	226,062	226,062
Deferred maintenance	-	-	-	-	180,858	180,858
Total committed	-	-	-	-	406,920	406,920
Assigned						
Other assignments	41,729,160	-	-	-	-	41,729,160
Post employment benefits	1,618,803	-	-	-	-	1,618,803
Child development	-	-	-	-	12,731	12,731
Cafeteria	-	-	-	-	457,017	457,017
Pupil transportation	-	-	-	-	478,470	478,470
Total assigned	43,347,963	-	-	-	948,218	44,296,181
Unassigned						
Reserve for economic uncertainties	22,483,000	-	-	-	-	22,483,000
Remaining unassigned	28,224,518	-	-	-	-	28,224,518
Total unassigned	50,707,518	-	-	-	-	50,707,518
Total	$ 128,239,658	$ 477,284,220	$ 92,563,284	$ 232,399,201	$ 52,929,326	$ 983,415,689

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

NOTE 11 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The District administers two types of postemployment benefits plans: (1) a defined contribution plan that provides a monthly stipend for eligible employees, who are under age 67 and with 17 years of service or more; and, (2) an implicit rate subsidy for all retirees that elect to purchase benefits at the District's negotiated insurance premium rates. Each plan is described as follows:

Defined Contribution Monthly Stipend Plan

The District administers a defined contribution postemployment health care benefit plan, whereby a contribution is made by the District each year, pursuant to collective bargaining agreements, for the payment of monthly benefits to the plan members. The contribution is calculated using a base amount plus cost-of-living percentage increases equal to negotiated increases in salary schedules.

According to bargaining agreements with the various bargaining units the District is obligated to contribute specified annual amounts to each of the bargaining units. District contributions end if they are not re-negotiated and included in subsequent bargaining agreements. The bargaining units are responsible for establishing the amount of the monthly stipend distributed to eligible retirees. The monthly distributions are based on periodic projections of the available funds and number of participating retirees.

The stipend arrangement does not result in a GASB No. 45 obligation and the actuary has not included this benefit in the valuation. As of July 1, 2013, 949 retirees received a monthly stipend.

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

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	949
Active plan members	11,646
Total	12,595
Number of participating employers	1

As of July 1, 2013 actuarial study

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the District's Governing Board.

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$	5,452,162
Interest on net OPEB obligation		321,199
Adjustment to annual required contribution		(355,678)
Annual OPEB cost (expense)		5,417,683
Contributions made		(2,760,947)
Increase (decrease) in net OPEB obligation		2,656,736
Net OPEB obligation, beginning of the year		7,137,745
Net OPEB obligation, end of the year	$	9,794,481

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

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2014 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2014	$ 5,417,683	51%	$ 9,794,481
2013	$ 4,101,470	68%	$ 7,137,745
2012	$ 3,870,576	73%	$ 5,840,945

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	$ -	$ 63,433,214	$ 63,433,214	0%	$ 772,445,263	8%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The District obtains a new actuarial every two years.

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	7/1/2013
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level-percentage of payroll
Remaining Amortization Period	24
Actuarial Assumptions:	
Discount rate	4.5%
Health care trend rate	5.0%

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

California State Teachers' Retirement System (CalSTRS)

Plan Description
The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Funding Policy
Active plan members are required to contribute 8.0% of their salary for fiscal year 2014 and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-14	$ 42,920,415	100%
2012-13	$ 42,199,685	100%
2011-12	$ 42,099,065	100%

On-Behalf Payments
The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $26,555,592 to CalSTRS (5.204% of 2011-12 creditable compensation subject to CalSTRS).

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS (continued)

California Public Employees' Retirement System (CalPERS)

Plan Description
The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy
Active plan members who entered into the plan prior to January 1, 2013 are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2014 was 11.442% of annual payroll. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-14	$ 26,165,377	100%
2012-13	$ 25,037,744	100%
2011-12	$ 23,643,982	100%

NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

NOTE 13 – COMMITMENTS AND CONTINGENCIES (continued)

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

C. Construction Commitments

Capital Projects	Remaining Construction Commitment Less Accruals	Capital Projects	Remaining Construction Commitment Less Accruals
Jefferson ES Front Entrance	701,297	Downtown Charter HS	250,000
Cubberley ES storm drain repair	4,000	Knox ES - WSM & New Classrm. Bldg.	80,760
K2 Modifications Chavez ES	4,460	CPMA - PAC	140,864
K2 Modifications Jefferson ES	(18,908)	CPMA - WSM	1,578,438
K2 Modifications Rosa Parks	8,328	Millenial Tech MS New Classroom Bldg.	59,271
San Diego HS Remove/Replace 12K Volt Elec Substation	414,821	Salk ES New School	816,173
Webster ES - HVAC Upgrade	20,415	Chollas ES WSM	1,169,418
Euclid ES - New Classroom Bldg.	2,415	SCPA Live Broadcast & Live Theatre	605,777
Hoover HS Building Remodel (AOIT)	36,101	Hamilton ES WSM	5,599,930
HVAC 2000 Region 1 - Scripps Ranch HS	4,199,858	Patrick Henry HS New Theater	14,994,635
HVAC 2000 Region 1 - Hickman ES	88,034	Patrick Henry HS WSM	18,442,628
HVAC 2000 Region 1 - Tierrasanta ES	63,335	Kearny HS Stadium & Athletic Fields	6,872,302
HVAC 2000 Region 1 - Vista Grande ES	96,214	Kearny HS Track and Field	1,054,489
HVAC 2000 Region 1 - Miramar Ranch ES	166,944	Mission Bay HS Athletic Field Upgrade	7,253,325
HVAC 2000 Region 1 - Mason ES	204,025	Audubon ES Slope Repair	121,895
HVAC 2000 Region 1 - Hage ES	1,552,093	Clairemont HS (AOBT)	4,905,968
HVAC 2000 Region 1 - Spreckels ES	114,591	Pershing MS WSM	13,821,373
HVAC 2000 Region 1 - Sandburg ES	137,174	SDHS Sci-Tech CTE	1,548,822
HVAC 2000 Region 1 - Dingeman ES	1,501,605	UCHS Athletic & Site Improvements	16,300,677
HVAC 2000 Region 2 - Language Academy	182,128	Dana MS Baseball Field	1,243,390
HVAC 2000 Region 2 - Green ES	18,548	Green ES Running Track	210,840
HVAC 2000 Region 2 - Gage ES	1,801,953	Bell MS WSM	17,592,795
HVAC 2000 Region 3 - Marshall ES	2,544,757	Standley MS 12KV Sub-Station	820,700
HVAC 2000 Region 4 - Valencia Park ES	1,011,791	Sherman ES Stage Lighting	61,980
HVAC 2000 Region 4 - Nye ES	1,216,835	Correia MS Exterior Paint	70,000
HVAC 2000 Region 4 - Oak Park ES	1,784,864	San Diego HS Exterior Paint	174,000
HVAC 2000 Region 4 - Carver ES	1,593,305	Serra HS Exterior Paint	162,000
HVAC 2000 Region 5 - Zamorano ES	1,629,090	Challenger MS Exterior Paint	72,000
HVAC 2000 Region 5 - Audubon ES	1,528,103	Clark MS Exterior Paint	219,000
HVAC 2000 Region 5 - Freese ES	1,731,399	Deportola MS Exterior Paint	113,800
ERATE - AT&T Yr 12	8,010,140	Farb MS Exterior Paint	79,400
ERATE - AT&T Yr 14	4,864,466	Kearny HS Exterior Paint	196,660
ERATE - Vector Yr 12	2,300,322	Morse HS Exterior Paint	259,000
ERATE - Vector Yr 14	2,044,638	Scripps Ranch HS Exterior Paint	316,849
K2 Modifications Miramar Ranch ES	40,113	Taft MS Exterior Paint	87,800
K2 Modifications Vista Grande	33,666	Emerson/Bandini ES New ST Field	406,819
K2 Modifications Balboa ES	139,360	Fulton ES New ST Field	758,307
		PPO	236,978
		Total	160,471,343

NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES

In November 2003, the Board approved the establishment of San Diego City Schools Financing Authority, a JPA between the San Diego Board of Education and the District. The purpose of this JPA is to provide assistance to the District in connection with the financing and refinancing of public capital improvements within the criteria of QZAB. In order to accomplish this, the Board approved a lease agreement between the JPA and the District whereby the District would lease certain parcels of real property including improvements to the Authority and a sublease whereby the District would rent these properties. The rental payments would be used to finance the repayment of bonds.

In November 2003, the JPA issued $5 million of Lease Revenue Bonds to be used for construction improvements. These bonds will be repaid over a period of 15 years. At the same time, the District deposited $2,823,818 into an escrow account for the repayment of Lease Revenue Bonds. The fair market value of investment at June 30, 2014 is $4,133,468. This deposit is considered full payment over the term of the $5 million debt. There is no liability in these financial statements because the debt is considered in-substance defeased.

NOTE 15 – INTERNAL SERVICE FUNDS

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

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

At June 30, 2014, 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 $62.9 million. Changes in the reported liability are shown below:

	General Liability	Workers' Compensation	Total
Liability Balance, July 01, 2013	$ 2,639,000	$ 56,418,000	$ 59,057,000
Claims & changes in estimates	(3,334,794)	(15,937,909)	(19,272,703)
Claims payments	3,514,794	19,599,909	23,114,703
Liability Balance, June 30, 2014	$ 2,819,000	$ 60,080,000	$ 62,899,000

NOTE 16 – NEGATIVE FUND BALANCE - INTERNAL SERVICE FUNDS

Liability Fund – Claims payable is the total outstanding claim liabilities as of June 30, 2014 for the Fund from the Actuarial Study and not actual claims payable during the fiscal year

Property Fund – Deficit balance is due to the higher insurance premiums for newly constructed buildings and the higher number of flood, fire, and theft incidents/claims under the insurance tier depleting all cash reserves.

NOTE 17 – SUBSEQUENT EVENTS

Tax Revenue Anticipation Notes

The District issued $160,000,000 of Tax Revenue Anticipation Notes dated July 30, 2014. The notes were sold by the District to supplement its cash flow. The notes mature on June 30, 2015 and are priced to yield .12%. The funds will be held with the trustee until the District needs to draw funds out. Repayment requirements are approximately $160,000,000 in principal plus $2,153,333 in interest.

Supplementary Retirement Plan

In November 2014, the District issued a SDEA Supplementary Retirement Plan. As of the financial statement date, there are 478 participants with a potential liability of $38.5 million which included the PARS fees.

NOTE 18 – DEFERRED OUTFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the District recognized deferred outflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2014, the deferred amount on refunding was $6,618,555.

NOTE 19 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to reflect the elimination of amortization of debt issuance costs in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	$ 845,234,439
Restatement	(19,861,787)
Net Position - Beginning, as Restated	$ 825,372,652

REQUIRED SUPPLEMENTARY INFORMATION

SAN DIEGO UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 603,175,468	$ 770,246,059	$ 777,393,443	$ 7,147,384
Federal sources	89,127,043	108,228,474	97,257,592	(10,970,882)
Other state sources	276,231,845	146,416,430	145,336,353	(1,080,077)
Other local sources	56,802,898	46,494,412	44,404,355	(2,090,057)
Total Revenues	1,025,337,254	1,071,385,375	1,064,391,743	(6,993,632)
EXPENDITURES				
Certificated salaries	517,602,972	532,126,542	526,316,689	5,809,853
Classified salaries	194,646,675	196,533,635	192,619,151	3,914,484
Employee benefits	297,638,263	292,436,528	280,672,700	11,763,828
Books and supplies	44,866,935	65,155,807	37,273,303	27,882,504
Services and other operating expenditures	65,521,122	76,276,647	76,284,089	(7,442)
Capital outlay	10,701,568	10,482,266	1,828,287	8,653,979
Other outgo				
Excluding transfers of indirect costs	1,400,000	1,018,471	1,182,873	(164,402)
Transfers of indirect costs	(2,423,498)	(2,281,566)	(2,266,763)	(14,803)
Total Expenditures	1,129,954,037	1,171,748,330	1,113,910,329	57,838,001
Excess (Deficiency) of Revenues				
Over Expenditures	(104,616,783)	(100,362,955)	(49,518,586)	50,844,369
Other Financing Sources (Uses)				
Transfers in	110,569,975	110,665,705	110,656,835	(8,870)
Transfers out	(6,868,245)	(10,481,062)	(10,216,324)	264,738
Net Financing Sources (Uses)	103,701,730	100,184,643	100,440,511	255,868
NET CHANGE IN FUND BALANCE	(915,053)	(178,312)	50,921,925	51,100,237
Fund Balance - Beginning	75,698,930	75,698,930	75,698,930	75,698,930
Fund Balance - Ending	$ 74,783,877	$ 75,520,618	$ 126,620,855	$ 126,799,167

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

- On behalf payments of $26,555,592 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Revenue Fund for Postemployment Benefits in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to required supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2014

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

See accompanying note to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

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

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2014, the District incurred expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

	Expenditures and Other Uses		
	Budget	**Actual**	**Excess**
General Fund			
Services and other operating expenditures	$ 76,276,647	$ 76,284,089	$ 7,442
Other outgo			
Excluding transfers of indirect costs	$ 1,018,471	$ 1,182,873	$ 164,402

SUPPLEMENTARY INFORMATION

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Emergency Response Secure Our School	84.184E	*	$ 139,112
Advanced Placement Incentive Program Grant	84.330C	14504	233,380
Magnet School Assistance Program	84.165	*	1,660,385
Arts in Education Model Development and Dissemination Grants	84.351D	*	226,225
CA Gear Up	*	*	24,495
JROTC	*	*	1,120,901
Federal Impact Aid	84.041	10015	10,490,452
Subtotal Direct Programs			13,894,950
Passed through California Department of Education:			
Title I, Part A Cluster			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	37,515,670
Title I, Part A, Program Improvement LEA Corrective Action Plan	84.010	14955	2,678,015
Subtotal Title I, Part A Cluster			40,193,685
Title I, School Improvement Grant	84.377	15127	544,134
Title II, Part A, Administrator Training	84.367	14344	7,051,839
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	4,050,485
Title III, Immigrant Education Program	84.365	15146	281
Indian Education	84.060	10011	55,231
Federal Impact Aid/ SPED	84.041	14792	1,959,101
Safe and Supportive Schools Programmatic Intervention	84.184	15164	240,439
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	19,472,320
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	274,668
IDEA Preschool Grants, Part B, Sec 619	84.173	13430	844,721
State Improvement Grant, Improving Special Ed Systems	84.323	14920	10,888
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	1,136,574
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	12,350
IDEA Mental Health Allocation Plan Part B, Sec 611	84.027A	14468	1,269,701
IDEA Quality Assurance & Focused Monitoring	84.027A	13693	19,723
Subtotal Special Education Cluster			23,040,945

See accompanying note to supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
IDEA Early Intervention Grants	84.181	23761	297,053
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	958,271
Department of Rehab: Workability II, Transition Partnership	84.158	10006	633,971
Total U. S. Department of Education			92,920,385
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
Needy School Breakfast Program	10.553	13526	12,854,252
National School Lunch Program	10.555	13523	30,498,315
Basic School Breakfast Program	10.553	13525	178,972
Summer Food Service Program	10.553		745,090
Child Care Food Program (CCFP)	10.558	13394	4,612,554
Subtotal Child Nutrition Cluster			48,889,183
USDA Commodities	10.558	13389	2,872,586
Total U. S. Department of Agriculture			51,761,769
U. S. DEPARTMENT OF DEFENSE:			
Direct Federal to Local Funding:			
Thrive and Learn	*	*	356,798
Operation World Language	*	*	128,204
Operation Student Virtual Learning	*	*	1,032,010
OP Student Success	*	*	184,206
OP Student Achievement	*	*	267,654
Subtotal Direct Programs			1,968,872
Total U. S. Department of Defense			1,968,872
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Direct Federal to Local Funding:			
AIDS Prevention Instruction	*	23044	205,632
Federal Child Care Center Based	*	*	413,625
Subtotal Direct Programs			619,257
Passed through Neighborhood House Association:			
Head Start Program	93.600	10016	4,547,200
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	2,189,393
Total U. S. Department of Health & Human Services			7,355,850
Total Federal Expenditures			$ 154,006,876

* - PCS or CFDA Number not available or not applicable

See accompanying note to supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2014

	Second Period Report	*Revised Second Period Report	Annual Report	*Revised Annual Report
SCHOOL DISTRICT				
TK/K through Third				
Regular ADA	37,802.22	37,423.37	37,361.54	37,285.03
Special Education	49.29	49.05	50.99	50.99
Total TK/K through Third	37,851.51	37,472.42	37,412.53	37,336.02
Fourth through Sixth				
Regular ADA	24,535.55	24,535.56	24,459.40	24,422.92
Special Education	77.86	77.86	78.52	78.52
Community Day School	3.00	3.00	2.91	2.91
Total Fourth through Sixth	24,616.41	24,616.42	24,540.83	24,504.35
Seventh through Eighth				
Regular ADA	14,526.56	14,526.71	14,467.53	14,454.39
Special Education	60.62	60.62	61.80	61.80
Community Day School	11.10	11.10	16.21	16.21
Total Seventh through Eighth	14,598.28	14,598.43	14,545.54	14,532.40
Ninth through Twelfth				
Regular ADA	28,795.46	29,192.44	28,808.53	28,800.02
Special Education	182.89	198.64	198.35	219.60
Community Day School	20.03	20.03	22.69	22.69
Total Ninth through Twelfth	28,998.38	29,411.11	29,029.57	29,042.31
TOTAL SCHOOL DISTRICT	106,064.58	106,098.38	105,528.47	105,415.08

**Includes audit adjustments as well as other client adjustments.*

See accompanying note to supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2014

Grade Level	Minutes Requirement	Minutes Requirement Reduced	2013-14 Actual Minutes	Number of Days	Status
Kindergarten	36,000	35,000	54,280	178	Complied
Grade 1	50,400	49,000	53,440	178	Complied
Grade 2	50,400	49,000	53,440	178	Complied
Grade 3	50,400	49,000	53,440	178	Complied
Grade 4	54,000	52,500	53,440	178	Complied
Grade 5	54,000	52,500	53,440	178	Complied
Grade 6	54,000	52,500	62,248	178	Complied
Grade 7	54,000	52,500	62,248	178	Complied
Grade 8	54,000	52,500	62,248	178	Complied
Grade 9	64,800	63,000	64,120	178	Complied
Grade 10	64,800	63,000	64,120	178	Complied
Grade 11	64,800	63,000	64,120	178	Complied
Grade 12	64,800	63,000	64,120	178	Complied

See accompanying note to supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

	2015 (Budget)	2014	2013	2012
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 1,128,350,806	$ 1,175,048,578	$ 1,062,069,050	$ 1,049,473,365
Expenditures And Other Financing Uses	1,171,655,913	1,124,126,653	1,077,607,943	1,075,707,634
Net change in Fund Balance	$ (43,305,107)	$ 50,921,925	$ (15,538,893)	$ (26,234,269)
Ending Fund Balance	$ 83,315,748	$ 126,620,855	$ 74,665,718	$ 90,532,109
Available Reserves*	$ 43,127,292	$ 50,707,518	$ 45,258,671	$ 56,158,309
Available Reserves As A Percentage Of Outgo	3.68%	4.51%	4.20%	5.22%
Long-term Debt	$ 2,510,921,058	$ 2,597,904,566	$ 2,553,223,652	$ 2,021,599,571
Average Daily Attendance At P-2	105,478	106,065	106,840	109,207

The General Fund balance has increased by $36.1 million over the past two years. The fiscal year 2014-15 budget projects a decrease of $43.3 million. For a District this size, the State recommends available reserves of at least 2% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2014-15 fiscal year. Total long term obligations have increased by $76.0 million over the past two years.

Average daily attendance has decreased by 3142 ADA over the past two years. ADA is expected to decrease during the 2014-15 fiscal year by 587.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Post-Employment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Special Reserve for Postemployment Benefits Fund
June 30, 2014, annual financial and budget report fund balance	$ 126,620,855	$ 1,618,803
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	1,618,803	(1,618,803)
Net adjustments and reclassifications	1,618,803	(1,618,803)
June 30, 2014, audited financial statement fund balance	$ 128,239,658	$ -

See accompanying note to supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2014

Charter School	Status	Included in Audit Report
American's Finest Charter School	Active	No
Arroyo Paseo Charter High School	Active	No
Audeo	Active	No
Charter School of SD	Active	No
City Heights Prep	Active	No
Coleman Tech High	Active	No
Darnall	Active	No
e3 Civic High*	Active	No
Einstein Academy ES	Active	No
Einstein Middle Charter School	Active	No
Epiphany	Active	No
Evangeline Roberts Institute	Active	No
Explorer	Active	No
Gompers Preparatory	Active	No
Health Sciences High School and Middle College	Active	No
Health Sciences Middle School	Active	No
High Tech High	Active	No
High Tech International	Active	No
High Tech Media Arts	Active	No
High Tech Middle	Active	No
High Tech Middle Media Arts	Active	No
Holly Drive	Active	No
Iftin k-8 Charter School	Active	No
Iftin University Prep	Active*	No
Innovations Academy	Active	No
Kavod	Active	No
Keiller Middle Charter School	Active	No
King -Chavez Academy of Excellence	Active	No
King -Chavez Arts Academy	Active	No
King -Chavez Athletics Academy	Active	No
King -Chavez Community High	Active	No
King -Chavez Preparatory Academy	Active	No
King -Chavez Primary Academy	Active	No
Kipp Adelante	Active	No
Laurel Preparatory	Active	No
Learning Choice Academy	Active	No
Magnolia Science Academy SD	Active	No
McGill School of Success	Active	No
Museum School	Active	No
O'farrell	Active	No
Old Town Academy	Active	No
Pacific American Academy	Active*	No
Preuss	Active	No
SD Cooperative	Active	No
SD Cooperative 2	Active	No
SD Global Vision Academy ES	Active	No
SD Global Vision Academy MS	Active	No
Tubman Village	Active	No
Urban Discovery Academy	Active	No

*Closed at the end of FY 2013-14

See accompanying note to supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2014

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
ASSETS								
Cash and cash equivalents	$ 287,356	$ 1,872,875	$ 7,379,725	$ 180,681	$ 478,007	$ 44,686,242	$ 10,053,670	$ 64,938,556
Accounts receivable	368	1,731,931	10,544,337	177	463	767,535	138,281	13,183,092
Due from other funds	111,087	4,537,606	14,881	-	-	-	182,332	4,845,906
Stores inventory	-	-	823,636	-	-	-	-	823,636
Prepaid expenditures	-	2,536	-	-	-	-	-	2,536
Total Assets	$ 398,811	$ 8,144,948	$ 18,762,579	$ 180,858	$ 478,470	$ 45,453,777	$ 10,374,283	$ 83,793,726
LIABILITIES								
Accrued liabilities	$ 6,617	$ 180,340	$ 1,073,859	$ -	$ -	$ 2,965,388	$ 118,177	$ 4,344,381
Due to other funds	166,132	7,949,336	15,667,436	-	-	2,371,881	359,118	26,513,903
Unearned revenue	-	-	6,116	-	-	-	-	6,116
Total Liabilities	172,749	8,129,676	16,747,411	-	-	5,337,269	477,295	30,864,400
FUND BALANCES								
Non-spendable	-	2,537	823,636	-	-	-	-	826,173
Restricted	-	4	734,515	-	-	40,116,508	9,896,988	50,748,015
Committed	226,062	-	-	180,858	-	-	-	406,920
Assigned	-	12,731	457,017	-	478,470	-	-	948,218
Total Fund Balances	226,062	15,272	2,015,168	180,858	478,470	40,116,508	9,896,988	52,929,326
Total Liabilities and Fund Balance	$ 398,811	$ 8,144,948	$ 18,762,579	$ 180,858	$ 478,470	$ 45,453,777	$ 10,374,283	$ 83,793,726

See accompanying note to supplementary information.

SAN DIEGO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
REVENUES								
LCFF sources	$ 509,600	$ -	$ -	$ -	$ -	$ -	$ -	$ 509,600
Federal sources	-	413,625	51,761,769	-	-	-	-	52,175,394
Other state sources	-	13,610,819	3,619,622	-	-	-	-	17,230,441
Other local sources	7,074	5,994,644	7,827,389	623	496,202	37,380,525	5,714,972	57,421,429
Total Revenues	516,674	20,019,088	63,208,780	623	496,202	37,380,525	5,714,972	127,336,864
EXPENDITURES								
Current								
Instruction	375,344	15,981,687	-	-	-	-	-	16,357,031
Instruction-related services								
Instructional supervision and administration	147,208	4,764,740	-	-	-	-	-	4,911,948
School site administration	81,110	17,122	-	-	-	-	-	98,232
Pupil services								
Home-to-school transportation	-	-	-	-	77,952	-	-	77,952
Food services	-	-	58,671,290	-	-	-	-	58,671,290
All other pupil services	5,698	637,941	-	-	-	-	-	643,639
General administration								
All other general administration	22,822	914,945	1,328,997	-	-	-	-	2,266,764
Plant services	1,574	1,023,772	3,735,873	-	-	9,514,482	1,788,074	16,063,775
Facilities acquisition and maintenance	-	159,187	-	-	-	9,670,722	498,171	10,328,080
Enterprise activities	-	-	73,112	-	-	-	-	73,112
Debt service								
Interest and other	-	-	-	-	-	-	1,970	1,970
Total Expenditures	633,756	23,499,394	63,809,272	-	77,952	19,185,204	2,288,215	109,493,793
Excess (Deficiency) of Revenues								
Over Expenditures	(117,082)	(3,480,306)	(600,492)	623	418,250	18,195,321	3,426,757	17,843,071
Other Financing Sources (Uses)								
Transfers in	-	3,480,173	-	-	-	-	-	3,480,173
Other sources	-	-	-	-	-	-	102,879,188	102,879,188
Transfers out	-	-	-	-	-	(11,635,215)	(99,963,400)	(111,598,615)
Net Financing Sources (Uses)	-	3,480,173	-	-	-	(11,635,215)	2,915,788	(5,239,254)
NET CHANGE IN FUND BALANCE	(117,082)	(133)	(600,492)	623	418,250	6,560,106	6,342,545	12,603,817
Fund Balance - Beginning	343,144	15,405	2,615,660	180,235	60,220	33,556,402	3,554,443	40,325,509
Fund Balance - Ending	$ 226,062	$ 15,272	$ 2,015,168	$ 180,858	$ 478,470	$ 40,116,508	$ 9,896,988	$ 52,929,326

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2014 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2014.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		$ 149,432,986
Title I, Part A, Program Improvement LEA Corrective Action Plan	84.010	(27,675)
Title I, School Improvement Grant	84.388	51,273
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	3,092
Head Start Program	93.600	4,547,200
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 154,006,876

Schedule of Average Daily Attendance (ADA)

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

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2014, the District participated in the Longer Day incentive funding program. As of June 30, 2014, the District had not yet met its target funding. Through 2014-15, the instructional day and minute requirements have been reduced pursuant to *Education Code Section* 46201.2.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

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

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

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

OTHER INDEPENDENT AUDITORS' REPORTS

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

Independent Auditors' Report

Governing Board
San Diego Unified School District
San Diego, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Diego Unified School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the San Diego Unified School District's basic financial statements, and have issued our report thereon dated November 20, 2014.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2014-1, #2014-2)

Compliance and Other Matters

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

San Diego Unified School District's Response to Findings

San Diego Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. San Diego Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Christy White Associates

San Diego, California
November 20, 2014

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditors' Report

Governing Board
San Diego Unified School District
San Diego, California

Report on Compliance for Each Major Federal Program

We have audited San Diego Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Diego Unified School District's major federal programs for the year ended June 30, 2014. 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, 2014.

Report on Internal Control Over Compliance

Management of San Diego Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Diego Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Diego Unified School District's internal control over compliance.

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

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

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

Christy White Associates

San Diego, California
November 20, 2014

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REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
San Diego Unified School District
San Diego, California

Report on State Compliance

We have audited San Diego Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2013-14*, issued by the California Education Audit Appeals Panel that could have a direct and material effect on each of San Diego Unified School District's state programs for the fiscal year ended June 30, 2014, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Diego Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2013-14*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about San Diego Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of San Diego Unified School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, San Diego Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as items #2014-3, #2014-4, #2014-5, #2014-6. Our opinion on state compliance is not modified with respect to these matters.

San Diego Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. San Diego Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine San Diego Unified School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time for school districts	10	Yes
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
After School Education and Safety Program:		
General requirements	4	Yes
After school	5	Yes
Before school	6	Yes
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance; for charter schools	8	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	4	Not Applicable
Charter School Facility Grant Program	1	Not Applicable

Testing for charter schools is performed by each charter's respective auditor (refer to Note 1B on page 25)

Christy White Associates

San Diego, California
November 20, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN DIEGO UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2014

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program of Cluster
84.027, 84.173, 84.323, 84.027A, 84.173	Special Education Cluster
10.553, 10.555, 10.558	Child Nutrition Cluster
84.367	Title II Part A, Administrator Training

Dollar threshold used to distinguish between Type A and Type B programs:	$ 3,000,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

FIVE DIGIT CODE	AB 3627 FINDING TYPE
20000	Inventory of Equipment
30000	Internal Control

FINDING #2014-01: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000)

Criteria: Proper internal controls are necessary to ensure safeguarding of assets of the Associated Student Body.

Condition: Overall we found the sites listed below to lack proper internal control documentation either related to the cash receipting or cash disbursements process. A summary of the most common internal control deficiencies observed are listed by site below:

Deportola Middle School

- Eight (8) out of fifteen cash receipts selected for testing were not supported by documentation to support cash collected. Cash collections should be supported by ticket collection worksheets or tally sheets to substantiate the nature and amount of cash collected.
  - Receipt #10338 on 8/30/13 in the amount of $642.00 for an Orientation BBQ held by the Music Club.
  - Receipt #10598 on 11/1/13 in the amount of $2,048 for the ASB Disneyland Convention.
  - Receipt #10625 on 11/22/13 in the amount of $2,640 for a Music Club fundraiser.
  - Receipt #10658 on 2/11/13 in the amount of $466 for ASB Dance Ticket Sales.
  - Receipt #10208 on 10/25/13 in the amount of $1,868.50 for Haunted House ticket sales.
  - Receipt #10638 on 12/19/13 in the amount of $617.50 for the Winter Concert ticket sales.
  - Receipt #10335 on 9/27/13 in the amount of $1,192.87 for the Fall Book Fair.
  - Receipt #10635 on 12/20/13 in the amount of $2,885 for yearbook ads.
- Two (2) out of fifteen cash receipts selected for testing were not deposited timely in a timely manner.
  - Receipt #10338 in the amount of $642 for the music club's orientation BBQ. Cash was collected on 8/30/13 but was not deposited until 10/4/13.
  - Receipt #10323 in the amount of $1,160.37 for book fines. Cash was collected on 6/20/13 but not deposited until 9/19/13.

FINDING #2014-01: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000) (continued)

Lewis Middle School

- One (1) out of ten cash disbursements tested appeared to be inappropriate in nature. Fees paid out of the ASB account for instructional purposes when the instruction is part of the district's educational program are disallowed. After inquiry with the finance clerk it was noted that the district had already been notified of the expense and that the music coach is in the process of being put on the district's payroll.
    - Check #2339 in the amount of $660 for services performed as a music coach.
- Six (6) out of fifteen cash receipts selected for testing did not have documentation to support cash collected. All receipts should be supported by ticket collection worksheets or tally sheets to substantiate the nature and amount of cash collected.
    - Receipt #R322972 on 9/26/13 in the amount of $1,467.23 for book fair sales.
    - Receipt #R32572 on 10/22/13 in the amount of $45 for dance ticket sales.
    - Receipt #R325755 on 10/30/13 in the amount of $266.65 for ASB store sales.
    - Receipt #R325757 on 10/31/13 in the amount of $126 for dance ticket sales.
    - Receipt #R325787 on 11/18/13 in the amount of $882 for band attire.
    - Receipt #R325796 on 12/2/13 in the amount of $1,247.81 for band attire and concert sales.

Pershing Middle School

- Through inquiry with ASB bookkeeper regarding cash receipts, auditor noted that cash proceeds from fundraisers and events do not consistently have adequate supporting documentation such as sales breakdown summaries, tally sheets, or control sheets. ASB bookkeeper should maintain supporting documentation for all deposits in order to verify that deposits can be reconciled to sales detail and cash collected.
- Through inquiry with ASB bookkeeper, auditor noted that the vending machine on campus is maintained in all capacities by the school site custodian. The custodian currently stocks, supplies, and maintains collections from the vending machine. When depositing funds with the ASB bookkeeper, the custodian does not provide a sales breakdown or reconciliation of inventory levels.

FINDING #2014-01: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000) (continued)

Wilson Middle School

- Auditor noted that the ASB is not preparing an annual budget. It is recommended that each ASB prepare an annual budget in order to tentatively forecast revenues and expenditures, and plan fundraisers and other activities accordingly.
- Auditor various clubs on campus are not consistently maintaining meeting minutes. In an organized ASB structure, meeting minutes are consistently maintained in order to document the budgeting process, and student approval of fundraisers and expenditures.
- Through testing of cash receipts, auditor noted five out of five selections lacking adequate supporting documentation such as sales breakdown summaries, tally sheets, or control sheets. Selections included the following items:
  - Yearbook and Smencil Sales (Receipt No. 257869) in the amount of $580 from 7/10/13
  - Candy Sales (Receipt No. 257886) in the amount of $1,056.95 from 10/8/13
  - See's Candy Sales and Donations (Receipt No. 257900) in the amount of $2,453.46 from 11/22/13
  - Smencils and Donations (Receipt No. 257917) in the amount of $1,137.55 from 2/12/14
  - Dance Soda Sales (Receipt No. 257926) in the amount of $93.00 from 2/19/14
- In testing the cash receipts selections above, auditor noted that deposits of cash proceeds from fundraisers and events are often counted by one individual and not verified by a second party. In order to maintain proper controls over cash proceeds from events, it is recommended that proceeds are simultaneously counted and verified by two individuals.

Scripps Ranch High School

- Through testing of cash receipts, auditor noted two out of five selections lacking adequate supporting documentation such as sales breakdown summaries, tally sheets, or control sheets. Selections included the following items:
  - Media Trust library fees deposited 9/6/2013 in the amount of $269.59 (Receipt No. 0070384)
  - Cadet Club water sales deposited 9/12/2013 in the amount of $334.80 (Receipt No. 0070708)

Kearny High School

- Two (2) out of ten disbursements tested did not have adequate approvals required. Expenditures require the approval of a student body representative, a certificated staff advisor, and a site administrator. The following check disbursements lacked the signed approval of a student body representative:
  - Check #6011 on 11/22/13 to Balboa Ambulance Service, Inc. for $1,950.
  - Check #6113 on 01/24/14 to Glendale Parade Store for $1,455.30.
  - W-9s are not collected for independent contractors paid by the ASB.

FINDING #2014-01: ASSOCIATED STUDENT BODY INTERNAL CONTROLS (30000) (continued)

Cause: Staffing reductions, shifting of employees and support to these positions has an impact on performance.

Effect: Lack of proper internal controls can lead to the misappropriation of assets.

Perspective: We audited 24 associated student body (ASB) funds at the school sites selected for testing in fiscal year 2013-14. Our audit included an evaluation of internal control procedures over: cash disbursements, cash receipts, inventory, and ASB organization.

Recommendation: We recommend the staff members that handle student funds be reminded of the importance of sound internal controls, proper documentation over cash receipts and the proper approval of expenditures. Instruction on the use of standardized formats should continue to be provided annually with compliance follow-up by the district office. The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented. Proper controls over cash receipting and cash disbursements are important for proper safeguarding of assets.

Response: The District concurs with the external auditor's findings. According to the practice that commenced in August 2013, the Office of Internal Audits, the Office of the Chief Financial Officer, and the Race/Human Relations & Advocacy Office plan on presenting to the ASB student governance representatives, a basic understanding of financial practices and their responsibility for managing ASB this year. The scheduling of the training sessions is pending the start of employment of the Director of Internal Audit.

As in October 2013, the Office of Internal Audits and the Office of the Chief Financial Officer plan on presenting in depth to principals, ASB advisors and financial clerks the requirements for conducting ASB operations and QuickBooks Financial Accounting in the proper manner that would comply with law, district policies and procedures, and the spirit of ASB. During the presentations, the Office of Internal Audit will direct attendees to these presentations and materials on the proper conduct of ASB that are available on the Office of Internal Audit's web site. The scheduling of the training sessions is pending the appointment and employment of a Director to the Office of Internal Audit.

Audit staff present at financial clerk job-a-likes forums examples of deficiencies noted in ASB operations and the manner to correctly process ASB. Internal Audit conducts a schedule of ASB audits and continuously reports that the Office of Internal Audit is available to staff to answer questions on the conduct of ASB operations.

FINDING #2014-02: INVENTORY (30000)

Criteria: Internal controls should be implemented to ensure that proper controls are in place over inventory procedures.

Condition: During our physical testing of warehouse and cold storage inventory we found in addition to adjustments made by the District, amounts from the floor did not match the amount recorded to the system.

- **Warehouse Inventory:**
  At June 30, 2014 for the warehouse the GL stated the PPO inventory balance was $1,026,884, the PPO inventory detail provided indicated the balance was $1,406,913. During our inventory count we found 25% of our sample did not match either from the floor to the system or the system to the floor.

- **Cold Storage Inventory:**
  At June 30, 2014 the cold storage was able to reconcile the variance between the GL and detail balances. During our inventory count we found 19% of our sample did not match either from the floor to the system or the system to the floor.

Cause: The District does a periodic count, thus the day to day totals on the floor will not match the system.

Perspective: The District has a total of $2.7 million in inventory.

Effect or Potential Effect: Lack of proper internal controls can lead to the misappropriation of assets.

Recommendation: We recommend that the District implement sufficient and appropriate internal control procedures to ensure that transactions are recorded.

District Response: The District concurs with the audit recommendation.

With respect to the Warehouse Inventory, our action plan is as follows:

- The variance between the GL inventory balance and the PPO inventory balance is the result of an overhead percentage on top of the actual cost of inventory applied when an item is issued from inventory. The inventory balances will be reconciled at key reporting times during the year and any necessary adjustments will be made to the ledger to accurately reflect the inventory balance.

- The District will put the necessary resources in place to enforce a policy of "no unattended checkouts". This will require that technicians queue up and wait for warehouse staff to review their material and paperwork at point of checkout. This is an area which requires more control and it will be made a priority.

- The District will also be taking a strategic approach to periodic inventory counts. We will categorize each of our 8000 SKU's by dollar value of issue, (ABC categorization). This will be the basis for frequency of physical count.

FINDING #2014-02: INVENTORY (30000) (continued)

With respect to the Warehouse Inventory, our action plan is as follows (continued):

- The District will also be working with our internal teams to see how we can make the yearly physical count as valuable as possible. We will be putting in sufficient resources to verify all discrepancies noted and identify the cause of the discrepancies. PPO staff will double count and research any significant discrepancies that are found.

- We are setting a goal of less than 3% shrinkage for a given period. We will compare the net dollar value of any inventory adjustments made to the volume of material issue as the basis of our physical control.

With respect to the Cold Storage inventory, our action plan is as follows:

- If at the time of receipt of a product the item count does not match the invoice, an independent second count will be performed. If the second count does not match the invoice or the first count, a third count will be done jointly with the Supervising Stock Clerk and Senior Freezer Worker, which will be the final count for receiving.

- When processing orders for the Kitchens, the daily orders will first be pulled in bulk by item and moved to the refrigerated staging area. These bulk pulls will then be broken down to the Kitchen level orders, and any discrepancies between the bulk item pull and the Kitchen level orders will be addressed prior to shipping the order to the kitchens. Orders will not be confirmed (removed from PeopleSoft inventory) until all discrepancies between the bulk pull and the individual orders have been reconciled.

- On a monthly basis, physical counts of the top 10 high volume items will be conducted and reconciled to PeopleSoft inventory. Any adjustments must be approved by the Supervising Stock Clerk as well as the Material Control Analyst prior to entry into PeopleSoft.

FIVE DIGIT CODE	**AB 3627 FINDING TYPE**
50000	Federal Compliance

There are no federal award findings or questioned costs for the fiscal year June 30, 2014.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
41000	CalSTRS
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING #2014-03: AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (40000)

Criteria: Per Education Code 8483(a)(4), it is the intent of the Legislature that that pupils in elementary school participate in the full day of the program every day during which pupils participate to accomplish program goals. Also, per Education Code 8483.1(a)(1) every before school program component established pursuant to this article shall in no instance operate for less than one and one-half hours per regular school day. Every program shall establish a policy regarding reasonable late daily arrival of pupils to the program.

Condition: We sampled and tested the Before School and After School Education and Safety Program at six school sites with the following results:

Cadman Elementary School

- One (1) out of ten students tested for the week of 10/7/13-10/11/13 was improperly not given attendance credit according to the student's after school early release policy.
  - Student left the program after the allowable early release time on the student's early release policy on 10/10/13. The student did not receive attendance credit for that day.

Lafayette Elementary School

- One (1) out of ten students tested for the week of 10/7/13-10/11/13 was not credited with the correct number of days' attendance, based on review of source documentation.
  - Student signed into the after school program sign-in sheet for four days during the week, but was only credited with two days of attendance.

Walker Elementary School

- For one (1) out of ten students selected for program attendance testing, auditor could not locate the required early release approval form on file. Auditor noted that for each day of attendance recorded for the week, students left before the 6:00pm program end time. Students and dates of attendance include:
  - Student 1 (11/4/13 through 11/8/13) – Four (4) days of attendance

FINDING #2014-03: AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (40000) (continued)

Context: Findings were noted in three (3) of six ASES program sites tested.

Questioned Costs: The ASES program funding is not affected as long as the pupil participation level is maintained at 85% or greater, the net students served that resulted in over reporting, did not cause the program attendance to fall below the 85% of the projected attendance, thus there is no questioned cost. The reported after school students served in the first half was 733,677, the correct number should be 733,689 (a total of 12 days were understated).

Cause: Potential insufficient review procedures when reconciling scanned attendance to the signed rosters.

Effect: The District may not be accurately reporting the number pupils served.

Recommendation: We recommend that the District continue to provide oversight and training to staff responsible for reconciling attendance records regarding the importance of accurately reviewing scanned attendance for discrepancies when comparing against signed rosters and student early release policies. This will ensure that the records, to support attendance being sent to the state, can be relied upon and sufficient for internal and external review.

District Response: San Diego Unified School District's After School Education and Safety (ASES) Program has had minimal audit findings for the past two years, and these 2013/14 findings show an improvement in attendance accountability compared to those years, reflecting the Extended Learning Opportunities (ELO) Department's commitment to ongoing mandatory attendance trainings and official site observations, including a review and audit of attendance procedures and documentation. The ELO Department will continue to provide these trainings and site visits in an effort to eliminate all audit findings, as well as modify existing procedures to simplify the attendance process. California Department of Education representatives Josh Brady and Nora Reed have performed multiple site visits to SDUSD's ASES programs and praise the district for the programmatic and attendance procedures that we have implemented. CDE has shared SDUSD's procedures as "best practices" with other districts throughout the state of California.

The ELO Department provides professional development annually during the month of August; one of the key areas of focus includes the After School Education and Safety (ASES) attendance accountability requirements. This training is mandatory for all new and returning administrative staff and school site program leaders. The attendance accountability portion of the training is provided monthly throughout the school year and is required for all new program leaders and program staff utilizing the Cayen Afterschool 21 attendance system. In addition, the Extended Learning Opportunities Department offers, and may require, one-on-one training to staff needing additional assistance ensuring the attendance requirements are being met.

Each ASES program is also required to offer a minimum of 2 parent/guardian orientations to review program requirements with parents. One of those orientations is held in August to review the attendance procedures with parents to ensure that, not only are staff familiar with the requirements, but that parents are as well.

FINDING #2014-03: AFTER SCHOOL EDUCATION AND SAFETY PROGRAM (40000) (continued)

Based on the ELO Department's site visits and internal audits, we have made modifications to the procedure for Early Release/Late Arrival "Single Day Occurrences" to be implemented in the upcoming school year to streamline the process.

The ELO Department will continue to perform unannounced school site observations throughout the year to provide the support needed to operate a high quality and enriching program, including implementing all attendance requirements as stipulated by CDE. Sign-in sheets, Early Release and Late Arrival forms are reviewed and compared to ensure that only those students that are meeting all of the ASES criteria are reported to CDE

FINDING #2014-04: KINDERGARTEN CONTINUANCE (10000/40000)

State Funding Source: LCFF Entitlement

Criteria: Pupils enrolled in kindergarten for consecutive years should have a signed parental agreement to continue form, approved in form and content by the California Department of Education. For a pupil who begins kindergarten mid-year, one school year of kindergarten is completed on the last day prior to the anniversary of the pupil's first day of kindergarten per sections 14502.1, 14503 and 41020, Education Code.

Condition: We found at two sites, the kindergarten retention form tested was insufficient to claim apportionment for the days generated after one full year of kindergarten. The pupil contract tested showed the pupil is currently enrolled in kindergarten; however, there was no signature of school official approving for the District.

Cause: Lack of familiarity with procedures outlined by Education Code. In both cases at the two sites with findings the Principals had not signed the forms timely.

Questioned Costs: There was an overstatement of 4.70 ADA to the TK/K-3 grade span that was corrected prior to submitting P-2. If P-2 had been submitted the fiscal impact would have been: given 125 days in the 2013-14 P-2 attendance period and a 2013-14 LCFF Entitlement per ADA of $6,925, the fiscal impact of the ADA overstatement is approximately $32,547.

Effect: Possible misstatement of Average Daily Attendance by the District.

Perspective: We audited kindergarten continuance at 14 elementary school sites selected for testing in fiscal year 2013-14. The audit procedures included steps outlined by the Education Code(s) referenced below.

FINDING #2014-04: KINDERGARTEN CONTINUANCE (10000/40000) (continued)

Recommendation: All students continuing kindergarten after one year of enrollment need a completed and signed parental agreement form in order for the pupil to continue kindergarten. This form must be signed in order for the District to be in compliance with the State per Sections 14502.1, 14503 and 41020, Education Code.

District Response: The procedure requiring the principal's signature on the kindergarten retention form has been fully explained to that school principal to ensure the error will not be repeated in the future. The district will continue its ongoing training for all school sites so that everyone is familiar with the procedures outlined by the Education Code with regard to kindergarten retention. Of the 65 students repeating Kindergarten that needed the "Agreement to Continue in Kindergarten" form on file, 5 were missing the form. This form must be in place at the point when the student begins the second year of Kindergarten for the District to be allowed to claim ADA for the second year. These findings represent a net loss of 4.70 ADA at P-2 and a loss of 4.47 ADA at Annual. The P-2 and Annual reports will be amended to reflect this loss. Pupil Accounting presents the requirement of this form at the yearly Back to School Conferences with administration and staff. Site visits are an opportunity to remind school site staff that this form is required for any retained Kindergarten student

FINDING #2014-05: ATTENDANCE REPORTING (10000)

State Funding Source: LCFF Entitlement

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

Condition: We found the following:

Burbank Elementary School (Overstatement of 1 day, included in revised P-2)

- One (1) out of twenty attendance notes tested did not trace accurately to the attendance records in PowerSchool. The absent note was improperly recorded as a present in the attendance system.
- During review of weekly signed teacher rosters, auditor noted that teachers were not returning their weekly rosters in a timely manner, and many were also not dating the registers when they signed them. Upon inquiry, it was determined that the attendance clerk was not aware that they needed to have teachers sign the weekly registers until a few months into the school year, and at that point printed them for every week for each teacher dating back to the beginning of the school year, resulting in registers not being signed in a timely manner. The clerk seems to have fixed the issue as of the date of site testing, and recent months were signed, dated, and returned in a timely manner.

Hearst Elementary School (Understatement of 1 day, not included in revised P-2)

- One (1) out of twenty attendance notes tested did not trace accurately to the attendance records in PowerSchool. The tardy note was improperly recorded as an absence in the attendance system.

Kumeyaay Elementary School

- In reviewing weekly attendance reports for the month of October 2013, it was noted that the weekly reports were not signed or reviewed by teachers in a timely manner. The weekly attendance reports for October were not signed until January 2014. Through inquiry, it was noted that weekly attendance reports from September through December 2013 were not provided to teachers for verification until January 2014.

FINDING #2014-05: ATTENDANCE REPORTING (10000) (continued)

Marvin Elementary School (Understatement of 2 days, not included in revised P-2)

- Two (2) out of twenty-five attendance notes tested did not trace accurately to the attendance records in PowerSchool. Two tardy notes selected for testing were incorrectly recorded as absences in PowerSchool, resulting in an understatement of two attendance days

Miramar Ranch Elementary School

- Upon inquiry with the attendance secretary, the clerk was not aware of the requirement to have teachers sign weekly rosters until January 2014, at which point she began printing the rosters on a weekly basis for the teachers to sign. From that point forward, teachers appear to be signing weekly rosters in a timely fashion.

De Portola Middle School (Overstatement of 1 day, included in revised P-2)

- One (1) out of twenty absent notes tested did not trace accurately to the attendance records in PowerSchool. The absent note selected for testing was incorrectly recorded as present in Power School.

Marshall Middle School (Understatement of 1 day, not included in revised P-2)

- One (1) out of twenty absent notes tested did not trace accurately to the attendance records in PowerSchool. The absent note selected for testing was incorrectly recorded as present for all periods in PowerSchool.

Kearny High School (Understatement of 3 days, not included in revised P-2)

- Three (3) out of twenty absent notes tested did not trace accurately to the attendance records in PowerSchool. The absent call logs selected for testing was incorrectly recorded as present for all periods in PowerSchool.

Serra High School (Understatement of 1 day, not included in revised P-2)

- One (1) out of twenty absent notes tested did not trace accurately to the attendance records in PowerSchool. The absent note selected for testing was incorrectly recorded as present in PowerSchool.

Cause: Lack of familiarity with procedures outlined by Education Code in addition to a new attendance system implementation.

FINDING #2014-05: ATTENDANCE REPORTING (10000) (continued)

Questioned Costs: There was an overstatement of 8 days that was not corrected prior to submitting P-2. Grade span was not identified per unit, for the questioned costs our calculation proportionally allocated the disallowance among the grade span.. Given 125 days in the 2013-14 P-2 attendance period and a 2013-14 LCFF Entitlement per ADA of $6,925, the fiscal impact of the ADA overstatement is approximately $443. The District plans to revise P-2 to include the change.

Grade Span	% of Total per Revised P-2	Questioned Costs
Seventh through Eighth	14%	61
Fourth through Sixth	23%	103
Ninth through Twelfth	28%	123
TK/K through Third	35%	156
Total	100%	443

Effect: Possible misstatement of Average Daily Attendance by the District.

Perspective: We audited 23 school sites for attendance and had findings at 9 sites.

Recommendation: We recommend that the school sites follow District attendance procedures for the PowerSchool system. The District plans to make the corrections in the system and resubmit P-2.

District Response: The District concurs with the audit recommendation. The corrective action plan is to perform additional absence reviews during school site audits. Staff training with school site personnel will be conducted if discrepancies in attendance reporting are noted. Many of the attendance findings noted were corrected at the school site by attendance personnel before the P-2 report and Annual reports were submitted. The District has amended the P-2 and Annual reports to reflect the other necessary attendance corrections noted in the findings.

FINDING #2014-06: SHORT-TERM INDEPENDENT STUDY (10000)

State Funding Source: LCFF Entitlement, independent study program.

Criteria: For attendance generated through independent study, all independent study written agreements need to contain the signatures of the pupil, pupil's parent, and a certificated employee affixed prior to the commencement of the independent study (Education Code Section 51747(c)(8)). Auditors are required to verify compliance in Section 19819 of the *Standards and Procedures for Audits of California K-12 Local Education Agencies.*

Condition: We found that 2 of 61 independent study contracts sampled recorded did not have a completed contract (missing signatures, work samples and contracts) resulting in 6 days of apportionment that were overstated.

Sherman Elementary

- One (1) out of five items tested was not properly signed prior to contract commencement.
  - One contract on the dates of 12/16/13 to 1/17/14 was signed on 12/16/13. Credit should only be given for 14 of 15 days.

Kearny High School

- The School of Digital Media and Design within Kearny High School did not have any completed independent study contracts as of the site visit. However, upon review, it appears that students had completed contracts in prior months for which teachers have not promptly signed off and/or the attendance secretary had not promptly entered the attendance credit into PowerSchool.

Serra High School

- One (1) out of five items tested was not properly signed prior to contract commencement.
  - One contract on the dates of 11/1/13 was missing a teacher signature

FINDING #2014-06: SHORT-TERM INDEPENDENT STUDY (10000) (continued)

Cause: Procedures were not fully followed to obtain all required elements of the independent study agreement on or before the independent study start date. This results in a loss of apportionment funding for days of attendance related to deficient independent study contracts.

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

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

ADA Impact: Two (2) attendance days were overstated as tested. Given 125 days in the 2013-14 P-2 attendance period and a 2013-14 LCFF Entitlement per ADA of $6,925, the fiscal impact of the ADA overstatement is approximately $110. The District plans to revise P-2 to include the change.

Grade Span	% of Total per Revised P-2	Questioned Costs
Seventh through Eighth	14%	15
Fourth through Sixth	23%	26
Ninth through Twelfth	28%	30
TK/K through Third	35%	39
Total	100%	110

Recommendations: We recommend that the District revise the Period 2 and Annual attendance reports and implement internal control procedures to ensure that independent study contracts are being filled out with all necessary information required by Education Code Section 51747 and completed prior to the beginning of the contract.

District Response: The review indicated that several of the contracts that were out of compliance were corrected at the point when P-2 was reported. There are five remaining contract day adjustments that will be corrected on the Amended P-2 and Amended Annual reports. Because these discrepancies were for both contracts that were granted credit and contracts that should be been granted credit, there is a net gain of .13 ADA for P-2 and a gain of .09 for Annual comprehensive ADA.

Since independent study issues are a common finding, Pupil Accounting suggests reviewing site short term Independent Study practices and the Independent Study contracts during site audits.

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

Criteria: Proper internal controls are necessary to ensure safeguarding of assets.

Condition: Overall we found the sites listed below to lack proper internal control documentation either related to the cash receipting or cash disbursements process. A summary of the most common internal control deficiencies observed are listed by site below:

Montgomery Middle School:

- One (1) of 8 cash disbursements tested had no requisition form as evidence of proper authorization/approval.
  - Check Number 1543, 7/6/12, J&R Key Hardware, $386.13

Farb Middle School:

- Three (3) of 10 cash receipts tested did not have tally sheets or other documentation to substantiate the amount of cash collected from the event.
  - Receipt #315529, Lollipop sale, $108.75, 11/28/12
  - Receipt #315536, Hot chocolate fundraiser, $105.35, 11/30/12
  - Receipt #315555, ASB dance, $229.16, 12/14/12

Clark Middle School:

- Seven (7) of 9 cash receipts tested did not have proper support for the amount of cash collected.
  - Carnival proceeds, $151.92, 7/9/12
  - Receipt # 297416, $285, 7/11/12
  - Receipt # 297427, $30.00, 7/18/12
  - PE Dept., $60.00, 9/5/12
  - Receipt # 297469, Open House, $14.00, 10/5/12
  - Receipt # 297480, Hispanic Heritage Fundraiser, $214.32, 10/24/12
  - Receipt # 297487, $100.00, 11/9/12

Central Elementary School:

- Receipt for sales of t-shirts and other items that were sold to customers did not contain customer receipts.

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

Clairemont High School:

- Bank deposits are not made timely.
  - Drama club, Footloose play, $2,989.90, 7/17/12 – one check deposited from 5/10/12
  - Various collections (Key club, AOBT academy, parking lot clearing, etc.), $1,300.05, 10/11/12 – one check deposited from 4/26/12

Perkins Elementary School:

- Auditor noted that although the principal should be authorizing all disbursements, there were no signatures of approval on any of the reimbursement request forms.

Cause: Staffing reductions and shifting of employees due to bumping into these positions has an impact on performance.

Effect: Lack of proper internal controls can lead to the misappropriation of assets.

Perspective: We audited 24 associated student body (ASB) funds at the school sites selected for testing in fiscal year 2012-13. Our audit included an evaluation of internal control procedures over: cash disbursements, cash receipts, inventory, and ASB organization. A detailed report of our findings by individual school site has been provided to the District for follow-up.

Recommendation: We recommend the staff members that handle student funds be reminded of the importance of sound internal controls, proper documentation over cash receipts and the proper approval of expenditures. Instruction on the use of standardized formats should continue to be provided annually with compliance follow-up by the district office. The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented. Proper controls over cash receipting and cash disbursements are important for proper safeguarding of assets.

District Response: SDUSD concurs with the auditor's findings. August 2013, the Office of Internal Audits, the Office of the Chief Financial Officer and the Race/Human Relations& Advocacy Office in conjunction with a Wells Fargo Bank member, presented to ASB student governance representatives, a basic understanding of financial practices and their responsibility for managing ASB.

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

District Response (continued): October 2013, the Office of Internal Audits and the Office of the Chief Financial Officer presented in depth to principals, ASB advisors and financial clerks on the requirements to conduct ASB operations and QuickBooks Financial Accounting in the proper manner that would comply with law, district policies and procedures, and the spirit of ASB. These presentations are available on the Office of Internal Audit's web site. Audit staff present at financial clerk job-a-likes, reporting to these forums where deficiencies are noted and the manner to correctly process ASB.

The historical Office of Internal Audit documents:

ASB Top Ten Things You Should Know PowerPoint and video presentations,

"ASB GUIDELINES FOR INTERNAL CONTROL-Most Common Audit Findings"

The Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference published by the Fiscal Crisis and Management Assistance Team (FCMAT) remain on the department's SDUSD web site.

The Office of Audits and Investigations will continue with audits of ASB schools.

Current Status: See Finding 2014-01

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

Criteria: Internal controls should be implemented to ensure that accounting transactions are recorded in the proper period.

Condition: During our accounts payable testing, we found that subsequent expenditure transactions from facilities were improperly recorded. All of these transactions should have been accrued liabilities for the 2012-13 year, but were instead expensed in the 2013-2014 school year. Upon further follow up with the appropriate department, it appears that District accrual procedures were followed but the amounts provided by the facilities contractors were not correct. The contractors provide rough estimates for the accrual; the actuals (paid in the subsequent year) revealed that amounts provided by the contractors were less than the actual amounts.

Cause: A lack of internal control procedures and a process that is manual and subject to error, which would insure accounts payable are recognized was the cause of this misstatement. There needs to be additional checks to verify that the accrual provided to the accounts payable department was posted appropriately to the general ledger.

Perspective: The District has a total of $108,359,696 in accrual liabilities. Of that amount we found 1% to be understated. This will not result in an adjustment.

Effect or Potential Effect: Transactions are not recorded in the proper period and could lead to material financial misstatements.

Recommendation: We recommend that the District implement sufficient and appropriate internal control procedures to ensure that transactions are recorded in the proper accounting period.

District Response: The estimated accruals that FPC provided were accurate representations of the work that was in place prior to June 30th. In some cases the contractor failed to invoice for the work accomplished and in some cases there were unexpected delays of deliveries. Estimates for accruals can vary significantly by delayed deliveries of materials to sites, unforeseen conditions which delay work including rain, soil or subcontractor performance.

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

District Response (continued): There are some accrual line items that represent work that was accomplished prior to the month of June 2013. These invoices were for work done under the technology E-rate program and were not processed because of labor compliance requirements that are under dispute with the contractors. Negotiations are underway to resolve these labor compliance complaints and efforts are underway to pay the vendors for work that has been accomplished and to withhold payment for Labor Compliance violations.

The process that was in place as of July 2013 was as follows:

1. A/P requests accruals from FPC (accrual workbook)
2. FPC post award contracts sends requests to CM as needed
    a. CM reviews contracts for work performed but not invoiced
        i. Reviews contractor's cost-loaded schedule (when available)
        ii. Reviews schedule of values against work performed
        iii. Provides estimated invoice values to Post-Award Contracts
    b. For contracts with unpaid invoices the actual invoice amount is entered into the notebook
3. Post-Award Contracts compiles accruals in accrual workbook and forwards to A/P
4. A/P posts accruals by the first Friday of a full work-week of July
5. A/P sends acknowledgement and notification of posting to FPC
6. FPC reviews posting list to make sure that all items were posted

Since general contractors are required by contractor to turn in the monthly invoices by the 8th of the month, not enough time was available to process pay applications in time for the accruals. Because of the timing, the process relied almost on estimated accruals which are inherently very difficult to maintain accuracy for construction projects.

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

In order to improve the accuracy of FPC's accruals the district will adopt the following process:

a. General Contractor submits their pay application not later than July 8th.
b. Invoiced amount is accrued within 3 business days of July 8th.
c. Pay application is entered into the PeopleSoft purchase order.
d. Contracts not invoiced from June will be estimated and accrued.
e. Purchase orders are "rolled over" in mid-July
f. Contractor is paid.
g. Accruals are recognized and reversed.

The expected outcome from this change will not impact the year-end closing process. Accuracy of accruals will be improved since the number of estimated accruals will be greatly reduced.

Current Status: Implemented

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

Criteria: Per Education Code 8483(a)(4), it is the intent of the Legislature that that pupils in elementary school participate in the full day of the program every day during which pupils participate to accomplish program goals. Also, per Education Code 8483.1(a)(1) every before school program component established pursuant to this article shall in no instance operate for less than one and one-half hours per regular school day. Every program shall establish a policy regarding reasonable late daily arrival of pupils to the program.

Condition: We sampled and tested the Before School and After School Education and Safety Program at six school sites with the following results:

Challenger Elementary School

- 1 student left early before the time allowed by their Early Release Form (ERF). This created an overstatement of attendance by 1 attendance day.

Clay Elementary School

- 2 students were found to be present in the before school program but were not credited and 1 student was given credit for being present in the after school program when the student left early and did not have ERF support. This created a net understatement of attendance by 1 attendance day.

Edison Elementary School

- 2 students were marked present throughout the week when they did not have ERF support. This created an attendance overstatement 5 attendance days.

Freese Elementary School

- 4 students were marked present throughout the week when they did not have ERF support. 1 student did not receive attendance credit when they should have. This created a net attendance overstatement of 8 attendance days.

Lee Elementary School

- 2 students left the program early without ERF support and 3 students were not credited when they did meet attendance requirements. This created a net attendance understatement of 3 attendance days.

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

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

Context: Findings were noted in five (5) of six ASES program sites tested.

Questioned Costs: The ASES program funding is not affected as long as the pupil participation level is maintained at 85% or greater. As the net six students served over reported did not cause the program attendance to fall below the 85% of the projected attendance, there is not questioned cost.

Cause: Potential insufficient review procedures when reconciling scanned attendance to the signed rosters.

Effect: The District may not be accurately reporting the number pupils served.

Recommendation: We recommend that the District continue to provide oversight and training to staff responsible for reconciling attendance records regarding the importance of accurately reviewing scanned attendance for discrepancies when comparing against signed rosters and student early release policies. This will ensure that the records, to support attendance being sent to the state, can be relied upon and sufficient for internal and external review.

District Response: The Extended Learning Opportunities Department will continue to provide training and conduct site visits to ensure that staff is knowledgeable on, and following, all attendance requirements.

The Extended Learning Opportunities Department provides professional development annually during the month of August; one of the key areas of focus includes the After School Education and Safety (ASES) attendance accountability requirements. This training is mandatory for all new and returning administrative staff and school site program leaders. The attendance accountability portion of the training is provided monthly throughout the school year and is required for all new program leaders and program staff utilizing the Cayen Afterschool 21 attendance system. In addition, the Extended Learning Opportunities Department offers, and may require, one-on-one training to staff needing additional assistance ensuring the attendance requirements are being met.

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

District Response (continued): Beginning in 2013/14, the Extended Learning Opportunities Department began performing attendance audit site visits at the beginning of the school year in which all Early Release and Late Arrivals forms, as well as a period of sign-in sheets, are reviewed for accuracy. These visits are to ensure that all staff fully understand, and implement, all Early Release, Late Arrival and attendance requirements and attendance is appropriately marked as compliant or non-compliant based on ASES requirements.

The Extended Learning Opportunities Department will continue to perform unannounced school site observations throughout the year to provide the support needed to operate a high quality and enriching program, including implementing all attendance requirements as stipulated by CDE. Sign-in sheets, Early Release and Late Arrival forms are reviewed and compared to ensure that only those students that are meeting all of the ASES criteria are reported to CDE.

Current Status: See Finding 2014-3

FINDING #2013-04: KINDERGARTEN CONTINUANCE (10000/40000)

Criteria: Pupils enrolled in kindergarten for consecutive years should have a signed parental agreement to continue form, approved in form and content by the California Department of Education. For a pupil who begins kindergarten mid-year, one school year of kindergarten is completed on the last day prior to the anniversary of the pupil's first day of kindergarten.

Condition: We found that at Porter Elementary, the kindergarten retention form tested was insufficient to claim apportionment for the days generated after one full year of kindergarten. The pupil contract tested showed the pupil is currently enrolled in kindergarten; however, there was no signature of school official approving for the District.

Cause: Lack of familiarity with procedures outlined by Education Code.

Questioned Costs: There was an overstatement of 1 ADA that was corrected prior to submitting P-2. If P-2 had been submitted the fiscal impact would have been $6,707.66.

Effect: Possible misstatement of Average Daily Attendance by the District.

Perspective: We audited kindergarten continuance at 14 elementary school sites selected for testing in fiscal year 2012-13. The audit procedures included steps outlined by the Education Code(s) referenced below.

Recommendation: All students continuing kindergarten after one year of enrollment need a completed and signed parental agreement form in order for the pupil to continue kindergarten. This form must be signed in order for the District to be in compliance with the State per Sections 14502.1, 14503 and 41020, Education Code.

District Response: The procedure requiring the principal's signature on the kindergarten retention form has been fully explained to that school principal to ensure the error will not be repeated in the future. The district will continue its ongoing training for all school sites so that everyone is familiar with the procedures outlined by the Education Code with regard to kindergarten retention.

Current Status: See Finding 2014-4

FINDING #2013-05: SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria: School Accountability Report Cards (SARCs), prepared on annual basis for each school site within the District and posted in February, should contain information regarding school facilities conditions, as indicated in the most recently prepared facility inspection tool (FIT) form developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002(d).

Condition: During testing of a representative sample of SARCs, it was noted that a selection of 2012-13 SARCs did not report any information regarding facilities conditions. Instead, the SARC contained the following description: "Facilities inspections are ongoing throughout the school year. This table will be updated when inspection results become available."

Cause: Miscommunication amongst District staff regarding timeliness of information to be reported in the SARCs. From inquiry, it appears that the staff members who prepare the SARCs were informed that the facilities information should reflect 2012-13 inspections, rather than the most recently prepared FIT.

Questioned Costs: N/A

Effect: The 2011-12 School Accountability Report Cards published and tested in 2012-13 could not be determined to be accurate.

Perspective: Eight (8) out of 22 sites selected for SARC state compliance testing did not have facilities condition information reported in the SARC, as of July 2013.

Recommendation: We recommend that the District implement a process to accurately compile information included in the most recently prepared FITs and provide the summary to the staff members in charge of preparing SARCs.

District Response: During a recent process improvement review meeting, the District changed the FIT summary report to reflect the most recent FIT score for each site, providing the SARC report with most recent FIT scores district wide instead of just for those sites inspected from July to January.

FINDING #2013-05: SCHOOL ACCOUNTABILITY REPORT CARD (72000) (continued)

District Response (continued): Confirming that the eight (8) sites without facilities condition information had been inspected after January and therefore, not included in the published SARC report produced in February 2013 and with the recently altered process in place, there will now be a score for every site, regardless of when it was inspected.

Furthermore, the SARC report description has also been revised to state "most recent inspection date" instead of "Facilities inspections are ongoing throughout the school year. This table will be updated when inspection results become available."

Current Status: Implemented

CONTINUING DISCLOSURE INFORMATION

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

Assessed Valuations

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

District's Fiscal Year	Assessed Value
2002-2003	$80,806,653,526
2003-2004	$87,856,623,236
2004-2005	$95,685,708,742
2005-2006	$108,123,995,636
2006-2007	$120,172,905,029
2007-2008	$131,390,290,644
2008-2009	$131,895,647,665
2009-2010	$137,384,713,473
2010-2011	$134,714,145,620
2011-2012	$134,993,695,091
2012-2013	$134,786,052,020
2013-2014	$140,132,550,406

Secured taxes collected in fiscal year 2012-13 (2013-14 data not available) amounted to $509,788,778.

Tax Levy Under Teeter Plan

The ad valorem property tax to be levied to pay the principal of and interest on the general obligation bonds utilize the Teeter Plan. The School District will receive 100% of the ad valorem property tax levied to pay these Bonds irrespective of actual delinquencies in the collection of the tax by the County.

The largest taxpayers in San Diego County and the taxes assessed in 2013-14 are listed below:

	PROPERTY OWNER	AMOUNT OF TAX
1	SAN DIEGO GAS & ELECTRIC CO	87,007,049
2	SOUTHERN CALIFORNIA EDISON CO	35,875,444
3	IRVINE CO	19,995,798
4	QUALCOMM INC	18,573,859
5	KILROY REALTY L P	15,781,405
6	PACIFIC BELL TELEPHONE COMPANY	10,658,898
7	HOST HOTELS AND RESORTS	9,242,345
8	O C/S D HOLDINGS LLC	7,596,075
9	ONE PARK BOULEVARD LLC	7,245,071
10	B S K DEL PARTNERS LLC	6,135,288
11	PREBYS CONRAD TRUST	5,698,590
12	FASHION VALLEY MALL LLC	5,638,722
13	ARDEN REALTY LTD PTNSHP	5,198,651
14	SEA WORLD PARKS AND ENTERTAINMENT	5,168,033
15	SOLAR TURBINES INC	4,823,429
16	COSTCO WHOLESALE CORP	4,734,475
17	GENENTECH INC	4,723,999
18	B R E PROPERTIES, INC	4,488,807
19	SAN DIEGO FAMILY HOUSING LLC	4,478,466
20	OTAY MESA GENERATING CO, LLC	4,266,040
21	LAJOLLA CROSSROADS 1 LLC	4,204,190
22	SORRENTO WEST PROPERTIES INC	3,913,997
23	PFIZER INC	3,559,485
24	PACIFIC GATEWAY LTD	3,551,871
25	ROHR INC	3,376,524
26	U T C VENTURE LLC	3,329,927
27	E R P OPERATING LP	3,288,516
28	HORTON PLAZA LLC	3,223,735
29	AT&T MOBILITY	3,067,241
30	HOST SAN DIEGO HOTEL LLC	2,833,650

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Date of Delivery]

Board of Education
San Diego Unified School District
San Diego, California

San Diego Unified School District
2016 General Obligation Bonds
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)
(Election of 2012, Series F)

San Diego Unified School District
2016 General Obligation Bonds
(Dedicated Unlimited *Ad Valorem* Property Tax Bonds)
(Election of 2012, Series G) (Green Bonds)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the San Diego Unified School District (the "District"), which is located in the County of San Diego, California (the "County"), in connection with the issuance of $370,645,000 aggregate principal amount of bonds designated as "San Diego Unified School District 2016 General Obligation Bonds (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Election of 2012, Series F) (the "Series F Bonds"), and the issuance of $100,000,000 aggregate principal amount of bonds designated as "San Diego Unified School District 2016 General Obligation Bonds (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Election of 2012, Series G) (the "Series G Bonds" and, together with the Series F Bonds, the "Bonds"). The Bonds are issued under and pursuant to a resolution of the Board of Supervisors of the County adopted on September 29, 2015 (the "County Resolution"), at the request of the District and pursuant to a resolution of the Board of Education of the District adopted on September 15, 2015 (the "District Resolution") and a Paying Agent Agreement, dated as of August 1, 2010, as supplemented and amended, including as supplemented and amended by a Seventh Supplemental Paying Agent Agreement, dated as of January 1, 2016 (collectively, the "Paying Agent Agreement"), by and between the District and the County through the office of the Treasurer-Tax Collector of the County of San Diego, California, as paying agent (the "Paying Agent"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Paying Agent Agreement.

In such connection, we have reviewed the District Resolution, the County Resolution, the Paying Agent Agreement, the Tax Certificate of the District dated the date hereof (the "Tax Certificate"), certificates of the District, the County and others, opinions of counsel to the

District and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the District Resolution, the County Resolution the Paying Agent Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the District Resolution, the County Resolution, the Paying Agent Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against school districts and counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the District.

2. The District Resolution has been duly and legally adopted and constitutes a valid and binding obligation of the District.

3. The County Resolution has been duly and legally adopted.

4. The Paying Agent Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the District and the County.

5. The Board of Supervisors of the County has power and is obligated to levy *ad valorem* taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Bonds and the interest thereon.

6. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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APPENDIX E

PROPOSED FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated as of January 5, 2016, is executed and delivered by San Diego Unified School District (the "Issuer") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Representative" means the Superintendent, Chief Financial Officer, or Controller, or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

"Failure to File Event" means the Issuer's failure to file an Annual Report on or before the Annual Filing Date.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

"Official Statement" means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Appendix A.

"Trustee" means the institution, if any, identified as such or as Paying Agent in the document under which the Bonds were issued.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a

Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than nine months after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2015 (which is due no later than March 31, 2016). Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. "Principal and interest payment delinquencies;"

2. "Non-Payment related defaults, if material;"

3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"

4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"

5. "Substitution of credit or liquidity providers, or their failure to perform;"

6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"

7. "Modifications to rights of securities holders, if material;"

8. "Bond calls, if material;"

9. "Defeasances;"

10. "Release, substitution, or sale of property securing repayment of the securities, if material;"

11. "Rating changes;"

12. "Tender offers;"

13. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"

14. "Merger, consolidation, or acquisition of the obligated person, if material;" and

15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"

2. "change in obligated person;"

3. "notice to investors pursuant to bond documents;"

4. "certain communications from the Internal Revenue Service;"

5. "secondary market purchases;"

6. "bid for auction rate or other securities;"

7. "capital or other financing plan;"

8. "litigation/enforcement action;"

9. "change of tender agent, remarketing agent, or other on-going party;"

10. "derivative or other similar transaction;" and

11. "other event-based disclosures;"

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. "quarterly/monthly financial information;"

2. "change in fiscal year/timing of annual disclosure;"

3. "change in accounting standard;"

4. "interim/additional financial information/operating data;"

5. "budget;"

6. "investment/debt/financial policy;"

7. "information provided to rating agency, credit/liquidity provider or other third party;"

8. “consultant reports;” and

9. “other financial/operating data.”

(viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer. To the extent not included in the Audited Financial Information of the District, the Annual Report shall also include the following:

(i) District average daily attendance;

(ii) District outstanding debt;

(iii) Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County of San Diego; and

(iv) Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

(b) Audited Financial Statements prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California, as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then unaudited financial statements, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California as described in the Official Statement will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bond holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated

Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future

Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee for the Bonds, the Disclosure Dissemination Agent, the underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as Disclosure Dissemination Agent

By: ____
Name: ____
Title: ____

SAN DIEGO UNIFIED SCHOOL DISTRICT, as Issuer

By: ____
Name: ____
Title: ____

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	San Diego Unified School District
Name of Bond Issue(s):	2016 General Obligation Bonds (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Election of 2012, Series F) 2016 General Obligation Bonds (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Election of 2012, Series G) (Green Bonds)
Date of Issuance:	January 5, 2016
Date of Official Statement:	November 18, 2015

<u>Series F</u>	<u>Series G</u>
CUSIP(*) 7973552U7	CUSIP(*) 7973553H5
CUSIP(*) 7973552V5	CUSIP(*) 7973553J1
CUSIP(*) 7973552W3	CUSIP(*) 7973553K8
CUSIP(*) 7973552X1	CUSIP(*) 7973553L6
CUSIP(*) 7973552Y9	CUSIP(*) 7973553M4
CUSIP(*) 7973552Z6	CUSIP(*) 7973553N2
CUSIP(*) 7973553A0	CUSIP(*) 7973553P7
CUSIP(*) 7973553B8	CUSIP(*) 7973553Q5
CUSIP(*) 7973553C6	CUSIP(*) 7973553R3
CUSIP(*) 7973553D4	CUSIP(*) 7973553S1
CUSIP(*) 7973553E2	CUSIP(*) 7973553T9
CUSIP(*) 7973553F9	CUSIP(*) 7973553U6
CUSIP(*) 7973553G7	

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the District nor the Underwriters take any responsibility for the accuracy of the CUSIP numbers, which are being provided for reference only.

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer:	San Diego Unified School District
Name of Bond Issue(s):	2016 General Obligation Bonds (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Election of 2012, Series F) 2016 General Obligation Bonds (Dedicated Unlimited *Ad Valorem* Property Tax Bonds) (Election of 2012, Series G)
Date of Issuance:	January 5, 2016
Date of Disclosure Agreement:	January 5, 2016
CUSIP Number:	________________________

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by ______________.

Dated: _____________________________

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the Issuer

____

cc: District
Obligated Person

EXHIBIT C-1

EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

____

Issuer's Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

____

Number of pages attached: _____

____ Description of Notice Events (Check One):

1.______ "Principal and interest payment delinquencies;"
2.______ "Non-Payment related defaults, if material;"
3.______ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4.______ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5.______ "Substitution of credit or liquidity providers, or their failure to perform;"
6.______ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7.______ "Modifications to rights of securities holders, if material;"
8.______ "Bond calls, if material;"
9.______ "Defeasances;"
10.______ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11.______ "Rating changes;"
12.______ "Tender offers;"
13.______ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14.______ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15.______ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

Name: ____________________________________ Title: ____________________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2

VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of January 5, 2016 between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

____

Issuer's Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

____

Number of pages attached: _____

____ Description of Voluntary Event Disclosure (Check One):

1.______ "amendment to continuing disclosure undertaking;"
2.______ "change in obligated person;"
3.______ "notice to investors pursuant to bond documents;"
4.______ "certain communications from the Internal Revenue Service;"
5.______ "secondary market purchases;"
6.______ "bid for auction rate or other securities;"
7.______ "capital or other financing plan;"
8.______ "litigation/enforcement action;"
9.______ "change of tender agent, remarketing agent, or other on-going party;"
10.______ "derivative or other similar transaction;" and
11.______ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

Name: ___________________________________ Title: ___________________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3

VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of January 5, 2016 between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

____

Issuer's Six-Digit CUSIP Number:

____

____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

____

Number of pages attached: _____

____ Description of Voluntary Financial Disclosure (Check One):

1.______ "quarterly/monthly financial information;"
2.______ "change in fiscal year/timing of annual disclosure;"
3.______ "change in accounting standard;"
4.______ "interim/additional financial information/operating data;"
5.______ "budget;"
6.______ "investment/debt/financial policy;"
7.______ "information provided to rating agency, credit/liquidity provider or other third party;"
8.______ "consultant reports;" and
9.______ "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

Name: ______________________________ Title: ______________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

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APPENDIX F

SAN DIEGO COUNTY INVESTMENT POOL

The following information has been furnished by the County of San Diego Treasurer-Tax Collector. The District makes no representation as to the accuracy or completeness of such information. It describes Summary Portfolio Statistics, Investment Inventory with Market Value, Purchases/Sales/Maturities, Cash Flow Analysis, Participant Cash Balances, Pooled Money Fund Participants, Pooled Money Fund – Asset Allocation, Pooled Money Fund Assets – Credit Quality and Investment Policy Compliance Standards. Further information may be obtained directly from the County Treasurer-Tax Collector, San Diego County Administration Center, 1600 Pacific Hwy, Room 101, San Diego, California 92101-2474.

[SEE ATTACHED]

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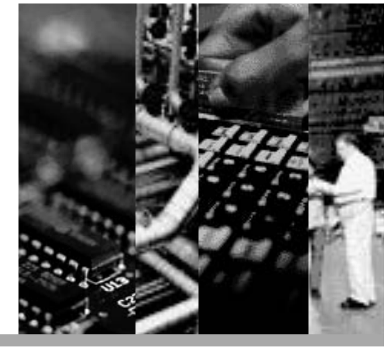


County of San Diego Treasurer Investment Report

MONTH ENDING October 31, 2015

Table of Contents

DISCLAIMER:

The information provided, including all charts, tables, graphs and numerical representations, are provided to readers solely as a general overview of the economic and market conditions which the Treasurer utilizes in making investment decisions.

Note:

All Investments held during the month of **October 2015** were in compliance with the Investment Policy dated January 1, 2015. The projected cash flows indicate sufficient liquidity to meet all scheduled expenditures for the next 6 months.

Summary Portfolio Statistics

County of San Diego Pooled Money Fund

as of October 31, 2015

	Percent of Portfolio	WAM	WAC	YTM	Current Par/ Share	Current Book	Market Price	Market Value	Current Accr Int	Yield to Worst	Unrealized Gain/Loss
Certificates of Deposit	1.03	107	107	0.22	69,363,000	69,363,000	1.000	69,363,000	2,405	0.22	0
Commercial Paper	24.23	96	96	0.36	1,631,000,000	1,628,951,836	0.998	1,627,544,216	0	0.36	(1,407,621)
Fannie Mae	9.92	707	576	0.98	665,668,000	666,596,803	1.003	667,822,224	1,803,072	0.98	1,225,421
Federal Farm Credit Bank Notes	5.50	362	362	0.50	370,000,000	369,912,169	1.000	370,005,000	273,696	0.50	92,831
Federal Home Loan Bank Notes	15.91	381	329	0.61	1,065,050,000	1,069,278,030	1.004	1,069,673,200	3,001,930	0.61	395,170
Federal Home Loan Mortgage Corp	7.61	842	498	1.04	510,000,000	511,540,734	1.006	512,855,312	1,321,962	1.03	1,314,579
Money Market Funds	1.86	1	1	0.19	125,122,000	125,122,000	1.001	125,227,000	18,805	0.19	105,000
Negotiable CD	20.68	115	115	0.41	1,390,000,000	1,390,003,749	1.000	1,390,000,000	1,273,011	0.41	(3,749)
Repurchase Agreements	0.32	1		0.01	21,722,750	21,722,750	1.000	21,722,750	0	0.01	0
Supranational	3.73	928	618	1.06	250,000,000	249,880,954	0.999	249,872,500	571,319	1.06	(8,454)
U.S. Treasury Notes	9.21	769	769	0.94	614,000,000	619,384,916	1.012	621,354,400	2,705,021	0.94	1,969,484
Totals for October 2015	100.00	368	309	0.60	6,711,925,750	6,721,756,941	1.002	6,725,439,602	10,971,221	0.60	3,682,661
Totals for September 2015	100.00	334	296	0.58	6,442,998,089	6,448,187,297	1.002	6,456,480,043	8,573,856	0.58	8,292,746
Change From Prior Month		34	13	0.02	268,927,661	273,569,643	(0.00)	268,959,559	2,397,365	0.02	(4,610,084)

Portfolio Effective Duration 0.88 years

	October Return	Annualized	Fiscal Year To Date Return	Annualized	Calendar Year To Date Return	Annualized
Book Value	0.068%	0.806%	0.212%	0.629%	0.462%	0.555%
Market Value	0.068%	0.805%	0.212%	0.628%	0.460%	0.552%

Note

Yield to maturity (YTM) is the estimated rate of return on a bond given its purchase price, assuming all coupon payments are made on a timely basis and reinvested at this same rate of return to the maturity date.

Yield to call (YTC) is the estimated rate of return on a bond given its purchase price, assuming all coupon payments are made on a timely basis and reinvested at this same rate of return to the call date.

Yield to worst (YTW) is the lesser of yield to maturity or yield to call, reflecting the optionality of the bond issuer.

Yields for the portfolio are aggregated based on the book value of each security.

Investment Inventory with Market Value

San Diego Pooled Money Fund

as of October 31, 2015

Issuer	Purchase Date	Maturity Date	Coupon	YTM	Par Value	Current Book	Market Value	Current Accr Int	Unrealized Gain/Loss
Certificates of Deposit									
CA Bank and Trust	5/18/2015	11/16/2015	0.16	0.16	10,000,000.00	10,000,000.00	10,000,000.00	577.78	0.00
Regents Bank	5/28/2015	11/24/2015	0.20	0.20	250,000.00	250,000.00	250,000.00	10.96	0.00
Pacific Western Bank SD	5/12/2015	12/14/2015	0.50	0.50	100,000.00	100,000.00	100,000.00	27.78	0.00
American West Bank	6/20/2015	12/23/2015	0.20	0.20	250,000.00	250,000.00	250,000.00	16.44	0.00
Pacific Commerce Bank	6/25/2015	12/24/2015	0.25	0.25	5,000,000.00	5,000,000.00	5,000,000.00	34.25	0.00
CA Bank and Trust	7/20/2015	1/19/2016	0.16	0.16	10,000,000.00	10,000,000.00	10,000,000.00	488.89	0.00
East West Bank	8/14/2015	2/10/2016	0.29	0.29	250,000.00	250,000.00	250,000.00	44.31	0.00
Pacific Commerce Bank	8/12/2015	2/12/2016	0.25	0.25	250,000.00	250,000.00	250,000.00	34.72	0.00
Banc of California	8/28/2015	2/29/2016	0.24	0.24	15,000,000.00	15,000,000.00	15,000,000.00	295.89	0.00
CDARS Regent Bank	9/17/2015	3/17/2016	0.12	0.12	2,813,500.00	2,813,500.00	2,813,500.00	138.75	0.00
Torrey Pines Bank	3/29/2015	3/26/2016	0.30	0.30	20,000,000.00	20,000,000.00	20,000,000.00	493.15	0.00
CDARS Coronado Private Bank	10/22/2015	4/21/2016	0.14	0.14	5,000,000.00	5,000,000.00	5,000,000.00	191.78	0.00
CA Bank and Trust	5/8/2015	5/9/2016	0.23	0.23	100,000.00	100,000.00	100,000.00	14.70	0.00
Torrey Pines Bank	9/4/2015	9/3/2016	0.25	0.25	99,500.00	99,500.00	99,500.00	19.09	0.00
SD Private Bank	10/24/2015	10/24/2016	0.30	0.30	250,000.00	250,000.00	250,000.00	16.44	0.00
Certificates of Deposit Subtotal			**0.22**	**0.22**	**69,363,000.00**	**69,363,000.00**	**69,363,000.00**	**2,404.93**	**0.00**
Commercial Paper									
Natixis US Finance Co.	10/30/2015	11/2/2015	0.06	0.06	175,000,000.00	174,999,708.33	175,000,000.00	0.00	291.67
Mitsubishi UFJ Financial Group, Inc.	5/5/2015	11/5/2015	0.32	0.32	45,000,000.00	44,998,400.00	44,928,000.00	0.00	-70,400.00
Toyota Motor Credit Corp.	4/10/2015	11/6/2015	0.28	0.28	45,000,000.00	44,998,250.00	44,928,000.00	0.00	-70,250.00
Mitsubishi UFJ Financial Group, Inc.	9/11/2015	11/10/2015	0.18	0.18	55,000,000.00	54,997,525.00	54,983,500.00	0.00	-14,025.00
Fortis/BNP Paribas Bank	9/18/2015	11/17/2015	0.25	0.25	80,000,000.00	79,991,111.11	79,968,000.00	0.00	-23,111.11
Fortis/BNP Paribas Bank	10/16/2015	12/15/2015	0.21	0.21	156,000,000.00	155,959,960.00	155,953,200.00	0.00	-6,760.00
General Elec Capital Corp.	7/29/2015	12/18/2015	0.25	0.25	75,000,000.00	74,975,520.83	74,925,000.00	0.00	-50,520.83
General Elec Capital Corp.	10/28/2015	12/31/2015	0.17	0.17	75,000,000.00	74,978,750.00	74,977,500.00	0.00	-1,250.00
HSBC Finance Corp.	6/23/2015	1/4/2016	0.40	0.40	50,000,000.00	49,964,888.89	49,895,000.00	0.00	-69,888.89
JP Morgan	6/10/2015	1/6/2016	0.48	0.48	50,000,000.00	49,956,000.00	49,860,000.00	0.00	-96,000.00
Credit Suisse Securities (USA) LLC	6/26/2015	1/15/2016	0.48	0.48	50,000,000.00	49,950,000.00	49,865,000.00	0.00	-85,000.00
Mitsubishi UFJ Financial Group, Inc.	10/28/2015	1/26/2016	0.20	0.20	50,000,000.00	49,976,111.11	49,975,000.00	0.00	-1,111.11
Credit Suisse Securities (USA) LLC	6/26/2015	1/29/2016	0.48	0.48	50,000,000.00	49,940,666.67	49,855,000.00	0.00	-85,666.67

Investment Inventory with Market Value

Issuer	Purchase Date	Maturity Date	Coupon	YTM	Par Value	Current Book	Market Value	Current Accr Int	Unrealized Gain/Loss
Rabobank Nederland	9/28/2015	2/1/2016	0.32	0.32	25,000,000.00	24,979,555.56	24,972,500.00	0.00	-7,055.56
JP Morgan	6/30/2015	2/2/2016	0.48	0.48	50,000,000.00	49,938,000.00	49,855,000.00	0.00	-83,000.00
Credit Suisse Securities (USA) LLC	6/26/2015	2/12/2016	0.53	0.53	50,000,000.00	49,924,180.55	49,830,000.00	0.00	-94,180.55
Credit Suisse Securities (USA) LLC	9/1/2015	2/29/2016	0.56	0.56	50,000,000.00	49,906,666.67	49,860,000.00	0.00	-46,666.67
JP Morgan	8/28/2015	3/31/2016	0.57	0.57	75,000,000.00	74,820,687.50	74,745,000.00	0.00	-75,687.50
UBS Finance	10/15/2015	3/31/2016	0.45	0.45	25,000,000.00	24,952,812.50	24,947,500.00	0.00	-5,312.50
JP Morgan	9/18/2015	4/29/2016	0.55	0.55	75,000,000.00	74,793,750.00	74,745,000.00	0.00	-48,750.00
JP Morgan	9/21/2015	4/29/2016	0.55	0.55	50,000,000.00	49,862,500.00	49,830,000.00	0.00	-32,500.00
UBS Finance	10/15/2015	5/31/2016	0.53	0.53	50,000,000.00	49,843,944.45	49,835,000.00	0.00	-8,944.45
UBS Finance	10/28/2015	5/31/2016	0.54	0.54	50,000,000.00	49,841,000.00	49,835,000.00	0.00	-6,000.00
JP Morgan	10/28/2015	5/31/2016	0.52	0.52	25,000,000.00	24,923,444.44	24,922,500.00	0.00	-944.44
UBS Finance	10/19/2015	6/30/2016	0.55	0.55	100,000,000.00	99,630,277.78	99,208,515.60	0.00	-421,762.18
Rabobank Nederland	10/23/2015	7/1/2016	0.45	0.45	50,000,000.00	49,848,125.00	49,845,000.00	0.00	-3,125.00
Commercial Paper Subtotal			**0.36**	**0.36**	**1,631,000,000.00**	**1,628,951,836.39**	**1,627,544,215.60**	**0.00**	**-1,407,620.79**
FNMA									
Fed National Mortg Assoc	6/10/2013	7/5/2016	0.38	0.63	50,000,000.00	49,914,544.80	50,005,000.00	60,416.67	90,455.20
Fed National Mortg Assoc	2/26/2014	7/5/2016	0.38	0.45	15,000,000.00	14,992,498.94	15,001,500.00	18,125.00	9,001.06
Fed National Mortg Assoc	5/5/2015	7/15/2016	5.38	0.42	32,900,000.00	34,045,009.67	34,038,340.00	520,688.19	-6,669.67
Fed National Mortg Assoc	5/22/2013	8/22/2016	0.50	0.50	25,000,000.00	25,000,000.00	24,935,000.00	55,208.33	-65,000.00
Fed National Mortg Assoc	10/6/2011	9/28/2016	1.25	1.28	20,000,000.00	19,994,014.73	20,138,000.00	22,916.67	143,985.27
Fed National Mortg Assoc	5/14/2013	11/14/2016	0.55	0.56	25,000,000.00	24,998,519.84	25,012,500.00	63,784.72	13,980.16
Fed National Mortg Assoc	5/28/2013	11/14/2016	0.55	0.57	3,500,000.00	3,499,214.19	3,501,750.00	8,929.86	2,535.81
Fed National Mortg Assoc	5/28/2013	11/14/2016	0.55	0.57	7,513,000.00	7,511,313.19	7,516,756.50	19,168.58	5,443.31
Fed National Mortg Assoc	11/15/2011	11/15/2016	1.38	1.29	15,000,000.00	15,012,955.98	15,136,500.00	95,104.17	123,544.02
Fed National Mortg Assoc	1/17/2012	11/15/2016	1.38	1.10	20,000,000.00	20,055,045.57	20,182,000.00	126,805.56	126,954.43
Fed National Mortg Assoc	3/14/2013	3/14/2017	0.75	0.75	25,000,000.00	25,000,000.00	25,037,500.00	24,479.17	37,500.00
Fed National Mortg Assoc	3/10/2014	4/20/2017	0.75	0.86	50,000,000.00	49,917,579.91	50,080,000.00	11,458.33	162,420.09
Fed National Mortg Assoc	11/27/2013	10/26/2017	0.88	1.07	40,000,000.00	39,847,764.37	40,060,000.00	4,861.11	212,235.63
Fed National Mortg Assoc	11/29/2012	11/29/2017	1.00	1.00	31,755,000.00	31,755,000.00	31,770,877.50	134,076.67	15,877.50
Fed National Mortg Assoc	12/27/2012	12/27/2017	0.88	0.91	35,000,000.00	34,973,594.44	35,028,000.00	105,486.11	54,405.56
Fed National Mortg Assoc	12/27/2012	12/27/2017	0.75	0.75	25,000,000.00	25,000,000.00	25,017,500.00	64,583.33	17,500.00
Fed National Mortg Assoc	4/30/2013	4/30/2018	1.00	1.01	50,000,000.00	49,991,259.72	49,595,000.00	1,388.89	-396,259.72

Investment Inventory with Market Value

Issuer	Purchase Date	Maturity Date	Coupon	YTM	Par Value	Current Book	Market Value	Current Accr Int	Unrealized Gain/Loss
Fed National Mortg Assoc	4/30/2013	4/30/2018	1.00	1.00	50,000,000.00	50,000,000.00	49,595,000.00	1,388.89	-405,000.00
Fed National Mortg Assoc	5/16/2013	4/30/2018	1.00	1.07	25,000,000.00	24,960,316.00	24,797,500.00	694.44	-162,816.00
Fed National Mortg Assoc	1/22/2014	5/21/2018	0.88	1.53	15,000,000.00	14,757,902.50	14,956,500.00	58,333.33	198,597.50
Fed National Mortg Assoc	1/21/2014	9/18/2018	1.88	1.65	30,000,000.00	30,183,840.25	30,696,000.00	67,187.50	512,159.75
Fed National Mortg Assoc	1/21/2014	11/27/2018	1.63	1.73	30,000,000.00	29,909,163.57	30,480,000.00	208,541.67	570,836.43
Fed National Mortg Assoc	7/8/2015	6/20/2019	1.75	1.36	20,000,000.00	20,277,264.98	20,306,000.00	127,361.11	28,735.02
Fed National Mortg Assoc	10/29/2015	10/29/2020	1.50	1.50	25,000,000.00	25,000,000.00	24,935,000.00	2,083.33	-65,000.00
FNMA Subtotal			**1.20**	**0.98**	**665,668,000.00**	**666,596,802.65**	**667,822,224.00**	**1,803,071.63**	**1,225,421.35**
FFCB									
Federal Farm Credit Bank	3/4/2015	3/4/2016	0.28	0.32	50,000,000.00	49,994,020.83	50,000,000.00	22,166.67	5,979.17
Federal Farm Credit Bank	3/26/2015	3/24/2016	0.32	0.32	100,000,000.00	99,874,797.33	99,930,000.00	0.00	55,202.67
Federal Farm Credit Bank	4/24/2015	6/24/2016	0.35	0.35	50,000,000.00	50,000,000.00	50,005,000.00	61,736.11	5,000.00
Federal Farm Credit Bank	10/14/2015	11/4/2016	0.48	0.41	35,000,000.00	35,026,346.16	34,989,500.00	82,600.00	-36,846.16
Federal Farm Credit Bank	10/28/2015	11/28/2016	0.45	0.45	25,000,000.00	25,000,000.00	24,975,000.00	937.50	-25,000.00
Federal Farm Credit Bank	10/28/2015	11/28/2016	0.45	0.45	25,000,000.00	25,000,000.00	24,975,000.00	937.50	-25,000.00
Federal Farm Credit Bank	9/11/2015	4/24/2017	0.75	0.67	15,000,000.00	15,017,004.80	15,018,000.00	2,187.50	995.20
Federal Farm Credit Bank	9/14/2015	9/14/2017	0.78	0.78	25,000,000.00	25,000,000.00	24,995,000.00	25,458.33	-5,000.00
Federal Farm Credit Bank	2/20/2015	2/20/2018	1.11	1.11	20,000,000.00	20,000,000.00	20,060,000.00	43,783.33	60,000.00
Federal Farm Credit Bank	9/21/2015	9/21/2018	1.22	1.22	25,000,000.00	25,000,000.00	25,057,500.00	33,888.89	57,500.00
FFCB Subtotal			**0.50**	**0.50**	**370,000,000.00**	**369,912,169.12**	**370,005,000.00**	**273,695.83**	**92,830.88**
FHLB									
Federal Home Loan Bank	11/28/2014	11/27/2015	0.20	0.20	100,000,000.00	100,000,000.00	100,000,000.00	85,555.56	0.00
Federal Home Loan Bank	12/1/2014	12/1/2015	0.13	0.22	50,000,000.00	49,996,133.33	50,000,000.00	26,041.67	3,866.67
Federal Home Loan Bank	12/9/2014	12/9/2015	0.21	0.21	25,000,000.00	25,000,000.00	25,000,000.00	20,708.33	0.00
Federal Home Loan Bank	2/26/2014	12/11/2015	1.38	0.30	25,000,000.00	25,029,782.95	25,032,500.00	133,680.56	2,717.05
Federal Home Loan Bank	6/13/2011	3/11/2016	3.13	1.72	25,000,000.00	25,121,450.10	25,257,500.00	108,506.94	136,049.90
Federal Home Loan Bank	3/23/2015	3/11/2016	0.25	0.34	50,000,000.00	49,984,609.20	49,980,000.00	17,361.11	-4,609.20
Federal Home Loan Bank	3/27/2015	3/23/2016	0.25	0.33	25,050,000.00	25,042,506.11	25,050,000.00	6,610.42	7,493.89
Federal Home Loan Bank	4/1/2015	4/1/2016	0.32	0.32	50,000,000.00	50,000,000.00	50,025,000.00	13,333.33	25,000.00
Federal Home Loan Bank	5/6/2015	5/24/2016	0.35	0.35	25,000,000.00	25,000,000.00	25,000,000.00	42,534.72	0.00
Federal Home Loan Bank	5/6/2015	5/24/2016	0.35	0.35	25,000,000.00	25,000,000.00	25,000,000.00	42,534.72	0.00

Investment Inventory with Market Value

Issuer	Purchase Date	Maturity Date	Coupon	YTM	Par Value	Current Book	Market Value	Current Accr Int	Unrealized Gain/Loss
Federal Home Loan Bank	8/10/2011	6/10/2016	2.13	1.48	15,000,000.00	15,056,203.71	15,160,500.00	124,843.75	104,296.29
Federal Home Loan Bank	4/9/2015	6/10/2016	2.13	0.35	25,000,000.00	25,269,848.57	25,267,500.00	208,072.92	-2,348.57
Federal Home Loan Bank	6/17/2015	6/17/2016	0.35	0.35	50,000,000.00	50,000,000.00	49,990,000.00	65,138.89	-10,000.00
Federal Home Loan Bank	6/17/2015	6/17/2016	0.35	0.35	25,000,000.00	25,000,000.00	24,995,000.00	32,569.44	-5,000.00
Federal Home Loan Bank	6/3/2015	6/20/2016	0.34	0.36	25,000,000.00	24,996,811.01	24,987,500.00	30,930.56	-9,311.01
Federal Home Loan Bank	6/22/2015	6/20/2016	0.38	0.39	50,000,000.00	49,994,882.68	49,985,000.00	67,187.50	-9,882.68
Federal Home Loan Bank	6/29/2015	6/29/2016	0.38	0.41	22,000,000.00	21,995,345.78	22,004,400.00	27,958.33	9,054.22
Federal Home Loan Bank	6/3/2015	6/30/2016	0.32	0.36	50,000,000.00	49,988,266.15	49,990,000.00	53,777.78	1,733.85
Federal Home Loan Bank	6/3/2015	7/18/2016	0.75	0.41	38,000,000.00	38,093,078.42	38,079,800.00	81,541.67	-13,278.42
Federal Home Loan Bank	11/15/2013	12/28/2016	0.63	0.72	50,000,000.00	49,946,900.27	50,045,000.00	106,770.83	98,099.73
Federal Home Loan Bank	12/29/2014	6/29/2017	1.00	1.00	15,000,000.00	15,000,000.00	15,013,500.00	50,833.33	13,500.00
Federal Home Loan Bank	9/20/2012	9/8/2017	0.75	0.86	35,000,000.00	34,930,931.18	34,968,500.00	38,645.83	37,568.82
Federal Home Loan Bank	10/5/2015	10/5/2017	0.73	0.73	25,000,000.00	25,000,000.00	24,900,000.00	13,180.56	-100,000.00
Federal Home Loan Bank	10/14/2015	11/17/2017	5.00	0.74	35,000,000.00	38,018,333.07	37,947,000.00	797,222.22	-71,333.07
Federal Home Loan Bank	12/29/2014	12/29/2017	1.25	1.25	25,000,000.00	25,000,000.00	25,035,000.00	105,902.78	35,000.00
Federal Home Loan Bank	1/12/2015	1/12/2018	1.30	1.30	25,000,000.00	25,000,000.00	25,050,000.00	98,402.78	50,000.00
Federal Home Loan Bank	1/12/2015	1/12/2018	1.30	1.30	25,000,000.00	25,000,000.00	25,050,000.00	98,402.78	50,000.00
Federal Home Loan Bank	7/29/2015	1/29/2018	1.00	1.00	25,000,000.00	25,000,000.00	25,032,500.00	63,888.89	32,500.00
Federal Home Loan Bank	6/29/2015	6/29/2018	1.20	1.20	25,000,000.00	25,000,000.00	25,012,500.00	101,666.67	12,500.00
Federal Home Loan Bank	8/14/2015	8/14/2018	1.20	1.12	25,000,000.00	25,057,115.28	25,065,000.00	64,166.67	7,884.72
Federal Home Loan Bank	10/26/2015	9/14/2018	1.13	0.97	35,000,000.00	35,148,730.11	35,059,500.00	91,875.00	-89,230.11
Federal Home Loan Bank	1/9/2015	12/13/2019	2.38	1.61	20,000,000.00	20,607,102.05	20,690,000.00	182,083.33	82,897.95
FHLB Subtotal			**0.88**	**0.61**	**1,065,050,000.00**	**1,069,278,029.97**	**1,069,673,200.00**	**3,001,929.87**	**395,170.03**
FHLMC									
Fed Home Loan Mortg Corp.	9/29/2015	12/29/2015	1.05	1.05	25,000,000.00	25,000,000.00	25,022,500.00	23,333.33	22,500.00
Fed Home Loan Mortg Corp.	12/16/2011	1/19/2016	4.75	0.95	15,000,000.00	15,120,907.94	15,141,000.00	201,875.00	20,092.06
Fed Home Loan Mortg Corp.	4/9/2015	5/13/2016	0.50	0.33	25,000,000.00	25,023,269.04	25,025,000.00	58,333.33	1,730.96
Fed Home Loan Mortg Corp.	10/18/2012	11/1/2016	0.63	0.64	50,000,000.00	49,994,301.45	50,065,000.00	0.00	70,698.55
Fed Home Loan Mortg Corp.	5/29/2013	11/25/2016	0.63	0.63	25,000,000.00	25,000,000.00	25,002,500.00	67,708.33	2,500.00
Fed Home Loan Mortg Corp.	2/26/2014	2/22/2017	0.88	0.73	25,000,000.00	25,047,056.23	25,092,500.00	41,927.08	45,443.77
Fed Home Loan Mortg Corp.	1/9/2015	5/12/2017	1.25	0.81	10,000,000.00	10,065,949.41	10,086,000.00	58,680.56	20,050.59
Fed Home Loan Mortg Corp.	2/26/2014	6/29/2017	1.00	0.91	30,000,000.00	30,043,396.01	30,144,000.00	101,666.67	100,603.99

Investment Inventory with Market Value

Issuer	Purchase Date	Maturity Date	Coupon	YTM	Par Value	Current Book	Market Value	Current Accr Int	Unrealized Gain/Loss
Fed Home Loan Mortg Corp.	7/25/2012	7/25/2017	1.00	1.00	20,000,000.00	19,999,306.67	20,084,000.00	53,333.33	84,693.33
Fed Home Loan Mortg Corp.	10/19/2015	1/19/2018	1.00	1.00	25,000,000.00	25,000,000.00	25,012,500.00	8,333.33	12,500.00
Fed Home Loan Mortg Corp.	5/22/2015	2/22/2018	1.00	1.00	25,000,000.00	25,000,000.00	25,030,000.00	47,916.67	30,000.00
Fed Home Loan Mortg Corp.	2/26/2014	3/7/2018	0.88	1.27	30,000,000.00	29,728,008.96	29,961,000.00	39,375.00	232,991.04
Fed Home Loan Mortg Corp.	2/27/2014	6/13/2018	4.88	1.30	25,000,000.00	27,266,497.09	27,480,000.00	467,187.50	213,502.91
Fed Home Loan Mortg Corp.	10/27/2015	7/27/2018	1.00	1.00	25,000,000.00	25,000,000.00	24,950,000.00	2,777.78	-50,000.00
Fed Home Loan Mortg Corp.	10/29/2015	10/29/2018	1.25	1.25	35,000,000.00	35,000,000.00	34,968,500.00	2,430.56	-31,500.00
Fed Home Loan Mortg Corp.	3/18/2014	2/19/2019	1.75	1.72	20,000,000.00	20,004,688.86	20,048,000.00	70,000.00	43,311.14
Fed Home Loan Mortg Corp.	11/21/2014	10/2/2019	1.25	1.79	25,000,000.00	24,499,539.73	24,817,500.00	25,173.61	317,960.27
Fed Home Loan Mortg Corp.	5/19/2015	5/1/2020	1.38	1.59	25,000,000.00	24,747,812.50	24,845,312.50	17,187.50	97,500.00
Fed Home Loan Mortg Corp.	10/6/2015	10/6/2020	1.00	1.00	50,000,000.00	50,000,000.00	50,080,000.00	34,722.22	80,000.00
FHLMC Subtotal			**1.31**	**1.04**	**510,000,000.00**	**511,540,733.89**	**512,855,312.50**	**1,321,961.80**	**1,314,578.61**
Money Market Funds									
Black Rock	10/31/2015	11/1/2015	0.01	0.01	43,117,000.00	43,117,000.00	43,117,000.00	326.76	0.00
Morgan Stanley	10/31/2015	11/1/2015	0.04	0.04	3,425,000.00	3,425,000.00	3,425,000.00	187.31	0.00
Morgan Stanley -Prime	10/31/2015	11/1/2015	0.06	0.06	330,000.00	330,000.00	330,000.00	18.05	0.00
Caltrust	10/31/2015	11/1/2015	0.49	0.49	35,000,000.00	35,000,000.00	35,105,000.00	14,746.02	105,000.00
Fidelity	10/31/2015	11/1/2015	0.14	0.14	43,250,000.00	43,250,000.00	43,250,000.00	3,527.26	0.00
Money Market Funds Subtotal			**0.19**	**0.19**	**125,122,000.00**	**125,122,000.00**	**125,227,000.00**	**18,805.40**	**105,000.00**
Negotiable CD									
Bank of America	4/6/2015	11/2/2015	0.32	0.32	50,000,000.00	50,000,000.00	50,000,000.00	92,888.89	0.00
Swedbank NY	5/8/2015	11/3/2015	0.32	0.32	50,000,000.00	50,000,000.00	50,000,000.00	78,666.67	0.00
Bank of Nova Scotia	5/1/2015	11/4/2015	0.28	0.28	40,000,000.00	40,000,000.00	40,000,000.00	57,244.45	0.00
Bank of Nova Scotia	5/1/2015	11/9/2015	0.28	0.28	50,000,000.00	50,000,000.00	50,000,000.00	71,555.56	0.00
Swedbank NY	6/12/2015	11/16/2015	0.30	0.30	50,000,000.00	50,000,000.00	50,000,000.00	58,180.56	0.00
Svenska Hndl NY	6/29/2015	12/30/2015	0.39	0.38	100,000,000.00	100,000,817.86	100,000,000.00	133,680.56	-817.86
Mitsubishi UFJ Financial Group, Inc.	6/8/2015	1/8/2016	0.40	0.40	75,000,000.00	75,000,000.00	75,000,000.00	121,666.66	0.00
Swedbank NY	6/9/2015	1/12/2016	0.38	0.38	50,000,000.00	50,000,000.00	50,000,000.00	76,527.78	0.00
Credit Suisse Securities (USA) LLC	8/27/2015	1/13/2016	0.46	0.46	50,000,000.00	50,000,000.00	50,000,000.00	42,166.67	0.00
Swedbank NY	7/10/2015	1/15/2016	0.35	0.35	50,000,000.00	50,000,000.00	50,000,000.00	55,416.67	0.00
Credit Suisse Securities (USA) LLC	8/27/2015	1/22/2016	0.47	0.47	50,000,000.00	50,000,000.00	50,000,000.00	43,083.33	0.00

Investment Inventory with Market Value

Issuer	Purchase Date	Maturity Date	Coupon	YTM	Par Value	Current Book	Market Value	Current Accr Int	Unrealized Gain/Loss
Svenska Hndl NY	9/9/2015	1/29/2016	0.37	0.37	50,000,000.00	50,000,000.00	50,000,000.00	27,236.11	0.00
Svenska Hndl NY	9/10/2015	1/29/2016	0.37	0.37	75,000,000.00	75,000,000.00	75,000,000.00	40,083.33	0.00
Bank of America	10/15/2015	1/29/2016	0.26	0.26	25,000,000.00	25,000,000.00	25,000,000.00	3,069.44	0.00
Toronto Domin NY	9/28/2015	2/1/2016	0.32	0.32	50,000,000.00	50,000,000.00	50,000,000.00	15,111.11	0.00
Bank of Nova Scotia	6/30/2015	2/8/2016	0.42	0.42	25,000,000.00	25,000,000.00	25,000,000.00	36,166.67	0.00
Swedbank NY	7/10/2015	2/12/2016	0.38	0.38	50,000,000.00	50,000,000.00	50,000,000.00	60,166.67	0.00
Bank of America Corp.	9/29/2015	2/26/2016	0.39	0.39	50,000,000.00	50,000,000.00	50,000,000.00	17,875.00	0.00
Toronto Domin NY	9/28/2015	2/29/2016	0.35	0.35	50,000,000.00	50,000,000.00	50,000,000.00	39,280.30	0.00
Bank of Nova Scotia	9/22/2015	4/29/2016	0.49	0.49	25,000,000.00	25,000,000.00	25,000,000.00	13,611.11	0.00
Toronto Domin NY	8/27/2015	5/31/2016	0.61	0.60	50,000,000.00	50,002,930.86	50,000,000.00	55,916.67	-2,930.86
Credit Suisse Securities (USA) LLC	10/28/2015	5/31/2016	0.57	0.57	25,000,000.00	25,000,000.00	25,000,000.00	1,583.33	0.00
Bank of Nova Scotia	9/23/2015	6/30/2016	0.56	0.56	100,000,000.00	100,000,000.00	100,000,000.00	60,666.67	0.00
Bank of Nova Scotia	9/24/2015	6/30/2016	0.56	0.56	50,000,000.00	50,000,000.00	50,000,000.00	29,555.56	0.00
Rabobank Nederland	9/29/2015	6/30/2016	0.52	0.52	50,000,000.00	50,000,000.00	50,000,000.00	23,833.33	0.00
Wells Fargo Bank NA	10/15/2015	6/30/2016	0.50	0.50	50,000,000.00	50,000,000.00	50,000,000.00	11,805.56	0.00
Mitsubishi UFJ Financial Group, Inc.	10/22/2015	7/5/2016	0.43	0.43	50,000,000.00	50,000,000.00	50,000,000.00	5,972.22	0.00
Negotiable CD Subtotal			**0.41**	**0.41**	**1,390,000,000.00**	**1,390,003,748.72**	**1,390,000,000.00**	**1,273,010.88**	**-3,748.72**
Repurchase Agreements									
Wells Fargo Bank NA	10/31/2015	11/1/2015	0.01	0.01	21,722,749.88	21,722,749.88	21,722,749.88	0.00	0.00
Repurchase Agreements Subtotal			**0.01**	**0.01**	**21,722,749.88**	**21,722,749.88**	**21,722,749.88**	**0.00**	**0.00**
Supranational									
Intl Bank for Reconst & Development	9/30/2015	3/30/2017	1.00	1.00	25,000,000.00	25,000,000.00	25,000,000.00	21,527.78	0.00
Intl Bank for Reconst & Development	6/23/2015	11/15/2017	1.00	1.00	25,000,000.00	24,998,084.11	25,070,000.00	88,888.89	71,915.89
Intl Bank for Reconst & Development	6/23/2015	11/15/2017	1.00	1.00	25,000,000.00	24,998,084.11	25,070,000.00	88,888.89	71,915.89
Intl Bank for Reconst & Development	6/23/2015	11/15/2017	1.00	1.00	25,000,000.00	24,998,084.11	25,070,000.00	88,888.89	71,915.89
Intl Bank for Reconst & Development	3/16/2015	3/16/2018	1.23	1.23	25,000,000.00	25,000,000.00	25,000,000.00	38,437.50	0.00
Intl Bank for Reconst & Development	3/16/2015	3/16/2018	1.23	1.23	25,000,000.00	25,000,000.00	25,000,000.00	38,437.50	0.00
Intl Bank for Reconst & Development	4/30/2015	6/15/2018	1.00	1.06	50,000,000.00	49,928,256.00	49,885,000.00	188,888.89	-43,256.00
Intl Bank for Reconst & Development	10/7/2015	10/5/2018	1.00	1.06	25,000,000.00	24,958,446.20	24,870,000.00	16,666.67	-88,446.20
Intl Bank for Reconst & Development	10/30/2015	10/15/2020	1.00	1.00	25,000,000.00	25,000,000.00	24,907,500.00	694.44	-92,500.00
Supranational Subtotal			**1.05**	**1.06**	**250,000,000.00**	**249,880,954.53**	**249,872,500.00**	**571,319.45**	**-8,454.53**

Investment Inventory with Market Value

Issuer	Purchase Date	Maturity Date	Coupon	YTM	Par Value	Current Book	Market Value	Current Accr Int	Unrealized Gain/Loss
US Treasury Notes									
U.S. Treasury Securities	4/12/2011	11/30/2015	1.38	2.17	10,000,000.00	9,994,031.49	10,009,000.00	57,855.19	14,968.51
U.S. Treasury Securities	2/12/2014	11/30/2015	1.38	0.30	10,000,000.00	10,008,530.63	10,009,000.00	57,855.19	469.37
U.S. Treasury Securities	9/22/2011	2/29/2016	2.13	0.71	10,000,000.00	10,045,805.06	10,064,000.00	36,195.05	18,194.94
U.S. Treasury Securities	4/5/2013	5/31/2016	1.75	0.35	15,000,000.00	15,120,660.40	15,121,500.00	110,450.82	839.60
U.S. Treasury Securities	9/22/2011	8/31/2016	1.00	0.86	10,000,000.00	10,011,578.95	10,047,000.00	17,032.97	35,421.05
U.S. Treasury Securities	9/29/2015	10/31/2016	1.00	0.41	40,000,000.00	40,235,003.14	40,212,000.00	1,098.90	-23,003.14
U.S. Treasury Securities	12/12/2011	11/30/2016	0.88	0.87	12,000,000.00	12,000,306.05	12,050,400.00	44,180.33	50,093.95
U.S. Treasury Securities	10/20/2015	12/31/2016	3.25	0.37	40,000,000.00	41,334,289.38	41,272,000.00	438,043.48	-62,289.38
U.S. Treasury Securities	12/24/2014	1/31/2017	0.88	0.79	15,000,000.00	15,015,321.24	15,066,000.00	33,169.16	50,678.76
U.S. Treasury Securities	3/12/2012	2/28/2017	0.88	0.90	15,000,000.00	14,994,360.27	15,063,000.00	22,355.77	68,639.73
U.S. Treasury Securities	9/4/2015	3/31/2017	1.00	0.57	20,000,000.00	20,120,797.04	20,114,000.00	17,486.34	-6,797.04
U.S. Treasury Securities	9/29/2015	4/30/2017	0.88	0.57	35,000,000.00	35,159,868.85	35,129,500.00	841.35	-30,368.85
U.S. Treasury Securities	6/8/2012	5/15/2017	4.50	0.73	15,000,000.00	15,850,963.67	15,886,500.00	311,820.65	35,536.33
U.S. Treasury Securities	6/5/2015	5/31/2017	2.75	0.65	10,000,000.00	10,328,461.82	10,331,000.00	115,710.38	2,538.18
U.S. Treasury Securities	10/20/2015	6/30/2017	2.50	0.54	40,000,000.00	41,297,781.20	41,203,999.99	336,956.53	-93,781.21
U.S. Treasury Securities	10/12/2012	7/31/2017	0.50	0.66	15,000,000.00	14,959,482.41	14,955,000.00	18,953.80	-4,482.41
U.S. Treasury Securities	12/24/2014	8/31/2017	1.88	1.05	15,000,000.00	15,221,369.70	15,315,000.00	47,905.22	93,630.30
U.S. Treasury Securities	9/4/2015	9/15/2017	1.00	0.72	22,000,000.00	22,112,492.42	22,110,000.00	28,406.59	-2,492.42
U.S. Treasury Securities	6/7/2013	10/31/2017	1.88	0.87	15,000,000.00	15,294,649.63	15,330,000.00	772.66	35,350.37
U.S. Treasury Securities	5/20/2015	11/30/2017	2.25	0.84	10,000,000.00	10,289,172.30	10,299,000.00	94,672.13	9,827.70
U.S. Treasury Securities	1/7/2013	12/31/2017	0.75	0.81	15,000,000.00	14,980,125.77	14,976,000.00	37,907.61	-4,125.77
U.S. Treasury Securities	12/24/2014	1/31/2018	2.63	1.22	15,000,000.00	15,463,377.35	15,589,500.00	99,507.47	126,122.65
U.S. Treasury Securities	6/7/2013	2/28/2018	0.75	0.96	15,000,000.00	14,928,768.05	14,955,000.00	19,162.09	26,231.95
U.S. Treasury Securities	6/7/2013	5/31/2018	1.00	1.01	15,000,000.00	14,997,269.06	15,015,000.00	63,114.75	17,730.94
U.S. Treasury Securities	2/12/2014	7/31/2018	1.38	1.36	15,000,000.00	15,006,129.34	15,157,500.00	52,122.96	151,370.66
U.S. Treasury Securities	11/13/2013	8/31/2018	1.50	1.38	15,000,000.00	15,047,375.99	15,205,500.00	38,324.18	158,124.01
U.S. Treasury Securities	12/5/2013	11/30/2018	1.25	1.45	10,000,000.00	9,941,116.66	10,051,000.00	52,595.63	109,883.34
U.S. Treasury Securities	2/20/2014	1/31/2019	1.25	1.52	15,000,000.00	14,875,609.62	15,049,500.00	47,384.51	173,890.38
U.S. Treasury Securities	4/17/2014	3/31/2019	1.63	1.65	15,000,000.00	14,986,278.25	15,213,000.00	21,311.48	226,721.75
U.S. Treasury Securities	6/16/2014	5/31/2019	1.50	1.70	15,000,000.00	14,896,339.24	15,132,000.00	94,672.13	235,660.76
U.S. Treasury Securities	8/21/2014	7/31/2019	1.63	1.63	15,000,000.00	14,994,671.05	15,177,000.00	61,599.86	182,328.95

Investment Inventory with Market Value

Issuer	Purchase Date	Maturity Date	Coupon	YTM	Par Value	Current Book	Market Value	Current Accr Int	Unrealized Gain/Loss
U.S. Treasury Securities	10/24/2014	9/30/2019	1.75	1.50	15,000,000.00	15,140,325.21	15,235,500.00	22,950.82	95,174.79
U.S. Treasury Securities	12/8/2014	11/30/2019	1.50	1.68	15,000,000.00	14,891,949.64	15,070,500.00	94,672.13	178,550.36
U.S. Treasury Securities	1/9/2015	12/31/2019	1.63	1.50	15,000,000.00	15,073,572.73	15,133,500.00	82,133.15	59,927.27
U.S. Treasury Securities	4/9/2015	2/29/2020	1.25	1.35	10,000,000.00	9,959,219.80	9,919,000.00	21,291.21	-40,219.80
U.S. Treasury Securities	4/9/2015	3/31/2020	1.13	1.36	10,000,000.00	9,900,940.25	9,860,000.00	9,836.07	-40,940.25
U.S. Treasury Securities	6/5/2015	5/31/2020	1.50	1.64	15,000,000.00	14,906,922.44	15,027,000.00	94,672.13	120,077.56
U.S. Treasury Notes Subtotal			**1.62**	**0.94**	**614,000,000.00**	**619,384,916.10**	**621,354,399.99**	**2,705,020.69**	**1,969,483.89**
Grand Total			**0.75**	**0.60**	**6,711,925,749.88**	**6,721,756,941.25**	**6,725,439,601.97**	**10,971,220.48**	**3,682,660.72**

Purchases/Sales/Maturities

Deal Number	Instrument Type	Issuer	Coupon	Transaction Type	Settlement Amount	Settlement Date
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Purchase	(12,152,108.88)	10/1/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Purchase	(12,152,108.88)	10/1/2015
2787	Negotiable CD	Bank of America	0.32	Maturity	100,000,000.00	10/1/2015
2955	Money Market Funds	Black Rock	0.01	Maturity	65,000,000.00	10/1/2015
2959	Money Market Funds	Fidelity	0.00	Maturity	65,000,000.00	10/1/2015
3103	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(189,999,261.11)	10/1/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Maturity	13,623,532.04	10/2/2015
2955	Money Market Funds	Black Rock	0.01	Maturity	50,000,000.00	10/2/2015
2956	Money Market Funds	Morgan Stanley	0.01	Maturity	25,000,000.00	10/2/2015
2959	Money Market Funds	Fidelity	0.00	Maturity	17,000,000.00	10/2/2015
3103	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	190,000,000.00	10/2/2015
3104	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(264,996,908.33)	10/2/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Maturity	2,023,665.40	10/5/2015
2801	Negotiable CD	Toronto Domin NY	0.27	Maturity	50,000,000.00	10/5/2015
2956	Money Market Funds	Morgan Stanley	0.01	Maturity	4,700,000.00	10/5/2015
3104	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	265,000,000.00	10/5/2015
3105	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(264,998,969.44)	10/5/2015
3165	FHLB CALL EURO PREM	Federal Home Loan Bank	0.73	Purchase	(25,000,000.00)	10/5/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Purchase	(3,542,048.28)	10/6/2015
3105	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	265,000,000.00	10/6/2015
3107	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(194,999,241.67)	10/6/2015
3108	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(26,999,895.00)	10/6/2015
3164	FHLMC CALLABLE PREM	Fed Home Loan Mortg Corp.	1.00	Purchase	(50,000,000.00)	10/6/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Purchase	(5,059,752.27)	10/7/2015
3107	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	195,000,000.00	10/7/2015
3108	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	27,000,000.00	10/7/2015
3110	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(169,999,338.89)	10/7/2015
3111	Supranationals	Intl. Bank for Reconst & Development	1.00	Purchase	(24,957,500.00)	10/7/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Maturity	2,067,939.71	10/8/2015
2803	Negotiable CD	Bank of America	0.31	Maturity	50,000,000.00	10/8/2015
3110	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	170,000,000.00	10/8/2015
3112	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(179,999,300.00)	10/8/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Maturity	4,192,477.86	10/9/2015

Purchases/Sales/Maturities

Deal Number	Instrument Type	Issuer	Coupon	Transaction Type	Settlement Amount	Settlement Date
2813	Commercial Paper	Rabobank Nederland	0.26	Maturity	50,000,000.00	10/9/2015
2818	FHLB CALL EURO PREM	Federal Home Loan Bank	1.30	Call	18,000,000.00	10/9/2015
2959	Money Market Funds	Fidelity	0.00	Maturity	6,800,000.00	10/9/2015
3112	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	180,000,000.00	10/9/2015
3113	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(219,996,577.78)	10/9/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Maturity	1,759,721.96	10/13/2015
2825	Commercial Paper	Mitsubishi UFJ Financial Group, Inc.	0.27	Maturity	25,000,000.00	10/13/2015
2829	FFCB CALL EURO PREM	Federal Farm Credit Bank	1.38	Call	25,000,000.00	10/13/2015
2956	Money Market Funds	Morgan Stanley	0.01	Maturity	1,000,000.00	10/13/2015
3061	Commercial Paper	Fortis/BNP Paribas Bank	0.18	Maturity	80,000,000.00	10/13/2015
3113	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	220,000,000.00	10/13/2015
3114	Commercial Paper	Credit Agricole CIB	0.13	Purchase	(34,999,873.61)	10/13/2015
3115	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(299,998,833.33)	10/13/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Purchase	(2,324,795.03)	10/14/2015
2824	Commercial Paper	Mitsubishi UFJ Financial Group, Inc.	0.27	Maturity	25,000,000.00	10/14/2015
2959	Money Market Funds	Fidelity	0.00	Maturity	3,500,000.00	10/14/2015
3114	Commercial Paper	Credit Agricole CIB	0.13	Maturity	35,000,000.00	10/14/2015
3115	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	300,000,000.00	10/14/2015
3116	FFCB	Federal Farm Credit Bank	0.48	Purchase	(35,102,246.67)	10/14/2015
3117	FHLB	Federal Home Loan Bank	5.00	Purchase	(38,802,633.33)	10/14/2015
3118	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(299,998,833.33)	10/14/2015
3119	Commercial Paper	Credit Agricole CIB	0.13	Purchase	(149,999,458.33)	10/14/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Purchase	(106,128.48)	10/15/2015
2823	Commercial Paper	Mitsubishi UFJ Financial Group, Inc.	0.27	Maturity	25,000,000.00	10/15/2015
2955	Money Market Funds	Black Rock	0.01	Maturity	4,000,000.00	10/15/2015
3118	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	300,000,000.00	10/15/2015
3119	Commercial Paper	Credit Agricole CIB	0.13	Maturity	150,000,000.00	10/15/2015
3120	Negotiable CD	Wells Fargo Bank NA	0.50	Purchase	(50,000,000.00)	10/15/2015
3121	Negotiable CD	Bank of America	0.26	Purchase	(25,000,000.00)	10/15/2015
3122	Commercial Paper	Credit Agricole CIB	0.13	Purchase	(19,999,927.78)	10/15/2015
3123	Commercial Paper	UBS Finance	0.45	Purchase	(24,947,500.00)	10/15/2015
3124	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(299,998,833.33)	10/15/2015
3125	Commercial Paper	Credit Agricole CIB	0.13	Purchase	(14,999,945.83)	10/15/2015

Purchases/Sales/Maturities

Deal Number	Instrument Type	Issuer	Coupon	Transaction Type	Settlement Amount	Settlement Date
3126	Commercial Paper	UBS Finance	0.53	Purchase	(49,831,430.56)	10/15/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Maturity	405,957.54	10/16/2015
2955	Money Market Funds	Black Rock	0.01	Purchase	(34,500,000.00)	10/16/2015
3075	Commercial Paper	Fortis/BNP Paribas Bank	0.18	Maturity	120,000,000.00	10/16/2015
3077	Commercial Paper	Mitsubishi UFJ Financial Group, Inc.	0.12	Maturity	36,000,000.00	10/16/2015
3122	Commercial Paper	Credit Agricole CIB	0.13	Maturity	20,000,000.00	10/16/2015
3124	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	300,000,000.00	10/16/2015
3125	Commercial Paper	Credit Agricole CIB	0.13	Maturity	15,000,000.00	10/16/2015
3127	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(299,996,500.00)	10/16/2015
3128	Commercial Paper	Credit Agricole CIB	0.13	Purchase	(21,999,761.67)	10/16/2015
3129	Commercial Paper	Fortis/BNP Paribas Bank	0.21	Purchase	(155,945,400.00)	10/16/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Maturity	29,461.23	10/19/2015
2827	Commercial Paper	Rabobank Nederland	0.27	Maturity	35,000,000.00	10/19/2015
2955	Money Market Funds	Black Rock	0.01	Maturity	4,300,000.00	10/19/2015
3127	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	300,000,000.00	10/19/2015
3128	Commercial Paper	Credit Agricole CIB	0.13	Maturity	22,000,000.00	10/19/2015
3130	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(24,999,902.78)	10/19/2015
3131	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(249,999,027.78)	10/19/2015
3132	Commercial Paper	UBS Finance	0.55	Purchase	(99,610,416.67)	10/19/2015
3160	FHLMC CALLABLE PREM	Fed Home Loan Mortg Corp.	1.00	Purchase	(25,000,000.00)	10/19/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Purchase	(1,021,337.59)	10/20/2015
2842	FHLMC CALLABLE PREM	Fed Home Loan Mortg Corp.	1.25	Call	25,000,000.00	10/20/2015
2955	Money Market Funds	Black Rock	0.01	Maturity	10,000,000.00	10/20/2015
3130	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	25,000,000.00	10/20/2015
3131	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	250,000,000.00	10/20/2015
3134	U.S. Treasury Notes EOM	U.S. Treasury Securities	2.50	Purchase	(41,627,785.33)	10/20/2015
3135	U.S. Treasury Notes EOM	U.S. Treasury Securities	3.25	Purchase	(41,767,527.17)	10/20/2015
3136	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(219,999,144.44)	10/20/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Purchase	(9,809,620.40)	10/21/2015
3136	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	220,000,000.00	10/21/2015
3139	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(249,999,027.78)	10/21/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Maturity	4,638,738.35	10/22/2015
2551	CDARS ACT-365 EOM	CDARS SD Private Bank	0.25	Maturity	5,000,000.00	10/22/2015

Purchases/Sales/Maturities

Deal Number	Instrument Type	Issuer	Coupon	Transaction Type	Settlement Amount	Settlement Date
3139	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	250,000,000.00	10/22/2015
3140	CDARS ACT-365 EOM	CDARS Coronado Private Bank	0.14	Purchase	(5,000,000.00)	10/22/2015
3141	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(224,999,125.00)	10/22/2015
3142	Negotiable CD	Mitsubishi UFJ Financial Group, Inc.	0.43	Purchase	(50,000,000.00)	10/22/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Maturity	2,318,328.31	10/23/2015
2701	Coll CD ACT-365	Comerica Bank	0.20	Maturity	15,000,000.00	10/23/2015
2959	Money Market Funds	Fidelity	0.00	Purchase	(25,500,000.00)	10/23/2015
3141	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	225,000,000.00	10/23/2015
3144	Commercial Paper	Natixis US Finance Co.	0.14	Purchase	(149,998,250.00)	10/23/2015
3145	Commercial Paper	Rabobank Nederland	0.45	Purchase	(49,842,500.00)	10/23/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Purchase	(390,654.53)	10/26/2015
2561	FDIC CD ACT-365	SD Private Bank	0.30	Maturity	250,000.00	10/26/2015
2809	Commercial Paper	General Elec Capital Corp.	0.27	Maturity	50,000,000.00	10/26/2015
3144	Commercial Paper	Natixis US Finance Co.	0.14	Maturity	150,000,000.00	10/26/2015
3146	Commercial Paper	Natixis US Finance Co.	0.13	Purchase	(169,999,386.11)	10/26/2015
3147	FHLB	Federal Home Loan Bank	1.13	Purchase	(35,235,856.25)	10/26/2015
3150	FDIC CD ACT-365	SD Private Bank	0.30	Purchase	(250,000.00)	10/26/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Purchase	(93,045.97)	10/27/2015
3146	Commercial Paper	Natixis US Finance Co.	0.13	Maturity	170,000,000.00	10/27/2015
3148	Commercial Paper	Natixis US Finance Co.	0.13	Purchase	(254,999,079.17)	10/27/2015
3149	FHLMC	Fed Home Loan Mortg Corp.	1.00	Purchase	(25,000,000.00)	10/27/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Purchase	(6,545,791.51)	10/28/2015
3148	Commercial Paper	Natixis US Finance Co.	0.13	Maturity	255,000,000.00	10/28/2015
3152	Commercial Paper	Natixis US Finance Co.	0.13	Purchase	(224,999,187.50)	10/28/2015
3153	Commercial Paper	UBS Finance	0.54	Purchase	(49,838,000.00)	10/28/2015
3154	Commercial Paper	MUFG Union Bank NA	0.20	Purchase	(49,975,000.00)	10/28/2015
3155	FFCB	Federal Farm Credit Bank	0.45	Purchase	(25,000,000.00)	10/28/2015
3156	FFCB	Federal Farm Credit Bank	0.45	Purchase	(25,000,000.00)	10/28/2015
3157	Commercial Paper	General Elec Capital Corp.	0.17	Purchase	(74,977,333.33)	10/28/2015
3158	Negotiable CD	Credit Suisse Securities (USA) LLC	0.57	Purchase	(25,000,000.00)	10/28/2015
3159	Commercial Paper	JP Morgan	0.52	Purchase	(24,922,000.00)	10/28/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Maturity	9,898,598.13	10/29/2015
3152	Commercial Paper	Natixis US Finance Co.	0.13	Maturity	225,000,000.00	10/29/2015

Purchases/Sales/Maturities

Deal Number	Instrument Type	Issuer	Coupon	Transaction Type	Settlement Amount	Settlement Date
3161	FNMA CALLABLE PREM	Fed National Mortg Assoc	1.50	Purchase	(25,000,000.00)	10/29/2015
3162	FHLMC CALLABLE PREM	Fed Home Loan Mortg Corp.	1.25	Purchase	(35,000,000.00)	10/29/2015
3163	Commercial Paper	Natixis US Finance Co.	0.13	Purchase	(209,999,241.67)	10/29/2015
1106	Repurchase Agreements	Wells Fargo Bank NA	0.02	Purchase	(18,140,798.90)	10/30/2015
2808	Commercial Paper	Rabobank Nederland	0.28	Maturity	100,000,000.00	10/30/2015
2835	Negotiable CD	Bank of America	0.31	Maturity	60,000,000.00	10/30/2015
2838	Commercial Paper	Rabobank Nederland	0.30	Maturity	40,000,000.00	10/30/2015
3163	Commercial Paper	Natixis US Finance Co.	0.13	Maturity	210,000,000.00	10/30/2015
3166	Commercial Paper	Natixis US Finance Co.	0.06	Purchase	(174,999,125.00)	10/30/2015
3170	Suprantl Callable Prem	Intl. Bank for Reconst & Development	1.00	Purchase	(25,000,000.00)	10/30/2015
Grand Total					**(287,434,856.16)**	

Cash Flow Analysis

San Diego Pooled Money Fund
as of October 31, 2015
($000)

	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16
Beginning Pool Book Balance	6,448,187	6,721,756	6,957,845	8,195,462	8,153,065	7,879,504	8,001,214
MAIN CASH FLOW ITEMS							
INFLOWS:							
Reverse Repos	0	0	0	0	0	0	0
Interest Income On Pool	2,720	3,000	3,000	1,500	3,000	3,000	1,300
Taxes Collected	417,985	630,000	1,800,000	140,000	170,000	500,000	1,550,000
School Deposits	573,358	300,000	465,000	900,000	325,000	465,000	300,000
County Deposits	254,201	345,089	299,117	258,103	280,439	247,710	311,678
Retirement	0	0	0	0	0	0	0
Voluntaries	14,051	5,000	0	5,000	2,000	4,500	0
Maturities/Sales Outside Pool	5,541	0	0	0	10,000	0	0
	1,267,856	1,283,089	2,567,117	1,304,603	790,439	1,220,210	2,162,978
OUTFLOWS:							
Schools	586,766	690,000	665,000	490,000	680,000	687,000	588,000
County	312,347	280,000	312,500	345,000	315,000	330,000	294,000
Retirement	3,370	7,000	7,000	7,000	8,000	8,500	3,500
Voluntaries	34,419	25,000	50,000	30,000	30,000	40,000	55,000
Tax Apportionment	14,524	45,000	295,000	475,000	31,000	33,000	175,000
Reverse Repos	0	0	0	0	0	0	0
Purchases/ Purchases Outside of Pool	12,508	0	0	0	0	0	0
	963,934	1,047,000	1,329,500	1,347,000	1,064,000	1,098,500	1,115,500
TOTAL	303,922	236,089	1,237,617	(42,397)	(273,561)	121,710	1,047,478
PROJECTED/ACTUAL MONTH END POOL BALANCE	6,721,756	6,957,845	8,195,462	8,153,065	7,879,504	8,001,214	9,048,692
LIQUIDITY PROJECTIONS							
INCREASE / DECREASE DUE TO INVESTMENT ACTIVITY							
Maturities		585,000	506,350	650,000	425,250	372,864	200,000
Sales/Calls		0	0	0	0	0	0
Investments Purchased		155,000	181,000	15,000	60,500	97,814	95,000
		430,000	325,350	635,000	364,750	275,050	105,000
Net Main Cash Flow (see above)		236,089	1,237,617	(42,397)	(273,561)	121,710	1,047,478
PROJECTED/ACTUAL MONTH END LIQUIDITY	**146,844**	**812,933**	**2,375,900**	**2,968,503**	**3,059,692**	**3,456,452**	**4,608,930**

Note: The above is not meant to be a complete Cash Flow Statement. The data represents a subset of the main cash flow items and does not include accrued interest or other adjustment items.

Participant Cash Balances

San Diego Pooled Money Fund

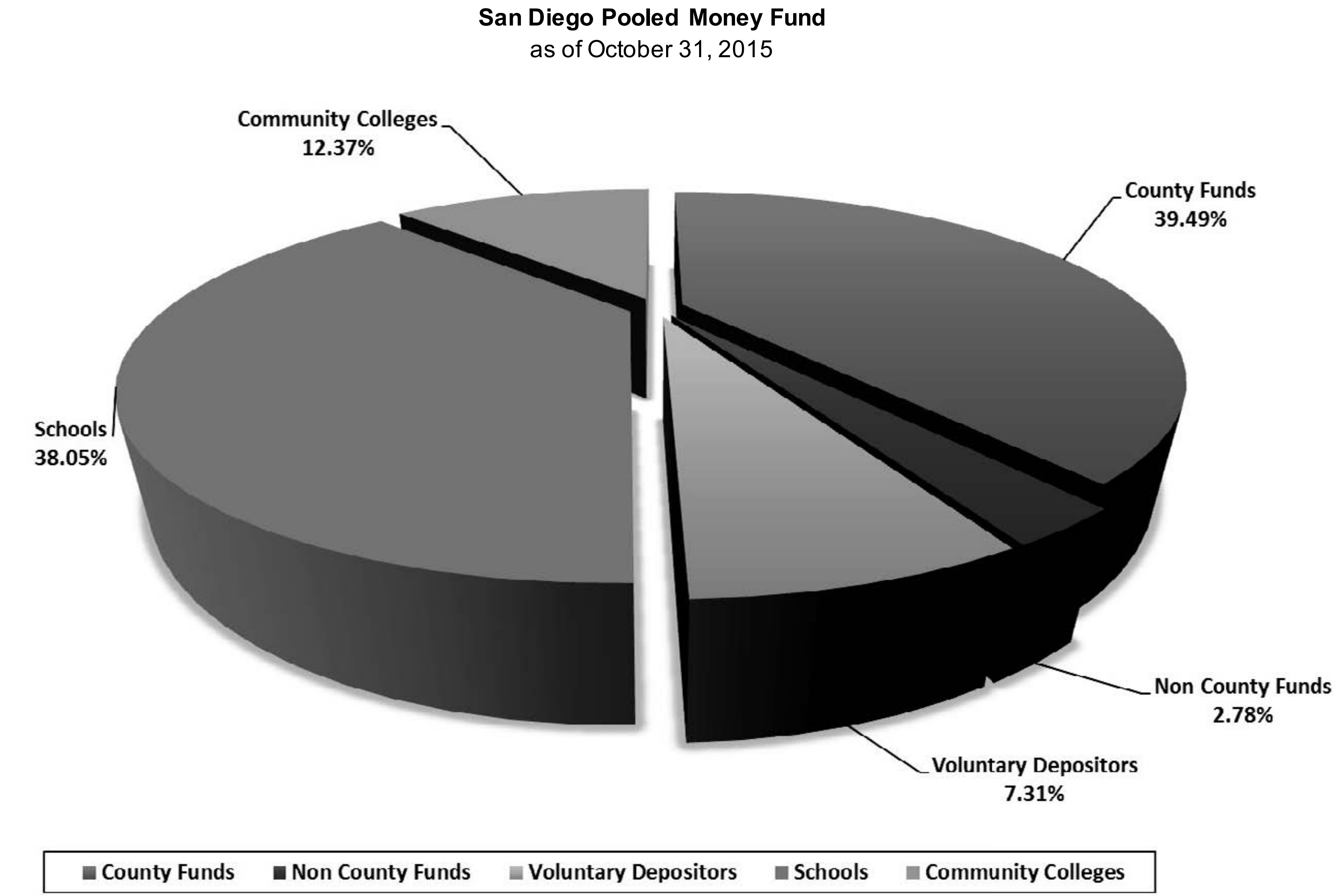
as of October 31, 2015

($000)

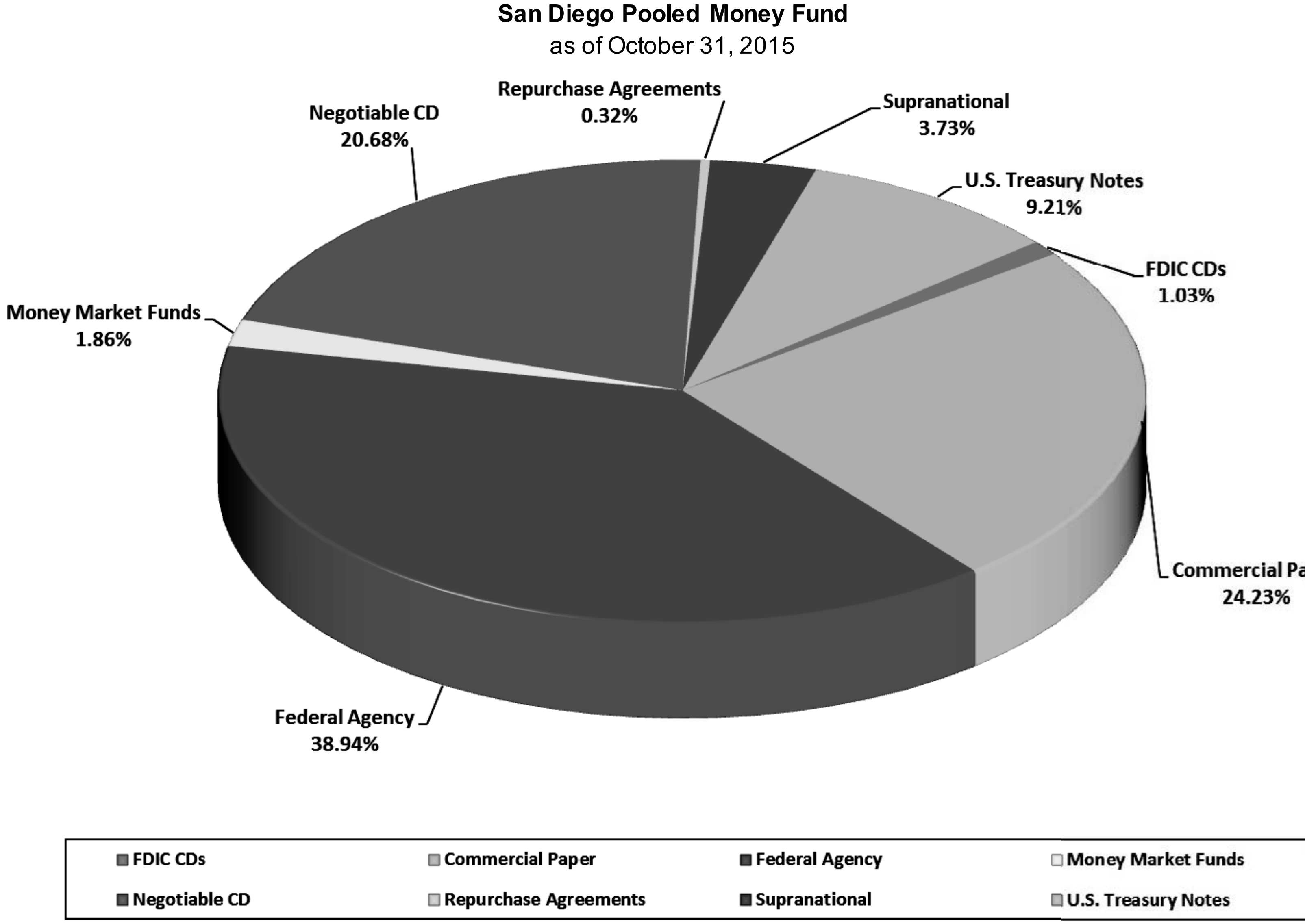
PARTICIPANT	FMV 08/31/15	FMV 09/30/15	FMV 10/31/15	% of Total
COUNTY	$ 681,430	$ 745,227	$1,023,029	15.21%
COUNTY - SPECIAL TRUST FUNDS	1,653,394	1,633,120	1,632,727	24.28%
NON-COUNTY INVESTMENT FUNDS	185,639	192,376	187,221	2.78%
SCHOOLS - (K THRU 12)	2,535,503	2,508,451	2,559,020	38.05%
COMMUNITY COLLEGES				
San Diego	213,167	207,597	190,078	2.83%
Grossmont	92,336	99,994	95,734	1.42%
Mira Costa	31,526	23,704	16,226	0.24%
Palomar	323,622	325,118	311,532	4.63%
Southwestern	221,822	222,240	218,133	3.25%
Total Community Colleges	**882,472**	**878,653**	**831,703**	**12.37%**
SDCERA	3,981	614	3,920	
SANCAL	21,733	21,781	22,124	
MTDB	713	714	712	
SANDAG	62,964	59,847	55,252	
CITIES				
Chula Vista	39,430	39,517	39,356	
Del Mar	3,042	3,048	3,036	
Encinitas	2	2	2	
Lemon Grove	2	2	2	
National City	5,047	5,058	5,037	
INDEPENDENT AGENCIES				
Alpine FPD	1,091	803	603	
Bonita Sunnyside FPD	4,614	4,236	4,245	
Borrego Springs FPD	1,361	1,221	1,122	
Deer Springs FPD	7,832	8,031	8,008	
Fallbrook Public UTL	14	14	14	
Grossmont Healthcare District	1,002	1,004	1,000	
Public Agency Self Insurance System	3,366	3,374	3,334	
Julian-Cuyamaca FPD	154	155	161	
Lake Cuyamaca Rec & Park	279	268	104	

PARTICIPANT	FMV 08/31/15	FMV 09/30/15	FMV 10/31/15	% of Total
Lakeside Fire	5,955	5,197	4,691	
Leucadia Water District	11,404	11,429	11,382	
Lower Sweetwater FPD	472	386	381	
Metropolitan Transit System	4,813	4,805	3,905	
Mission Resource Conservation District	440	441	437	
North County Cemetery District	1,417	1,431	1,439	
North County Cemetry Perpetual	1,537	1,551	1,558	
North County Cemetery	1,090	1,087	1,013	
North County Dispatch	2,661	3,617	3,659	
North County Fire	2,550	1,425	1,398	
Otay Water District Investment	15,574	16,408	16,339	
Pine Valley FPD	488	490	491	
Pomerado Cemetery District	1,739	1,686	1,625	
Ramona Cemetery District	523	573	538	
Ramona Cemetery Perpetual	360	367	365	
Rancho Santa Fe FPD	9,511	9,086	8,347	
Rincon del Diablo Municipal Water District	3,004	3,010	2,998	
San Diego Housing Commission	7,040	7,055	7,026	
San Diego Rural Fire	160	149	171	
San Dieguito River	43	227	538	
San Marcos FPD	1	1	1	
San Miguel FPD	8,041	4,912	4,879	
San Ysidro Sanitation	13	13	13	
Santa Fe Irrigation District	4,939	4,950	4,930	
SDC Regional Airport Authority	238,266	242,137	239,219	
Upper San Luis Rey Reservoir	27	27	27	
Vallecitos Water District	5,099	5,111	5,090	
Valley Center FPD	3,394	3,298	3,109	
Valley Cntr Cemetery	49	49	49	
Valley Ctr Cem Perpetual	241	242	242	
Valley Ctr Water District	16,029	15,627	15,676	
Vista FPD	2,174	2,179	2,172	
Total Independent Agencies	**505,680**	**498,655**	**491,741**	**7.31%**
Pooled Money Fund Total	**$6,444,117**	**$6,456,480**	**$6,725,440**	**100.00%**

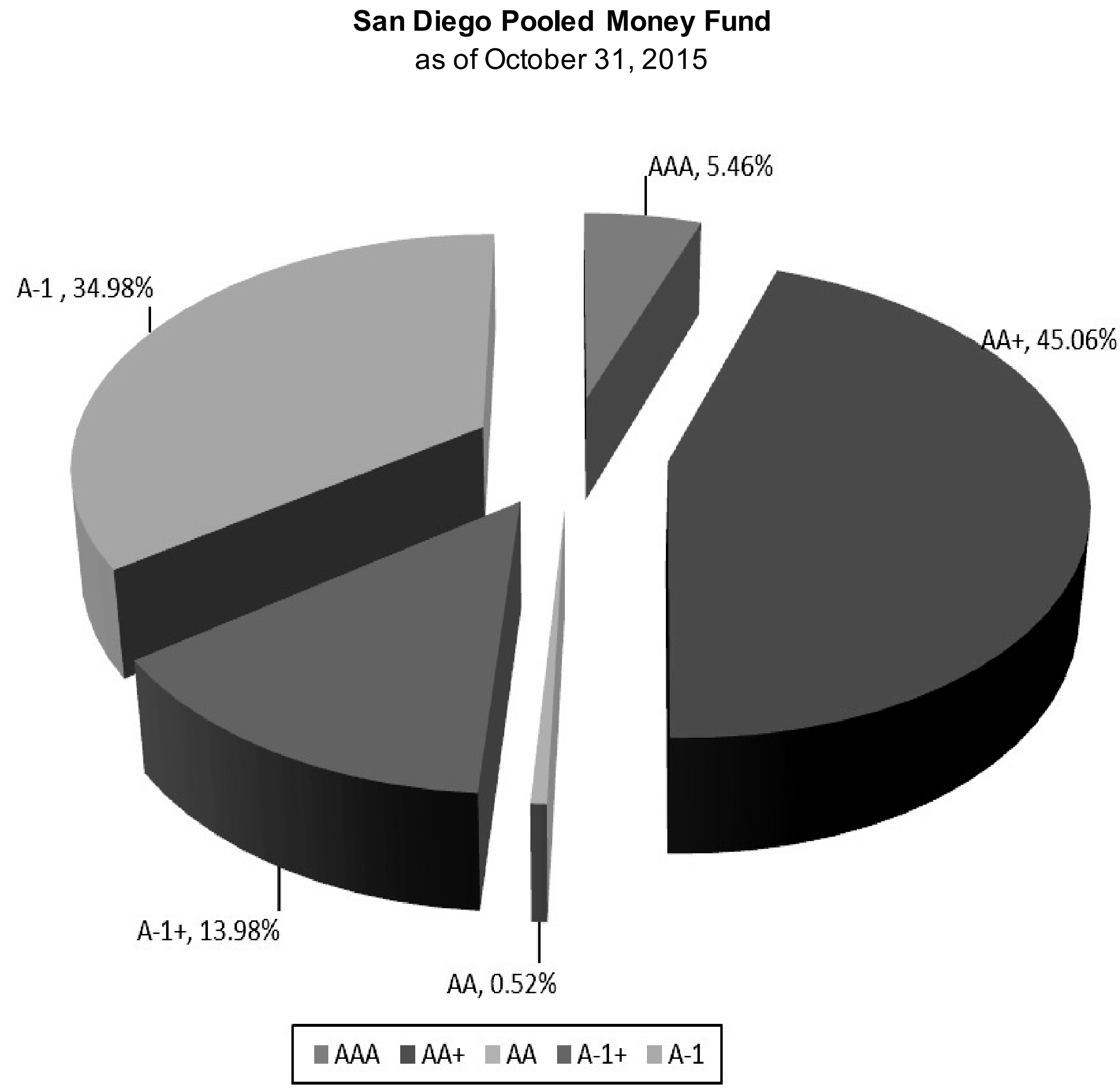
Pooled Money Fund Participants



Pooled Money Fund - Asset Allocation



Pooled Money Fund Assets - Credit Quality



Investment Policy Compliance Standards

San Diego Pooled Money Fund

as of October 31, 2015

Category	Standard	Comment
Treasury Issues	No Limit	Complies - 9.3%
Agency Issues	35% per issuer	Complies
Local Agency Obligations	SP-1/A or MIG1/A or F-1/A minimum rating; 15% maximum; 10% per issuer	Complies
Banker's Acceptances	A-1 or P-1 or F-1 minimum rating; 40% maximum; 5% per issuer; 180 days max maturity	Complies
Commercial Paper	A-1/A or P-1/A or F-1/A minimum rating; 40% maximum; 5% per issuer; 270 days max maturity	Complies - 24.2%
Medium Term Notes	A-1/A or P-1/A or F-1/ A minimum rating; 30% maximum; 5% per issuer	Complies
Negotiable Certificates of Deposit	A-1/A or P-1/A or F-1/ A minimum rating; 30% maximum; 5% per issuer	Complies - 20.7%
Repurchase Agreements	40% maximum; 10% per issuer>5 days; 15% per issuer <5 days; 1-year maximum maturity;	Complies - 0.3%
Reverse Repurchase Agreements	20% maximum combined with Securities Lending; 10% per issuer; 92-day maximum maturity	N/A
Collateralized Certificates of Deposit	10% maximum; 110% collateral required; 13 months maximum maturity	Complies - 1.0%
Covered Call Option/ Put Option	10% maximum; 90-day maximum maturity	N/A
Money Market Mutual Funds	AAAm, or Aaa-mf, or AAAmmf minimum rating; 15% maximum; 10% per fund	Complies - 1.3%
Investment Trust of California - Cal Trust	2.5% maximum	Complies - 0.5%
Supranationals	A-1/AA by S&P or P-1/Aa by Moody's, or F-1/ AA by Fitch; 30% maximum; 10% per issuer	Complies - 3.7%
Pass-Through Securities	Non-mortgaged backed; A-rated issuer; A-1/AA or P-1/Aa or F-1/AA minimum issue rating 20% maximum; 5% per issuer	Complies
Maximum Maturity	5 years	Complies
Illiquidity Limitations	20% maximum for combined categories for Local Agency Obligations and Collateralized CDs	Complies
Maximum Issuer Exposure	5% per any single issuer involved in more than one of the above categories (does not include US Government, repurchase agreements, supranationals)	Complies
Maturity Policy - Portfolio Structure	Minimum 25% ≤ 90 days; and minimum 50% ≤1 year; maximum effective duration for portfolio 1.5 years	Complies
Prohibited Securities	Inverse floaters; Ranges notes, Interest-only strips from mortgaged backed securities; Zero interest accrual securities	Complies
Credit Rating Policy - monitoring ratings	Overall credit rating of AAAf/S1, by Standard & Poors	Complies
Securities Lending	92-day maximum maturity; 5% per loan; 10% per counterparty; 20% maximum combined with Reverse Repurchase Agreements	N/A

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Paying Agent, the District, the County and the Underwriters of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, or interest in the Bonds.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The foregoing* *internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Paying Agent on behalf thereof) as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, Maturity Value, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, Maturity Value, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, transfer and exchange of the Bonds.

The principal, Maturity Value of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially the Treasurer-Tax Collector of the County of San Diego, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least $1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination of the same tenor, maturity and principal amount upon presentation and surrender at the office of the Paying Agent, initially the Treasurer-Tax Collector of the County of San Diego, California, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

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SAN DIEGO UNIFIED SCHOOL DISTRICT • 2016 General Obligation Bonds (Dedicated Unlimited Ad Valorem Property Tax Bonds)
(Election of 2012, Series F) and (Election of 2012, Series G) (Green Bonds)

SAN DIEGO UNIFIED
SCHOOL DISTRICT

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