

SAN LEANDRO UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

SAN LEANDRO UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2015

FINANCIAL SECTION

Independent Auditor's Report 2
Management's Discussion and Analysis 5
Basic Financial Statements
Government-Wide Financial Statements
Statement of Net Position 16
Statement of Activities 17
Fund Financial Statements
Governmental Funds - Balance Sheet 18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 19
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances 20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 21
Proprietary Funds - Statement of Net Position 22
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Position 23
Proprietary Funds - Statement of Cash Flows 24
Fiduciary Funds - Statement of Net Position 25
Notes to Financial Statements 26

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule 65
Schedule of Other Postemployment Benefits (OPEB) Funding Progress 66
Schedule of the District's Proportionate Share of the Net Pension Liability 67
Schedule of District Contributions 68

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards 70
Local Education Agency Organization Structure 71
Schedule of Average Daily Attendance 72
Schedule of Instructional Time 73
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements 74
Schedule of Financial Trends and Analysis 75
Schedule of Charter Schools 76
Combining Statements - Non-Major Governmental Funds
Combining Balance Sheet 77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 79
Note to Supplementary Information 81

INDEPENDENT AUDITOR'S REPORTS

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* 84
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 86
Report on State Compliance 88

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's' Results 92
Financial Statement Findings 93
Federal Awards Findings and Questioned Costs 95
State Awards Findings and Questioned Costs 96
Summary Schedule of Prior Audit Findings 98

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
San Leandro Unified School District
San Leandro, 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 Leandro Unified School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the 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; and the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 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 District'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 District'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.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

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 the San Leandro Unified School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

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, budgetary comparison, other postemployment benefit, net pension liability, and District contribution information as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not a 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 an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Leandro Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by (Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations)* and the other supplementary information as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated, December 10, 2015, on our consideration of the San Leandro 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 Leandro Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Pleasanton,, California
December 10, 2015

San Leandro Unified School District

Business & Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

This section of San Leandro Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

DISTRICT PROFILE

The San Leandro Unified School District is located in Alameda County. The District serves 8,617 students of a diverse population. The District currently operates 13 schools, consisting of 8 elementary (grades K-5), 2 middle (grades 6-8), one comprehensive high school (grades 9-12), one continuation high school, one adult school and one independent study program. As of June 30, 2015, the District employs on a regular basis 450 certificated and 233 classified employees.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – the management discussion and analysis (this section), the basic financial statements, and the required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
    - The *governmental funds* statements tell how basic services such as regular and special education were financed in the short term as well as what funding remains for future spending.
    - The *proprietary funds* statements explain the short and long-term financial information about District activities that operate similar to businesses such as the self-insurance fund.
    - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

Figure A-1 on the next page summarizes the major features of the District's basic financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-1
Major Features of the District wide and Fund Financial Statements

Type of Statements	District-wide	Governmental Funds	Fiduciary Funds	Proprietary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as student body activities	Activities of the District that operate like a business, such as self-insurance funds
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet. • Statement of revenues, expenditures & changes in fund balances • Reconciliation to government wide financial statements	• Statement of fiduciary net assets. • Statement of changes in fiduciary net assets	• Statement of net assets • Statement of Revenues, Expenses, & Changes in Net Position • Statement of Cash Flows
Accounting basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; standard funds do not currently contain non-financial assets, though they can	All assets and liabilities, both short-term and long-term; standard funds do not currently contain non-financial assets, though they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenue and expenses during the year, regardless of when cash is received or paid	All revenue and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the San Leandro Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS A TRUSTEE

Reporting the Districts Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position.* We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $(26.4) million for the fiscal year ended June 30, 2015. Of this amount, $(81.3) million was unrestricted. Restricted net position is reported separately to shows legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1 – Comparison of Net Position

(Amounts in millions)	Governmental Activities	
	2015	2014
Assets		
Current and other assets	$ 32.6	$ 56.3
Capital assets	235.7	221.7
Total Assets	**268.3**	**278.0**
Deferred Outflows of Resources	**5.3**	**4.7**
Liabilities		
Current liabilities	8.5	9.5
Long-term obligations	273.9	289.1
Total Liabilities	**282.4**	**298.6**
Deferred Inflows of Resources	**17.6**	**-**
Net Position		
Net investment in capital assets	44.3	53.3
Restricted	10.6	8.5
Unrestricted	(81.3)	(77.7)
Total Net Position	**$ (26.4)**	**$ (15.9)**

The $(81.3) million in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 4.6 percent [$(81.3) million compared to $(77.7) million].

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 17. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2 – Changes in Net Position

(Amounts in millions)	Governmental Activities	
	2015	2014
Revenues		
Program revenues:		
Charges for services	$ 0.5	$ 0.5
Operating grants and contributions	13.6	15.7
General revenues:		
Federal and State aid not restricted	47.5	40.8
Property taxes	32.7	29.7
Other general revenues	5.5	4.8
Total Revenues	**99.8**	**91.5**
Expenses		
Instruction-related	73.6	68.5
Student support services	7.9	8.1
Administration	5.5	3.3
Maintenance and operations	8.0	8.6
Other	15.3	12.0
Total Expenses	**110.3**	**100.5**
Change in Net Position	**$ (10.5)**	**$ (9.0)**

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was $110.3 million. The cost paid by those who benefited from the programs was $.5 million. Operating grants and contributions subsidized certain programs in the amount of $13.6 million. We paid for the remaining "public benefit" portion of our governmental activities with $32.7 million in taxes, unrestricted Federal and State aid of $47.5 million and other revenues of $5.5 million for the fiscal year ended June 2015.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction related, student support services, administration, maintenance and operations, and other. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3 – Comparison of Total Cost of Services

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
Instruction-related	$ 73.6	$ 68.5	$ 64.7	$ 56.8
Student support services	7.9	8.1	3.9	4.4
School administration	5.5	3.3	5.0	2.7
Maintenance and operations	8.0	8.6	8.0	8.6
Other	15.3	12.0	14.6	11.8
Total	**$ 110.3**	**$ 100.5**	**$ 96.2**	**$ 84.3**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $26.2 million, which is a decrease of $23.3 million from last year (Table 4).

Table 4 – Comparison of Revenues and Expenditures by Major Fund

(Amounts in millions)	Balances and Activity			
	July 1, 2014	Revenues	Expenditures	June 30, 2015
General	$ 6.9	$ 81.8	$ 83.8	$ 4.9
Building	29.5	0.6	20.6	9.5
Bond Interest and Redemption	7.5	60.4	60.1	7.8
Other	5.7	6.4	8.1	4.0
Total	**$ 49.6**	**$ 149.2**	**$ 172.6**	**$ 26.2**

The primary reasons for these increases/decreases are:

a. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased from $6.9 million to $4.9 million. This increase/decrease is due to:
   1. Decreased enrollment from 8,675 to 8,617
   2. Bargaining Unit Settlements of 3.25%
   3. Increase in special education unfunded mandates
b. Our Building Fund decreased from $29.5 million to $9.5 million primarily due to spending on the bond projects.
c. The Bond Interest and Redemption Fund slightly increased from $5.7 million to $7.8 million.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on September 15, 2015. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 65).

Revenues:

- Significant revenue revisions made to the 2014-2015 Budget were due to an increase in one-time State funding that was announced by the Governor after the budget adoption.

Expenditures:

- Budgeted expenditures increased by $2 million due to the 3.25% collective bargaining settlements reached during 2014-2015.
- Unexpected salary and benefits expenditures occurring at the end of the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had $235.7 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $14 million, or 6.3 percent, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities	
	2015	2014
Land and construction in progress	$ 34.9	$ 33.3
Buildings and improvements	286.4	264.3
Equipment	9.1	9.0
Less: Accumulated Depreciation	(94.7)	(84.9)
Total	**$ 235.7**	**$ 221.7**

This year's additions of $22.1 million included new and improved classrooms.

Several capital projects are planned for the 2015-2016 year. We anticipate capital additions for the 2015-2016 year to be of a small monetary amount as the majority of District's Bond funds have been depleted. We present more detailed information about our capital assets in Notes to the financial statements.

Long-Term Obligations

At the end of this year, the District had $198.5 million in bonds outstanding versus $197.2 million last year, a decrease of 0.6 percent. Those bonds consisted of:

Table 6 – Long Term Obligations

(Amounts in millions)	Governmental Activities	
	2015	2014
General obligation bonds (financed with property taxes)	$ 198.5	$ 197.2
Certificates of participation	0.4	0.6
Note payable	1.1	1.2
Qualified Zone Academy Lease	5.1	5.1
Capitalized lease obligations	1.0	1.0
Other	1.3	1.0
Total	**$ 207.4**	**$ 206.1**

The District's general obligation bond rating continues to be an "A+" as per Standard & Poor's Ratings Services in May 2015. The State limits the amount of general obligation debt that districts can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $198.5 million is significantly below this statutorily-imposed limit.

Other obligations include compensated absences payable and postemployment benefits (not including health benefits). We present more detailed information regarding our long-term obligations in the Notes to the financial statements.

Net Pension Liability (NPL)

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* which required the District to recognize its proportionate share of the unfunded pension obligation for CalSTRS and CalPERS. The implementation resulted in a reduction of beginning net position of $78.3 million. As of June 30, 2015, the District reported Deferred Outflows from pension activities of $5.3 million, Deferred Inflows from pension activities of $17.6 million, and a Net Pension Liability of $66.5 million.

ECONOMIC FACTORS AND BUDGET ASSUMPTIONS USED FOR 2015-16 BUDGET

During the 2015-16 budget development process, the following budget assumptions were applied to the District's budget based on the most current information available at that time. However, both revenue and expenditure assumptions will be changed during the course of the fiscal year as new information comes in.

In considering the District Budget for the 2015-2016 year, the governing board and management used the following criteria:

Revenue Assumptions:

- The enrollment for 2015-16 is projected at 8,617 students, which represents a decrease of 58 students from 2014-15.
- Average Daily Attendance (ADA) is projected to be at 8,178, which represents a 95% actual attendance to enrollment rate.
- The Cost of Living Adjustment (COLA) is projected to be at 1.02%.
- The Local Control Funding Formula (LCFF) is calculated using a 53.08% LCFF gap funding rate.
- The unduplicated count of students who are eligible for either 1-Free or Reduced Price Meals, 2-English Language Learners, or 3- Foster Youth, is projected to be at 68% of the District's enrollment.
- One-Time State Discretionary funding – at $601 per ADA which is an estimate of a $4.9 Million of one-time State funding.
- Mandated Cost Block Grant, a State funding model, started in 2012-13, is estimated to be funded at $28 per student for Grades K-8 and $56 per student for Grades 9-12.
- Lottery funding is estimated at $128 per ADA for unrestricted funding and $34 per ADA for restricted funding (Proposition 20 – Textbook Funding). This State funding is dependent on the amount of sales generated from lottery ticket sales.
- Special Education funding under Assembly Bill (AB) is projected to be funded with a 1.02% COLA.
- Most State categorical funded programs are now in the LCFF; these programs include Economic Impact Aid, School and Library Improvement Block Grant, Transportation, and Regional Occupational Programs.
- Federal funding is anticipated to be flat or no COLA is expected for 2015-16.
- Local categorical program revenues are budgeted based on donor funding commitments.
- Local Parcel Tax revenues are projected at $750,000.
- Each year Categorical programs – Federal, State, and Local – do not spend all of their funding in the year earned; so the end of the year closing balance is a carryover and budgeted into the next fiscal year.

Update as of Auditor Report December 10, 2015:

1. Local Control Funding Formula – State Enacted Budget reduced LCFF Gap Funding from 53.08% to 51.52%, resulting in a loss of funding of $0.8 Million.
2. One-Time State Discretionary funding – reduced from $601 to $529 per ADA which is an estimate of a $545,000 loss of one-time funding.
3. Adult Education Block Grant funding included in State Enacted Budget- which avoids a transfer from the K-12 LCFF funding into the Adult Education Fund; a savings of $1.4 Million.
4. Lottery funding is estimated at $140 per ADA for unrestricted funding and $41 per ADA for restricted funding (Proposition 20 – Textbook Funding).

Expenditure Assumptions:

- Classroom staffing is estimated using the following class sizes and ratio:

	Staffing Ratio	Enrollment
Grades kindergarten through third	27:1	2679
Grades four through eight	32:1	3271
Grades nine through twelve	35:1	2667

- District Bargaining Units – Certificated Teachers Association (SLTA), California School Employees Association (CSEA), and Unrepresented Groups Unit all reached salary settlements for 2015-16 for a 5% salary increase. These costs were not included in the 2015-16 Adopted- Budget, but were set aside or designated in the estimated ending fund balance.
- Teamsters/Trades Union did not reach agreement with the District when the Adopted Budget was board approved. A 5% total was set aside or designated in the estimated ending fund balance as well.
- Step and Column increases were included in the adopted budget.
- Employer's STRS rate and PERS rate increases are included.
- Utility costs are anticipated to decrease. Will make budget adjustments as needed.
- Parcel Tax proceeds will be used to fund teachers' positions.
- Contributions to RRMA – Routine, Restricted Maintenance Account, Transportation, and Special Education will continue.
- The District's State approved indirect support cost rate will be 4.27% for 2015-16.

FACTORS BEARING ON THE DISTRICT'S FUTURE

A school district's finances rely very heavily on the state economy. While the State economy continues to improve and State tax revenues increase, there is still caution and concern over current and potential future events. As always, the outcome of the State government to address the State budget will have a significant impact on future funding to school districts.

With the inception of the LCFF, the passing of Proposition 30 (temporary state tax increase on sales tax and high income earners), and the slow recovery of the economy, school districts have seen an increase in funding. However, another recession is anticipated sometime before the end of this decade, Proposition 30 is set to expire in 2016(sales tax) and in 2018(high personal income earners). In addition, the State has not proposed a solution of funding the increase in STRS and PERS Employer rates which are exceed the rate of yearly COLA's.

The ultimate goal of the District is to ensure that all students have access to high-quality curriculum and instruction by working together with groups including staff, parents, and community members.

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 Assistant Superintendent, Business Services, at San Leandro Unified School District, 835 East 14th Street, Suite 200, San Leandro, California, 94577, or e-mail at mmartinelli@slusd.us.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS	
Deposits and investments	$ 27,193,356
Receivables	5,426,510
Prepaid expenses	8,043
Stores inventories	15,429
Capital assets not depreciated	34,912,822
Capital assets, net of accumulated depreciation	200,770,299
Total Assets	268,326,459
DEFERRED OUTFLOWS OF RESOURCES	
Current year pension contribution	5,288,805
Total Deferred Outflows of Reserve	5,288,805
LIABILITIES	
Accounts payable	5,807,277
Interest payable	2,703,738
Unearned revenue	8,583
Current portion of long-term obligations other than pensions	6,095,814
Noncurrent portion of long-term obligations other than pensions	201,269,741
Aggregate net pension liability	66,537,297
Total Liabilities	282,422,450
DEFERRED INFLOWS OF RESOURCES	
Difference between actual and expected rate of investment return	17,590,807
Total Deferred Inflows or Resources	17,590,807
NET POSITION	
Net investment in capital assets	44,318,917
Restricted for:	
Debt service	5,097,354
Capital projects	1,170,137
Educational programs	1,875,060
Other activities	2,449,536
Unrestricted	(81,308,997)
Total Net Position	$ (26,397,993)

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 61,478,594	$ 489	$ 7,069,151	$ (54,408,954)
Instruction-related activities:				
Supervision of instruction	3,706,149	-	799,879	(2,906,270)
Instructional library, media, and technology	1,071,823	2	22	(1,071,799)
School site administration	7,324,827	2	990,244	(6,334,581)
Pupil services:				
Home-to-school transportation	1,318,021	-	-	(1,318,021)
Food services	3,441,732	442,353	2,679,203	(320,176)
All other pupil services	3,136,425	-	887,437	(2,248,988)
Administration:				
Data processing	1,263,713	-	51,220	(1,212,493)
All other administration	4,208,379	16,317	377,880	(3,814,182)
Plant services	7,986,156	426	35,928	(7,949,802)
Ancillary services	238,819	-	-	(238,819)
Enterprise services	242,627	-	-	(242,627)
Interest on long-term obligations	13,745,977	-	-	(13,745,977)
Other outgo	1,152,054	73,389	700,636	(378,029)
Total Governmental Activities	$ 110,315,296	$ 532,978	$ 13,591,600	(96,190,718)
General revenues and subventions:				
Property taxes, levied for general purposes				18,521,142
Property taxes, levied for debt service				12,894,817
Taxes levied for other specific purposes				1,328,394
Federal and State aid not restricted to specific purposes				47,493,863
Interest and investment earnings				94,105
Interagency revenues				1,695,038
Miscellaneous				3,669,830
Subtotal, General Revenues				85,697,189
Change in Net Position				(10,493,529)
Net Position - Beginning, as restated				(15,904,464)
Net Position - Ending				$ (26,397,993)

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Building Funds	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 3,784,784	$ 11,802,473	$ 7,793,883	$ 3,182,761	$ 26,563,901
Receivables	4,269,434	11,391	7,209	1,138,476	5,426,510
Due from other funds	284,590	167,072	-	678,884	1,130,546
Prepaid expenditures	8,043	-	-	-	8,043
Stores inventories	-	-	-	15,429	15,429
Total Assets	$ 8,346,851	$ 11,980,936	$ 7,801,092	$ 5,015,550	$ 33,144,429
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	2,781,630	$ 2,503,116	$ -	$ 522,478	$ 5,807,224
Due to other funds	689,109	-	-	442,752	1,131,861
Unearned revenue	2,338	-	-	6,245	8,583
Total Liabilities	3,473,077	2,503,116	-	971,475	6,947,668
Fund Balances:					
Nonspendable	48,043	-	-	15,429	63,472
Restricted	1,875,060	9,477,820	7,801,092	2,692,331	21,846,303
Assigned	358,859	-	-	1,336,315	1,695,174
Unassigned	2,591,812	-	-	-	2,591,812
Total Fund Balances	4,873,774	9,477,820	7,801,092	4,044,075	26,196,761
Total Liabilities and Fund Balances	$ 8,346,851	$ 11,980,936	$ 7,801,092	$ 5,015,550	$ 33,144,429

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total Fund Balance - Governmental Funds		**$ 26,196,761**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 330,407,322	
Accumulated depreciation is	(94,724,201)	
Net Capital Assets		235,683,121
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but not recognized on the accrual basis.		5,288,805
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(2,703,738)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		630,717
The difference between projected and actual pension plan investment earnings are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(17,590,807)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
Bonds payable	193,263,682	
Capital leases payable	967,042	
Certificates of participation	400,236	
Qualified zone academy lease	5,130,000	
Premiums, net of accumulated amortization	5,213,070	
Compensated absences (vacations)	438,127	
Other post employment benefits	872,334	
City Loan	1,081,064	
Net pension liability	66,537,297	
Total Long-Term Obligations		(273,902,852)
Total Net Position - Governmental Activities		**$ (26,397,993)**

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local Control Funding Formula	$ 63,133,986	$ -	$ -	$ 1,582,856	$ 64,716,842
Federal sources	4,024,338	-	-	3,201,279	7,225,617
Other state sources	7,727,075	150,000	-	203,309	8,080,384
Other local sources	4,558,763	270,142	12,911,653	1,452,723	19,193,281
Total Revenues	79,444,162	420,142	12,911,653	6,440,167	99,216,124
EXPENDITURES					
Current					
Instruction	52,969,707	-	-	1,383,596	54,353,303
Instruction-related activities:					
Supervision of instruction	3,079,660	-	-	168,575	3,248,235
Instructional library, media and technology	939,394	-	-	-	939,394
School site administration	5,816,101	-	-	590,378	6,406,479
Pupil services:					
Home-to-school transportation	1,152,774	-	-	-	1,152,774
Food services	173	-	-	3,016,315	3,016,488
All other pupil services	2,714,848	-	-	28,348	2,743,196
Administration:					
Data processing	1,239,483	-	-	-	1,239,483
All other administration	2,992,889	-	-	165,884	3,158,773
Plant services	7,145,199	317,622	-	500,313	7,963,134
Facility acquisition and construction	750,058	20,261,541	-	1,679,064	22,690,663
Ancillary services	234,240	-	-	-	234,240
Other outgo	1,152,054	-	-	-	1,152,054
Enterprise services	242,627	-	-	-	242,627
Debt service					
Principal	283,359	-	4,741,011	331,016	5,355,386
Interest and other	97,040	-	13,993,702	68,384	14,159,126
Total Expenditures	80,809,606	20,579,163	18,734,713	7,931,873	128,055,355
Excess (Deficiency) of Revenues Over Expenditures	(1,365,444)	(20,159,021)	(5,823,060)	(1,491,706)	(28,839,231)
Other Financing Sources (Uses)					
Transfers in	2,391,821	167,072	-	-	2,558,893
Other sources	-	-	47,558,847	-	47,558,847
Transfers out	(3,023,881)	-	-	(167,072)	(3,190,953)
Other uses	-	-	(41,436,501)	-	(41,436,501)
Net Financing Sources (Uses)	(632,060)	167,072	6,122,346	(167,072)	5,490,286
NET CHANGE IN FUND BALANCES	(1,997,504)	(19,991,949)	299,286	(1,658,778)	(23,348,945)
Fund Balance - Beginning	6,871,278	29,469,769	7,501,806	5,702,853	49,545,706
Fund Balance - Ending	$ 4,873,774	$ 9,477,820	$ 7,801,092	$ 4,044,075	$ 26,196,761

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds		**$ (23,348,945)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlay exceeds depreciation in the period.		
Depreciation expense	$ (9,806,729)	
Capital outlays	23,790,226	
Net Expense Adjustment		13,983,497
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(20,557)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was less than the amounts earned by $68,392.		(68,392)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(503,081)
Proceeds received from Sale of Bonds and issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		(43,020,000)
Premiums received on the issuance of bonds is an expenditure in the governmental funds, but is recorded as a prepaid expense and amortized on the statement of net position over the life of the bonds.		(4,538,847)
Payment of principal on general obligation bonds and notes is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		46,839,545
Premiums on bonds are amortized over the term of the bond in the government-wide statements, but are recorded as an other source of funds in the year of issue on the governmental fund statements		101,588
Payment of principal on capital leases is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		(144,115)
Payment of principal on certificates of participation are an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		(186,901)
The difference between Annual Required Contribution for Other Postemployment Benefit and amounts recognized in the governmental activities.		(235,297)
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		594,920
An internal service fund is used by the District's management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		53,056
Change in Net Position of Governmental Activities		**$ (10,493,529)**

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 629,455
Due from other funds	1,315
Total Current Assets	630,770
LIABILITIES	
Current Liabilities	
Accounts payable	53
Total Current Liabilities	53
NET POSITION	
Restricted	$ 630,717

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	$ 1,303,960
Total Operating Revenues	**1,303,960**
OPERATING EXPENSES	
Supplies and materials	4,056
Other operating cost	1,878,976
Total Operating Expenses	**1,883,032**
Operating Income (Loss)	**(579,072)**
NONOPERATING REVENUES (EXPENSES)	
Interest income	68
Transfers in	632,060
Total Nonoperating Revenues (Expenses)	**632,128**
Change in Net Position	53,056
Total Net Position - Beginning	577,661
Total Net Position - Ending	$ 630,717

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from self insurance premiums	$ 1,303,997
Cash payments to other suppliers of goods or services	(1,900,321)
Net Cash Used for Operating Activities	(596,324)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash provided from other funds	1,180,016
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	68
Net Change in Cash and Cash Equivalents	583,760
Cash and Cash Equivalents - Beginning	45,695
Cash and Cash Equivalents - Ending	$ 629,455
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating income (loss)	$ (579,072)
Changes in assets and liabilities:	
Receivables	37
Accounts payable	(17,289)
NET CASH USED BY OPERATING ACTIVITIES	$ (596,324)

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015

	Agency Funds
ASSETS	
Deposits and investments	$ 434,933
LIABILITIES	
Due to student groups	$ 434,933

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The San Leandro Unified School District was organized on July 1, 1952 under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates eight elementary, two middle, one high school, one adult school, and an independent study center.

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, boards, and agencies that are not legally separate from the District. For San Leandro Unified School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as special revenue funds in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as extensions of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

Building Fund The Building 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.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is 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 The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D), 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.).

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

Proprietary Funds 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 fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District proprietary funds has the following internal services fund:

Internal Service Fund Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a self insurance that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. 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.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. 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 the 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. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position 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 result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that 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 is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a 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 before the eligibility requirements are met 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 they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2015, 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.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at the latest invoice cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds and expenses in the proprietary funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. 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, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. 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 resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

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 governmental funds.

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the current year pension contributions.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between actual and expected rate of return on investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Current Loans

Current loans consist of amounts for Tax and Revenue Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs.

Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 3 percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of 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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $10,592,087 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are in-district premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

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.

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 1st 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 budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

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 of Alameda bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Changes in Accounting Principles

In June 2012, the 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 inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of *all* deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68 and No. 71, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by $78,336,218. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources *[if deferred inflows exist and not deferred outflows, change this to state "including deferred inflows of resources", or modify according to situation.] [If beginning balances for deferred inflows/outflows cannot be determined, and thus are not included in restatement, include a statements noting this][Include this paragraph if restated and also include "Emphasis of Matter" paragraph in opinions]*

New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement No. 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements No. 67 and No. 68 with regard to the following issues:

- Information that is required to be presented as notes to the ten-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported

- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions

- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	$ 26,563,901
Proprietary Funds	629,455
Fiduciary funds	434,933
Total Deposits and Investments	$ 27,628,289

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	$ 493,156
Cash in revolving	40,000
Investments	27,095,133
Total Deposits and Investments	$ 27,628,289

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; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts 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.

Investment in the State Investment Pool - The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California government code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in the Pool is reported in the accompanying financial statement at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

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 Pool (and LAIF).

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type		Fair Value	Weighted Average Maturity
County Pool	$	27,041,968	466 days
Local Agency Investment Fund (LAIF)		53,165	239 days
Total	$	27,095,133	

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 District's investments in the county pool and LAIF are not required to be rated, nor have they been rated as of June 30, 2015.

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 (unless so waived by the governmental unit). 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 agency. 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, 2015, approximately $112,000 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest Redemption Fund	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	$ 2,629,034	$ -	$ -	$ 710,075	$ 3,339,109
State Government					
State principle apportionment	245,669	-	-	-	245,669
Categorical aid	195,861	-	-	32,411	228,272
Lottery	826,193	-	-	-	826,193
Other Local Sources	372,677	11,391	7,209	395,990	787,267
Total	$ 4,269,434	$ 11,391	$ 7,209	$ 1,138,476	$ 5,426,510

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 14,369,105	$ -	$ -	$ 14,369,105
Construction in Progress	18,895,757	12,183,166	10,535,206	20,543,717
Total Capital Assets Not Being Depreciated	33,264,862	12,183,166	10,535,206	34,912,822
Capital Assets Being Depreciated:				
Land Improvements	17,183,102	22,014,672	-	39,197,774
Buildings and Improvements	247,165,416	360	-	247,165,776
Furniture and Equipment	9,028,181	127,234	24,465	9,130,950
Total Capital Assets Being Depreciated	273,376,699	22,142,266	24,465	295,494,500
Total Capital Assets	306,641,561	34,325,432	10,559,671	330,407,322
Less Accumulated Depreciation:				
Land Improvements	12,728,654	8,716,160	-	21,444,814
Buildings and Improvements	67,140,520	365,488	-	67,506,008
Furniture and Equipment	5,052,206	725,081	3,908	5,773,379
Total Accumulated Depreciation	84,921,380	9,806,729	3,908	94,724,201
Governmental Activities Capital Assets, Net	$ 221,720,181	$ 24,518,703	$ 10,555,763	$ 235,683,121

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 6,330,554
Supervision of instruction	394,413
Instructional library, media, and technology	114,065
School site administration	777,898
Home-to-school transportation	139,974
Food services	366,273
All other pupil services	333,089
All other administration	383,550
Plant services	966,913
Total Depreciation Expenses	$ 9,806,729

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2015, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

	Due From				
Due To	General Fund	Building Fund	Non-Major Governmental Funds	Proprietary Funds	Total
General Fund	$ 8,910	$ -	$ 678,884	$ 1,315	$ 689,109
Non-Major Governmental Funds	275,680	167,072	-	-	442,752
Total	$ 284,590	$ 167,072	$ 678,884	$ 1,315	$ 1,131,861

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2015, consisted of the following:

	Transfer From			
Transfer To	General Fund	Building Fund	Internal Service Funds	Total
General Fund	$ 2,391,821	$ -	$ 632,060	$ 3,023,881
Non-Major Governmental Funds	-	167,072	-	167,072
Total	$ 2,391,821	$ 167,072	$ 632,060	$ 3,190,953

The Special Reserve - Other Fund transferred to the General Fund to close out the Fund.	$ 2,391,821
The Special Reserve Capital Outlay Fund transferred to the Building Fund for contribution to projects	167,072
The General Fund transferred to the Self Insurance Fund to pay for property and liability insurance.	632,060
Total	$ 3,190,953

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Vendor payables	$ 1,323,587	$ 2,503,116	$ 522,478	$ 4,349,181	$ 53
Salaries and benefits	1,458,043	-	-	1,458,043	-
Total	$ 2,781,630	$ 2,503,116	$ 522,478	$ 5,807,224	$ 53

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consists of the following:

	General Fund	Special Reserve Capital Outlay Fund	Total
Federal financial assistance	$ 2,338	$ -	$ 2,338
State categorical aid	-	6,245	6,245
Total	$ 2,338	$ 6,245	$ 8,583

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	$ 196,421,194	$ 43,020,000	$ 46,177,512	$ 193,263,682	$ 5,393,959
Bond premiums	775,812	4,538,847	101,588	5,213,071	359,183
Certificates of participation	587,137	-	186,901	400,236	195,578
Note payable	1,150,000	-	68,936	1,081,064	69,970
Qualified Zone Academy Lease	5,130,000	-	-	5,130,000	-
Accumulated vacation - net	369,735	68,392	-	438,127	-
Capital leases	1,042,221	-	75,179	967,042	77,124
Other post employment benefits	637,037	235,297	-	872,334	-
Total	$ 206,113,136	$ 47,862,536	$ 46,610,116	$ 207,365,556	$ 6,095,814

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The Capital Facilities Fund makes payments for the Certificates of Participation and the Qualified Zone Academy Lease. The capital leases payments are made by the Adult Education Fund. The accrued vacation and Other Post Employment Benefits will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Issued	Redeemed	Bonds Outstanding June 30, 2015
2/21/2007	8/1/2031	4.30%	29,000,000	$ 21,290,000	$ -	$ 735,000	$ 20,555,000
2/21/2007	8/1/2028	4.15%	39,210,000	33,635,000	-	1,525,000	32,110,000
3/18/2009	8/1/2033	4.00-6.25%	30,000,000	29,650,000	-	28,260,000	1,390,000
2/13/2010	8/1/2040	6.38-6.98%	19,999,043	26,306,564	-	13,326,501	12,980,063
5/1/2010	2/1/2026	4.55%	18,327,344	18,024,630	-	961,011	17,063,619
5/24/2011	8/1/2041	3.00-5.75%	30,000,000	29,400,000	-	100,000	29,300,000
10/19/2011	8/1/2022	2.00-3.125%	7,560,000	6,345,000	-	650,000	5,695,000
7/10/2013	8/1/2026	0.55-4.00%	11,670,000	11,670,000	-	620,000	11,050,000
7/10/2013	8/1/2038	3.00-5.00%	20,100,000	20,100,000	-	-	20,100,000
3/24/2015	8/1/2029	3.00-5.00%	11,745,000	-	11,745,000	-	11,745,000
5/21/2015	8/1/2033	2.00-5.00%	31,275,000	-	31,275,000	-	31,275,000
				$ 196,421,194	$ 43,020,000	$ 46,177,512	$ 193,263,682

Debt Service Requirements to Maturity

The bonds mature through August 2044 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ 5,393,959	$ 7,329,179	$ 12,723,138
2017	5,374,825	7,690,699	13,065,524
2018	5,820,720	7,476,134	13,296,854
2019	6,438,998	7,223,451	13,662,449
2020	7,129,972	6,944,199	14,074,171
2021-2025	48,528,025	29,440,970	77,968,995
2026-2030	45,967,021	28,359,176	74,326,197
2031-2035	31,790,000	24,173,220	55,963,220
2036-2040	25,745,162	12,850,063	38,595,225
2041-2044	11,075,000	354,630	11,429,630
Total	193,263,682	$ 131,841,721	$ 325,105,403

Certificates of Participation

In February 1997, the District issued certificates of participation in the amount of $2,670,000 with interest rates of 4.5 percent. As of June 30, 2015, the principal balance outstanding was $400,236.

The certificates mature through February 2017 as follows:

Year Ending June 30,	Principal	Interest	Total
2016	$ 195,578	$ 16,152	$ 211,730
2017	204,658	7,072	211,730
Total	$ 400,236	$ 23,224	$ 423,460

Notes Payable

On February 26, 2013, the City of San Leandro loaned the District $1,250,000 with interest rates of 1.5-5% for the purchase of a property in the City that will be used by the District to directly support education and administrative functions of the District. The loan matures on August 1, 2028.The principal and interest payments are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ 69,970	$ 16,216	$ 86,186
2017	71,020	15,167	86,187
2018	82,003	28,202	110,205
2019	84,463	25,742	110,205
2020	86,997	23,208	110,205
2021-2025	431,297	81,524	512,821
2026-2029	255,314	32,693	288,007
Total	$ 1,081,064	$ 222,752	$ 1,303,816

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to $438,127.

Qualified Zone Academy Lease

In June 2014, the District issued $5,000,000 Taxable Qualified Zone Academy Lease with a coupon rate of 2.17%. The Lease matures in September 2029. The principal and interest payments are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ 130,000	$ 109,150	$ 239,150
2017	225,000	106,059	331,059
2018	245,000	100,959	345,959
2019	260,000	95,480	355,480
2020	275,000	89,675	364,675
2021-2025	1,700,000	345,573	2,045,573
2026-2030	2,295,000	124,884	2,419,884
Total	$ 5,130,000	$ 971,780	$ 6,101,780

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Adult Education Zion Bank
Balance, July 1, 2014	$ 1,042,221
Additions	-
Payments	75,179
Balance, June 30, 2015	$ 967,042

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2016	$ 101,485
2017	101,485
2018	101,485
2019	101,485
2020	101,485
2021-2025	507,423
2026-2027	101,485
Total	1,116,333
Less: Amount Representing Interest	149,291
Present Value of Minimum Lease Payments	$ 967,042

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2015, include the following:

Buildings	$ 1,530,197
Less: Accumulated depreciation	(124,966)
Total	$ 1,405,231

Amortization of leased buildings and equipment under capital assets is included with depreciation expense.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2015, was $599,996, and contributions made by the District during the year were $396,551. Interest on the net OPEB obligation and adjustments to the annual required contribution were $31,852 and $0, respectively, which resulted in an increase to the net OPEB obligation of $235,297. As of June 30, 2015, the net OPEB obligation was $872,334. See Note 10 for additional information regarding the OPEB asset/obligation and the postemployment benefits plan.

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 40,000	$ -	$ -	$ -	$ 40,000
Stores inventories	-	-	-	15,429	15,429
Prepaid expenditures	8,043	-	-	-	8,043
Total Nonspendable	48,043	-	-	15,429	63,472
Restricted					
Legally restricted programs	1,875,060	-	-	-	1,875,060
Capital projects	-	9,477,820	-	1,170,137	10,647,957
Debt services	-	-	7,801,092	-	7,801,092
Food service operations	-	-	-	1,522,194	1,522,194
Total Restricted	1,875,060	9,477,820	7,801,092	2,692,331	21,846,303
Assigned					
City loan for SBHC	-	-	-	717,282	717,282
Other	358,859	-	-	619,033	977,892
Total Assigned	358,859	-	-	1,336,315	1,695,174
Unassigned					
Reserve for economic uncertainties	2,591,812	-	-	-	2,591,812
Total Unassigned	2,591,812	-	-	-	2,591,812
Total	$ 4,873,774	$ 9,477,820	$ 7,801,092	$ 4,044,075	$ 26,196,761

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the San Leandro Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 234 retirees and beneficiaries currently receiving benefits, and 199 active plan members.

Contribution Information

The contribution requirements of plan members and the District are established and may be amended by the District and the Teachers Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, CTA, CSEA and the unrepresented groups. For fiscal year 2014-2015, the District contributed $396,551 to the plan, all of which was used for current premiums (approximately 78 percent of total premiums).

Annual OPEB Cost and Net OPEB Obligation

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	$ 599,996
Interest on net OPEB obligation	31,852
Annual OPEB cost (expense)	631,848
Contributions made	(396,551)
Increase in net OPEB obligation	235,297
Net OPEB obligation, beginning of year	637,037
Net OPEB obligation, end of year	$ 872,334

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	$ 664,449	$ 564,077	84.9%	$ 522,958
2014	627,922	513,843	81.8%	637,037
2015	631,848	396,551	62.8%	872,334

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.

In the July 1, 2013, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial 7 percent to an ultimate rate of 3 percent. The UAAL is being amortized at a level dollar method over 15 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 11 - RISK MANAGEMENT

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.

Property and Liability

During fiscal year ending June 30, 2015, the District contracted with East Bay Schools Insurance Group (EBSIG) insurance purchasing pools for property and liability coverage and SAFER for excess liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

The District participates in the Alameda County Schools Insurance Group (ACSIG), an insurance purchasing pool. The intent of the ACSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the ACSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the ACSIG. Each participant pays its workers ' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of each participated school districts. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ACSIG.

Coverage provided by EBSIG, SAFER, and ACSIG for property and liability and workers' compensation is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
East Bay Schools Insurance Group	Liability	$ 5,000,000
	Excess Liability	$ 20,000,000
	Property	$ 250,000,000
Alameda Schools Insurance Group	Workers' Compensation	State Statutory Limits

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 54,149,390	$ 3,893,895	$ 13,334,184	$ 4,674,841
CalPERS	12,387,907	1,394,910	4,256,623	1,101,032
Total	$ 66,537,297	$ 5,288,805	$ 17,590,807	$ 5,775,873

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were $3,893,895.

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	$ 54,149,390
State's proportionate share of the net pension liability associated with the District	32,697,739
Total	$ 86,847,129

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0927 percent.

For the year ended June 30, 2015, the District recognized pension expense of $4,674,841. In addition, the District recognized revenue and pension expense of $2,822,871 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,893,895	$ -
Differences between projected and actual earnings on pension plan investments	-	13,334,184
Total	$ 3,893,895	$ 13,334,184

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 3,333,546
2017	3,333,546
2018	3,333,546
2019	3,333,546
Total	$ 13,334,184

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined be assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate		Net Pension Liability
1% decrease (6.60%)	$	84,404,737
Current discount rate (7.60%)	$	54,149,390
1% increase	$	28,921,929

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:
https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were $1,394,910.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $12,387,907. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.1091 percent.

For the year ended June 30, 2015, the District recognized pension expense of $1,101,032. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,394,910	$ -
Differences between projected and actual earnings on pension plan investments		4,256,623
Total	$ 1,394,910	$ 4,256,623

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	$ 1,064,156
2017	1,064,156
2018	1,064,156
2019	1,064,155
Total	$ 4,256,623

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.50%)	$ 21,731,216
Current discount rate (7.50%)	$ 12,387,907
1% increase (8.50%)	$ 4,580,630

Social Security and Tax Deferred Annuity Plan

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the Social Security as its alternative plan. The District contributes the required percent of an employee's gross earnings. The employee is also required to contribute based on the applicable percentage of his or her gross earnings to the pension plan.

The San Leandro District 403(b) Tax Deferred Annuity Plan (TDA) is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Employees may elect to participate and have voluntary withholding amounts deducted from their payroll.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $2,217,228 (5.679 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

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, 2015.

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, 2015.

Construction Commitments

As of June 30, 2015, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
SLHS & Muir MS - Solar PV	$ 5,799,152	December-15
School Based Health Center	2,668,095	December-15
Districtwide Seismic Upgrades at SL Adult Office	343,310	August-15
Districtwide Seismic Upgrades at Jefferson ES DSCC	169,250	August-15
Districtwide Seismic Upgrades at Garfield ES DSCC	84,050	August-15
Districtwide Seismic Upgrades at Roosevelt Child Care & Pool	357,295	August-15
Columbine Locks	335,656	August-15
SL Adult Office - Mod (ref SBHC)	150,000	December-15
M & O Deferred Maintenance	500,000	June-16
Total	$ 10,406,808	

NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the East Bay Schools Insurance Group and Alameda County Schools Insurance Group public entity risk pools and the Eden Area Regional Occupational Program and the School Project for Utility Rate Reduction joint powers authorities (JPA's). The District pays an annual premium to the applicable entity for its workers' compensation, and property liability coverage. Payments for regional occupational programs and utilities are paid to the JPAs. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2015, the District made payments of $632,060 to East Bay Schools Insurance Group, $1,246,916 to Alameda County Schools Insurance Group, $137,194 to School Project for Utility Rate public entity risk pool, and $1,151,850 to the Eden Area Regional Occupational Program for occupational programs.

NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in the current year. As a result, the effect on the current fiscal year is as follows:

Net Position - Beginning	$ 62,431,754
Change in accounting principles to conform to GASB Statement No. 68 and No. 71	(78,336,218)
Net Position - Beginning as Restated	$ (15,904,464)

REQUIRED SUPPLEMENTARY INFORMATION

SAN LEANDRO UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 62,749,741	$ 65,862,086	$ 63,133,986	$ (2,728,100)
Federal sources	3,899,134	4,315,765	4,024,338	(291,427)
Other state sources	3,585,364	6,038,779	7,727,075	1,688,296
Other local sources	4,495,815	6,219,309	4,558,763	(1,660,546)
Total Revenues [1]	74,730,054	82,435,939	79,444,162	(2,991,777)
EXPENDITURES				
Current				
Certificated salaries	42,903,596	43,363,804	43,914,423	(550,619)
Classified salaries	10,293,284	10,433,003	10,834,675	(401,672)
Employee benefits	8,987,875	8,968,613	11,281,076	(2,312,463)
Books and supplies	2,119,382	3,986,364	2,762,680	1,223,684
Services and operating expenditures	9,699,208	11,355,702	9,877,119	1,478,583
Other outgo	1,015,802	1,980,266	1,003,768	976,498
Capital outlay	17,169	768,065	755,466	12,599
Debt service - principal	-	-	283,359	(283,359)
Debt service - interest	-	-	97,040	(97,040)
Total Expenditures [1]	75,036,316	80,855,817	80,809,606	46,211
Excess (Deficiency) of Revenues Over Expenditures	(306,262)	1,580,122	(1,365,444)	(2,945,566)
Other Financing Sources (Uses)				
Transfers in	775,088	3,064,465	2,391,821	(672,644)
Transfers out	(2,406,028)	(712,616)	(3,023,881)	(2,311,265)
Net Financing Sources (Uses)	(1,630,940)	2,351,849	(632,060)	(2,983,909)
NET CHANGE IN FUND BALANCES	(1,937,202)	3,931,971	(1,997,504)	(5,929,475)
Fund Balance - Beginning	6,871,278	6,871,278	6,871,278	-
Fund Balance - Ending	$ 4,934,076	$ 10,803,249	$ 4,873,774	$ (5,929,475)

[1] On behalf payments of $2,217,228 are included in the actual revenues and expenditures, and have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, but are not included in the original and final General Fund budgets.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015

Fiscal Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
June 30, 2011	July 1, 2011	$ -	$ 6,585,557	$ 6,585,557	$ -	$ 51,062,142	12.9%
June 30, 2012	July 1, 2011	-	6,585,557	6,585,557	$ -	51,062,142	12.9%
June 30, 2014	July 1, 2013	-	5,981,792	5,981,792	$ -	1,653,966	361.7%

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
District's proportion of the net pension liability	0.0927%
District's proportionate share of the net pension liability	$ 54,149,390
State's proportionate share of the net pension liability associated with the District	32,697,739
Total	$ 86,847,129
District's covered - employee payroll	$ 41,655,648
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	129.99%
Plan fiduciary net position as a percentage of the total pension liability	77%
CalPERS	
District's proportion of the net pension liability	0.1091%
District's proportionate share of the net pension liability	$ 12,387,907
District's covered - employee payroll	$ 11,465,251
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	108.05%
Plan fiduciary net position as a percentage of the total pension liability	83%

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

	2015
CalSTRS	
Contractually required contribution	$ 3,893,895
Contributions in relation to the contractually required contribution	3,893,895
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 43,790,149
Contributions as a percentage of covered - employee payroll	8.89%
CalPERS	
Contractually required contribution	$ 1,394,910
Contributions in relation to the contractually required contribution	1,394,910
Contribution deficiency (excess)	$ -
District's covered - employee payroll	$ 11,851,132
Contributions as a percentage of covered - employee payroll	11.77%

SUPPLEMENTARY INFORMATION

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I, Part A			
NCLB - Title I, Part A, Basic Grants Low-Income and Neglected - Reallocation Funds	84.010	14981	$ 1,336,792
NCLB - Title I, Part A, Program Improvement LEA Corrective Action, Extensive Performance Problems	84.010	14955	420
Early Intervention Services (IDEA)			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,765,206
Preschool Grants, Part B, Section 619	84.173	13430	119,682
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	114,796
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	60,538
Adult Education			
Adult Basic Education & ESL	84.002A	14508	284,638
Adult Secondary Education	84.002	13978	195,513
English Literacy & Civics Education	84.002A	14109	154,966
Technology Secondary II C, Section 131	84.048	13924	55,724
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	235,066
Title III, Immigrant Education Program	84.365	14346	19,610
Title III, Limited English Proficient (LEP) Student Program	84.365	10084	165,789
Title X, Mckinney-Vento Homeless Children Assistance Grants	84.196	14332	20,391
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)	84.334A	[1]	1,033
Total U.S. Department of Education			4,530,164
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
National School Lunch Program	10.553	13390	1,899,094
Commodities [1]	10.550	13755	171,268
Meals Supplements - Snack	10.555	[1]	174,368
Especially Needy Breakfast	10.553	13526	492,700
Total U.S. Department of Agriculture			2,737,430
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medi-Cal Billing Option	93.778	10013	112,418
Total U.S. Department of Health and Human Services			112,418
Total Expenditures of Federal Awards			$ 7,380,012

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2015

ORGANIZATION

The San Leandro Unified School District was established July 1, 1952 and consists of an area comprising approximately 15 square miles. The District operates eight elementary schools, two middle schools, one high schools, one independent study center and one adult schools. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Diane Prola	President	2016
Ron Carey	Vice President	2018
Vince J. Rosato	Clerk	2016
Evelyn Gonzalez	Member	2016
Lance James	Member	2018
Leo Sheridan	Member	2018
Monique Tate	Member	2016

ADMINISTRATION

Michael McLaughlin, Ed. D.	Superintendent
Rosanna Mucetti, Ed. D.	Deputy Superintendent, Educational Services
John Thompson, Ed. D.	Assistant Superintendent, Human Resources
Mark Martinelli, M.B.A.	Assistant Superintendent, Business and Operations

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2015

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,564.11	2,561.05
Fourth through sixth	1,853.32	1,848.61
Seventh and eighth	1,198.35	1,197.51
Ninth through twelfth	2,527.45	2,504.32
Total Regular ADA	8,143.23	8,111.49
Extended Year Special Education		
Transitional kindergarten through third	6.63	6.63
Fourth through sixth	2.51	2.51
Seventh and eighth	1.48	1.48
Ninth through twelfth	4.34	4.34
Total Extended Year Special Education	14.96	14.96
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.88	1.83
Fourth through sixth	4.79	4.72
Seventh and eighth	7.09	6.82
Ninth through twelfth	11.49	3.16
Total Special Education, Nonpublic, Nonsectarian Schools	25.25	16.53
Extended Year Special Education - Nonpublic		
Transitional kindergarten through third	-	0.38
Fourth through sixth	-	0.85
Seventh and eighth	-	0.70
Ninth through twelfth	-	1.81
Total Extended Year, Special Education Nonpublic Schools	-	3.74
Total ADA	8,183.44	8,146.72

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2015

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2014-15 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	37,800	180	In Compliance
Grade 1	50,400	49,000	56,820	180	In Compliance
Grade 2	50,400	49,000	56,820	180	In Compliance
Grade 3	50,400	49,000	56,820	180	In Compliance
Grade 4	54,000	52,500	56,700	180	In Compliance
Grade 5	54,000	52,500	56,700	180	In Compliance
Grade 6	54,000	52,500	54,220	180	In Compliance
Grade 7	54,000	52,500	54,220	180	In Compliance
Grade 8	54,000	52,500	54,220	180	In Compliance
Grade 9	64,800	63,000	66,430	180	In Compliance
Grade 10	64,800	63,000	66,430	180	In Compliance
Grade 11	64,800	63,000	66,430	180	In Compliance
Grade 12	64,800	63,000	66,430	180	In Compliance

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	Form Asset
FORM ASSET	
Balance, June 30, 2015, Unaudited Actuals	$ 235,638,435
Increase in:	
Equipment	43,718
Decrease in:	
Accumulated depreciation -Equipment	968
Balance, June 30, 2015, Audited Financial Statements	$ 235,683,121

	Form Debt
FORM DEBT	
Balance, June 30, 2015, Unaudited Actuals	$ 201,169,615
Increase in:	
General obligation bonds payable	807,687
General obligation bond premiums, net of amortization	5,213,071
Other post employment benefits	199,727
Decrease in:	
Compensated absences	(24,544)
Balance, June 30, 2015, Audited Financial Statements	$ 207,365,556

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

	(Budget) 2016 [1]	2015	2014	2013
GENERAL FUND [3]				
Revenues	$ 87,064,495	$ 79,444,162	$ 71,298,534	$ 66,819,815
Other sources	7,000	2,391,821	1,375,088	800,572
Total Revenues and Other Sources	87,071,495	81,835,983	72,673,622	67,620,387
Expenditures	82,294,414	80,809,606	73,746,863	69,100,368
Other uses and transfers out	606,717	3,023,881	1,190,726	590,271
Total Expenditures and Other Uses	82,901,131	83,833,487	74,937,589	69,690,639
INCREASE (DECREASE) IN FUND BALANCE	$ 4,170,364	$ (1,997,504)	$ (2,263,967)	$ (2,070,252)
ENDING FUND BALANCE	$ 9,044,138	$ 4,873,774	$ 6,871,278	$ 9,135,245
AVAILABLE RESERVES [2]	$ 2,487,034	$ 2,591,812	$ 2,845,435	$ 3,795,365
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.00%	3.18%	3.80%	5.45%
LONG-TERM OBLIGATIONS	$ 201,269,742	$ 207,365,556	$ 206,113,136	$ 171,110,781
K-12 AVERAGE DAILY ATTENDANCE AT P-2	8,187	8,183	8,298	8,348

The General Fund balance has decreased by $4,261,471 over the past two years. The fiscal year 2015-2016 budget projects an increase of $4,170,364 (85.6 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in all three of the most recent years and anticipates incurring an operating surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by $36,254,775 over the past two years primarily due to new bonds issued.

Average daily attendance has decreased by 165 over the past two years. The District is anticipating an increase of 4 ADA during fiscal year 2015-2016.

[1] Budget 2016 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

3. General Fund amounts include activities related to the consolidation of the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects, as required by GASB 54.

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2015

Name of Charter School	Included in Audit Report
None	

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	$ 320,889	$ 1,210,897	$ 129,012
Receivables	437,093	449,136	122
Due from other funds	678,884	-	-
Stores inventories	-	15,429	-
Total Assets	$ 1,436,866	$ 1,675,462	$ 129,134
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 487,031	$ 27,475	$ 1,740
Due to other funds	37,922	110,364	127,394
Unearned revenue	-	-	-
Total Liabilities	524,953	137,839	129,134
Fund Balances:			
Nonspendable	-	15,429	-
Restricted	-	1,522,194	-
Assigned	911,913		-
Total Fund Balances	911,913	1,537,623	-
Total Liabilities and Fund Balances	$ 1,436,866	$ 1,675,462	$ 129,134

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
$ 926,362	$ 165,534	$ 430,067	$ 3,182,761
84,320	153	167,652	1,138,476
-	-	-	678,884
-	-	-	15,429
$ 1,010,682	$ 165,687	$ 597,719	$ 5,015,550
$ 6,232	$ -	$ -	$ 522,478
-	-	167,072	442,752
-	-	6,245	6,245
6,232	-	173,317	971,475
-	-	-	15,429
1,004,450	165,687	-	2,692,331
-	-	424,402	1,336,315
1,004,450	165,687	424,402	4,044,075
$ 1,010,682	$ 165,687	$ 597,719	$ 5,015,550

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Local Control Funding Formula	$ 1,357,768	$ -	$ 225,088
Federal sources	635,117	2,566,162	-
Other State sources	-	203,309	-
Other local sources	323,167	466,600	420
Total Revenues	2,316,052	3,236,071	225,508
EXPENDITURES			
Current			
Instruction	1,383,596	-	-
Instruction-related activities:			
Supervision of instruction	168,575	-	-
School site administration	590,378	-	-
Pupil services:			
Food services	-	3,016,315	-
All other pupil services	28,348	-	-
Administration:			
All other administration	37,921	110,364	-
Plant services	122,993	292	177,341
Facility acquisition and construction	-	-	76,627
Debt service			
Principal	75,179	-	-
Interest and other	26,305	-	-
Total Expenditures	2,433,295	3,126,971	253,968
Excess (Deficiency) of Revenues Over Expenditures	(117,243)	109,100	(28,460)
Other Financing Sources (Uses)			
Transfers out	-	-	-
Net Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCES	(117,243)	109,100	(28,460)
Fund Balance - Beginning	1,029,156	1,428,523	28,460
Fund Balance - Ending	$ 911,913	$ 1,537,623	$ -

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ 1,582,856
-	-	-	3,201,279
-	-	-	203,309
485,749	538	176,249	1,452,723
485,749	538	176,249	6,440,167
-	-	-	1,383,596
-	-	-	168,575
-	-	-	590,378
-	-	-	3,016,315
-	-	-	28,348
17,599	-	-	165,884
184,940	-	14,747	500,313
1,586,232	-	16,205	1,679,064
255,837	-	-	331,016
42,079	-	-	68,384
2,086,687	-	30,952	7,931,873
(1,600,938)	538	145,297	(1,491,706)
-	-	(167,072)	(167,072)
-	-	(167,072)	(167,072)
(1,600,938)	538	(21,775)	(1,658,778)
2,605,388	165,149	446,177	5,702,853
$ 1,004,450	$ 165,687	$ 424,402	$ 4,044,075

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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 Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		$ 7,225,617
Advance placement	none	(16,873)
Commodities	10.550	171,268
Total Schedule of Expenditures of Federal Awards		$ 7,380,012

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.

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.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeding its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015

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 Unaudited Actual Financial Report to the audited financial statements.

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.

Schedule of Charter Schools

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS

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

Governing Board
San Leandro Unified School District
San Leandro, 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 Leandro Unified School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise San Leandro Unified School District's basic financial statements, and have issued our report thereon dated December 10, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Leandro 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 Leandro Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of San Leandro 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 District'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 findings and questioned costs as item 2015-001 that we consider to be significant deficiencies.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Leandro Unified School District's financial statements are free from 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 Leandro Unified School District's Response to Findings

San Leandro Unified School District's response to the findings identified in our audit are described in the schedule of findings and questioned costs. San Leandro 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 10, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Governing Board
San Leandro Unified School District
San Leandro, California

Report on Compliance for Each Major Federal Program

We have audited San Leandro 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 Leandro Unified School District's (the District) major Federal programs for the year ended June 30, 2015. San Leandro 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 Leandro 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 Leandro 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 Leandro Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, San Leandro Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2015.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

Report on Internal Control Over Compliance

Management of San Leandro 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 Leandro 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 Leandro 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.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 10, 2015

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
San Leandro Unified School District
San Leandro, California

Report on State Compliance

We have audited San Leandro Unified School District's compliance with the types of compliance requirements as identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the *San Leandro Unified School District*'s State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the San Leandro Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about San Leandro 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 opinions. Our audit does not provide a legal determination of San Leandro Unified School District's compliance with those requirements.

Basis for Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, San Leandro Unified School District did not comply with requirements regarding Unduplicated Local Control Funding Formula Pupil Counts 2015-002. Compliance with such requirements is necessary, in our opinion, for San Leandro Unified School District to comply with the requirements applicable to that program.

Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, San Leandro Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2015.

5000 Hopyard Road, Suite 335 Pleasanton, CA 94588-3351 Tel: 925.734.6600 www.vtdcpa.com Fax: 925.734.6611

Unmodified Opinion on Each of the Other Programs

In our opinion, San Leandro Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

In connection with the audit referred to above, we selected and tested transactions and records to determine the San Leandro Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not operate any Middle or Early College High Schools, therefore, we did not perform any procedures related to Middle or Early High Schools.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

San Leandro Unified School District's Response to Findings

San Leandro Unified School District's response to the findings identified in our audit are described in the schedule of findings and questioned costs. San Leandro 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.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 10, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	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 federal progr

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.027A, 84.173	Special Education Cluster
84.002, 84.002A	Adult Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

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

Unmodified for all programs except for the following program which was qualified:

Name of Program
Unduplicated Local Control Funding Formula Pupil Counts

SAN LEANDRO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control
60000	Miscellaneous

2015-001 Associated Student Body Activities (ASB) and Site Cash Internal Controls (30000)

Criteria or Specific Requirements
Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the School District. Internal Control best practices over processing of cash receipts include maintaining a separate record of funds received.

Condition
Lincoln Continuation School

- Segregation of duties: We noted the ASB Bookkeeper/Office Manager is one of the check signers.

John Muir Middle School
We noted the following:

- A check of $300 was written for an invoice in the amount of $130.68.
- 4 out of 19 cash receipts tested did not appear to be deposited timely (over 20 days).
- 2 out of 11 disbursements were not supported by receiving documents. In addition, 1 disbursement was not approved in the ASB Minutes.
- No revenue potential forms prepared for two of the fundraising events tested.
- Two of the three ending ticket numbers from the ticket log does not agree with the ticket rolls.
- Student Store: sales collected ($132.25) in January does not agreed to amount deposited ($49).
- Site Cash: we noted 3 out of 5 donations received on behalf of the District were not deposited timely; in addition, we noted no receipts issued for all 5 donations.

Jefferson Elementary School

- Petty Cash: The site maintains a $250 petty cash, however, on the date of field work, there were only $245.93 accounted for.
- Site Cash: We noted there were no receipt records for donations collected by mail or funds collected for field trips.

McKinley Elementary School

- Cash Receipt: We noted there were no receipt records for donations collected by mail or funds collected for field trips.

James Monroe Elementary School

- Cash Receipt: We noted there were no receipt records for donations collected by mail or funds collected for field trips

Questioned costs
None.

Context
We reviewed ASB and site cash transactions at Lincoln Continuation School, John Muir Middle School, Jefferson Elementary School, McKinley Elementary School, and James Monroe Elementary School and noted above.

Effect
The risk of potential error or misappropriation of funds is increased when internal controls are not properly designed and imlemented.

Cause
Internal controls over ASB and site cash have not been optimized.

Recommendation
Controls over cash collected at ticketed events should be strengthened and student council minutes maintained. In addition, deposits should be made timely (typically within 10 days) to improve safeguarding of funds and duties of those involved should be reviewed to ensure optimum segregation of duties.

Corrective Action Plan
The District will strengthen controls over cash collection for ticket sales and maintain student council minutes. Deposits will be made timely and duties of those involved will be reviewed to ensure optimal segregation of duties. In addition, central office staff will provide periodic site visits to review student body process and activities to strengthen controls. Site office managers and ASB staffs will be encouraged to attend ASB workshops and trainings.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

None reported.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2015

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2015-002 Unduplicated Local Control Funding Formula Pupil Counts (40000)

Criteria or Specific Requirements
7 CFR 225.15(c)
Records and claims. (1) Sponsors shall maintain accurate records which justify all costs and meals claimed. Failure to maintain such records may be grounds for denial of reimbursement for meals served and/or administrative costs claimed during the period covered by the records in question. The sponsor's records shall be available at all times for inspection and audit by representatives of the Secretary, the Comptroller General of the United States, and the State agency for a period of three years following the date of submission of the final claim for reimbursement for the fiscal year.
7 CFR 225.15(f)
Application for free Program meals. (1) Purpose of application form. The application is used to determined the eligibility of children attending camps and the eligibility of sites that are not open sites.

Condition
We noted that the status indicated in the supporting documents for eleven students were not consistent with the status reported on the certified "1.18-FRPM/PM/English Learner/Foster Youth - Student List".

Questioned Costs
Supplemental grant: $11,500 and Concentration grant: $5,490 (see schedules on page 96).

Context
We reviewed 60 student files.

Effect
District is not in compliance with Unduplicated Local Control Funding Formula Pupil Counts requirement.

Cause
District did not take advantage of the window of opportunity after the CBEDS date to perform a reconciliation of our Nutra-Kids-System data and our AERIES System Data. In other words, the District did not use the data from Nutra-Kids-System (on the Food Service Side) to update AERIES on the Instruction Technology side which, in turn, feeds into the CALPADS State system. This sequence is what the District believes to have happened to cause this difference

Recommendation
District should implement procedures necessary to ensure unduplicated student counts are accurately reported.

Corrective Action Plan

The District will ensure that the submission of CBEDS data is reflective of the most up-to-date data for students that are in the Free and Reduced Lunch status by:

1. Creating a standard data upload into our Student Input System on a monthly basis.
2. As the year progresses and we approach the deadline to submit our CBEDS data, the District will increase the rate of uploads from Nutr-Kids System to the AERIES System which feeds into our CALPADS Software.

Below are schedules showing the audit adjustments for the unduplicated counts and related questioned costs:

	FRP	EL	FRP and EL
LEA's Certified - Total Unduplicated Pupil Count	4,703	2,289	5,698
Total Adjusted	4,692	-	5,687
Difference	11	2289	11

Supplemental Grant Funding

Gades	Adjusted based Grant Per ADA	Adjustements	Adjustment	Unduplicated Pupil Percentage	Supplemental Grant Factor	Question Costs -
Grades TK/K-3 ADA	7,011.00	1.104	5	0.6798	0.2	5,262
Grades 4-6 ADA	7,116.00		4	0.6798	0.2	3,870
Grades 7-8 ADA	7,328.00		0	0.6798	0.2	-
Grades 9-12 ADA	8,491.00	1.026	2	0.6798	0.2	2,369
			11			$ 11,501

Concentration Grant Funding

Gades	Adjusted based Grant Per ADA	Current Year Adjusted Base Grant per ADA	Adjustment	Percentage used to calculate Concentration Grant	Concentration Grant Factor	Question Costs -
Grades TK/K-3 ADA	7011	7740	5	0.1298	0.5	2,512
Grades 4-6 ADA	7116		4	0.1298	0.5	1,847
Grades 7-8 ADA	7328		0	0.1298	0.5	-
Grades 9-12 ADA	8491	8712	2	0.1298	0.5	1,131
			11			$ 5,490

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Five Digit Code	AB 3627 Finding Type
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

2014-001 Code – Student Body and Site Cash Internal Controls – 30000
Significant Deficiency

Criteria or Specific Requirements
Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations Handbook") requires student body organizations to follow the regulations set by the Governing Board of the School District. Internal control best practices over processing of cash receipts include maintaining a separate record of funds received.

Condition
San Leandro High
We noted that a football game ticket control log indicated an unknown cash shortage of $147 and that the ending ticket number per the ticket control form was not consistent with the ticket roll. In addition, one of six checks reviewed did not contain a second signature indicating student approval. The site did not maintain copies of student council minutes approving expenditures and documenting student involvement and oversight. In addition, the site does not prepare revenue potential forms for fundraising events.

Lincoln Continuation School
We noted that amounts were not deposited timely with more than 100 days between collection and deposit in some cases. Also, cash received was not consistently receipted. In addition, we noted the ASB bookkeeper is also one of the check signers increasing risks of misuse.

Questioned costs
None.

Context
We reviewed cash collections at San Leandro High and Lincoln Continuation schools and noted the above.

Effect
The risk of potential error or misappropriation of Associated Student Body funds is increased when segregation of duties are not optimized.

Cause
Internal controls over Associated Student Body have not been optimized.

Recommendation
Controls over cash collected at ticketed events should be strengthened and student council Minutes maintained. In addition, deposits should be made timely (typically within 10 Days) to improve safeguarding of funds and duties of those involved should be reviewed to ensure optimum segregation of duties.

Corrective Action Plan
The District has already taken and will continue to take concrete steps to address issues:

1) Site office managers and ASB staff attend ASB workshops,
2) The District will reiterate policies and procedures and ensure implementation of improved controls. The District will also continue to monitor sites and verify that school sites are in compliance with Ed Code and regulations set by the Governing Board of the School District.
3) Business Services will continue its periodic site visits to review student body activities and to tighten and strengthen the internal controls surrounding the student body funds.

Current Status
Partially implemented, see current year finding 2015-001.