

SAN LEANDRO UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

SAN LEANDRO UNIFIED SCHOOL DISTRICT

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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, 2016, 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 *2015-2016 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.

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, 2016, 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 2016, the District adopted new accounting guidance, GASB Statement No. 72 *Fair Value Measurement and Application;* GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68;* GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments;* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of other postemployment benefits funding progress, schedule of the district's proportionate share of net pension liability, and the schedule of district pension contributions, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information 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 15, 2016, 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 15, 2016

San Leandro Unified School District

Business & Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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, 2016. 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 8,560 students of a diverse population. The District currently operates 13 schools, consisting of 8 elementary (grades K-5), 2 middle schools (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, 2016, the District employs on a regular basis 452 certificated and 236 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 negative $29.5 million for the fiscal year ended June 30, 2016. Of this amount, $11.1 million was restricted. 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	
	2016	2015
Assets		
Current and other assets	$ 28.6	$ 32.6
Capital assets	231.3	235.7
Total Assets	**259.9**	**268.3**
Deferred Outflows of Resources	**17.0**	**5.3**
Liabilities		
Current liabilities	9.2	8.5
Long-term obligations	281.4	273.9
Total Liabilities	**290.6**	**282.4**
Deferred Inflows of Resources	**15.8**	**17.6**
Net Position		
Net investment in capital assets	35.1	44.3
Restricted	11.1	10.6
Unrestricted	(75.7)	(81.3)
Total Net Position	**$ (29.5)**	**$ (26.4)**

The negative $75.7 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 – increased by 6.9 percent (negative $75.7 million in current year compared to negative $81.3 million in prior year).

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	
	2016	2015
Revenues		
Program revenues:		
Charges for services	$ 0.6	$ 0.5
Operating grants and contributions	17.5	13.6
General revenues:		
Federal and State aid not restricted	55.9	47.5
Property taxes	36.7	32.7
Other general revenues	4.3	5.5
Total Revenues	**115.0**	**99.8**
Expenses		
Instruction-related	80.7	73.6
Student support services	9.1	7.9
Administration	7.3	5.5
Maintenance and operations	11.0	8.0
Other	10.0	15.3
Total Expenses	**118.1**	**110.3**
Change in Net Position	**$ (3.1)**	**$ (10.5)**

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was $118.1 million. The cost paid by those who benefited from the programs was $0.6 million. Operating grants and contributions subsidized certain programs in the amount of $17.5 million. We paid for the remaining "public benefit" portion of our governmental activities with $36.7 million in taxes, unrestricted Federal and State aid of $55.9 million and other revenues of $4.3 million for the fiscal year ended June 2016.

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	
	2016	2015	2016	2015
Instruction-related	$ 80.7	$ 73.6	$ 68.7	$ 64.7
Student support services	9.1	7.9	4.7	3.9
School administration	7.3	5.5	6.8	5.0
Maintenance and operations	11.0	8.0	11.0	8.0
Other	10.0	15.3	8.8	14.6
Total	**$ 118.1**	**$ 110.3**	**$ 100.0**	**$ 96.2**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $22.4 million, which is a decrease of $3.8 million from last year (Table 4).

Table 4 – Comparison of Revenues and Expenditures by Major Fund

(Amounts in millions)	Balances and Activity			
	July 1, 2015	Revenues	Expenditures	June 30, 2016
General	$ 4.9	$ 93.2	$ 92.2	$ 5.9
Adult Education	0.9	3.5	2.8	1.6
Building	9.5	1.3	8.2	2.6
Bond Interest and Redemption	7.8	13.1	12.7	8.2
Capital Facilities	1.0	0.8	1.3	0.5
Other	2.1	4.8	3.3	3.6
Total	**$ 26.2**	**$ 116.7**	**$ 120.5**	**$ 22.4**

The primary reasons for these increases/decreases are:

a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased from $4.9 million to $5.9 million. This increase is due to one-time State discretionary fund and mandated block grant.
b. Our Adult Education Fund increased from $0.9 million to $1.6 million primarily due to increase of Adult education block grant.
c. Our Building Fund decreased from $9.5 million to $2.6 million primarily due to spending on the bond projects.
d. The Bond Interest and Redemption Fund increased from $7.8 million to $8.2 million due to increase in debt services.
e. Capital Facilities Fund decreased from $1 million to $0.5 million primarily due to reduction of developer fee revenues.

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 June 7, 2016. (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 67).

Revenues:

- Significant revenue revisions made to the 2015-2016 Budget were due to an increase in one-time State funding that was announced by the Governor after the budget adoption.

Expenditures:

- Budgeted salary expenditures increased by 5% for collective bargaining settlements reached for the 2015-2016.
- State On-Behalf payments for STRS were not included in the original budget, but it was included in the revised budget and actual expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had $231.3 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $4.2 million, or 1.8 percent, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities	
	2016	2015
Land and construction in progress	$ 16.8	$ 34.8
Buildings and improvements	311.0	286.3
Equipment	9.5	9.1
Less: Accumulated Depreciation	(106.0)	(94.7)
Total	**$ 231.3**	**$ 235.5**

This year's additions of $7.1 million included new and improved classrooms.

Several capital projects are scheduled to be completed in 2016-2017. There is no major construction after 2016/17 as the District had fully spent the bonds funds in 2016/17. We present more detail information about our capital assets in Note to the financial statements.

Long-Term Obligations

At the end of this year, the District had $192.7 million in general obligation bonds outstanding versus $198.5 million last year, a decrease of 2.9 percent. Those long-term obligations consisted of:

Table 6 – Long Term Obligations

(Amounts in millions)	Governmental Activities	
	2016	2015
General obligation bonds (financed with property taxes)	$ 192.7	$ 198.5
Certificates of participation	0.2	0.4
Note payable	1.0	1.1
Qualified Zone Academy Bonds	5.0	5.1
Capitalized lease obligations	0.9	1.0
Other	1.2	1.3
Total	**$ 201.0**	**$ 207.4**

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 bond debt of $192.7 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)

As of June 30, 2016, the District reported $17 million in Deferred Outflows of Resources related to pension, $15.8 million Deferred Inflows of Resources related to pension, and $80.4 million in Net Pension Liability.

ECONOMIC FACTORS AND BUDGET ASSUMPTIONS USED FOR 2016-17 BUDGET

The following are the budget assumptions used to calculate the District's budget for 2016-17. The District used the most current information available at that time. The budget assumptions are updated during the fiscal year as new information becomes available.

Revenue Assumptions:

- Enrollment for 2016-17 is projected at 8,519 students, a decrease of 41 students from 2015-16.
- Average Daily Attendance (ADA) is projected to be 8,114, which represents 95% attendance rate to enrollment rate,
- Cost of Living Allowance (COLA) is projected at 0.47 % , the same rate used to LCFF, Special Education, Child Nutrition and Foster Youth
- Local Control Funding Formula (LCFF) is calculated using 54.18% LCFF gap funding rate.
- Unduplicated count of students who are eligible for Free and Reduced Price Meals (FRPM), English Learners (EL) and Foster Youth is projected at 62% of the District's enrollment.
- One-time State Discretionary Funding of $207 per ADA which is an estimate of $ 1.90 Million.
- Mandated Block Grant is estimated at $28 per student for Grades K-8 and $56 per student for Grades 9-12.
- Lottery funding is estimated at $140 per ADA for unrestricted and $41 per ADA restricted (Prop 20-Textbook funding).
- Most State Categorical programs are funded by LCFF such as Special Education, Transportation, Economic Impact Aid, School and Library Improvement Block Grant
- One-time State funding for Educator Effectiveness ended in 2015/16. A new one-time state funded College Readiness Block Grant starts on 2016/17.
- Federal Funding is projected to have zero COLA.
- Local Parcel Tax revenues are projected at $750,000.
- Each year, unused funding for categorical programs - federal, state and local are carryover and forwarded to the next fiscal year.

Recent Updates

- Enrollment for 2016-17 is increased at 8,649 students, an increase of 130 students from the adopted budget.
- Cost of Living Allowance (COLA) is reduced to zero percent.
- Lottery funding is estimated at $144 per ADA for unrestricted and $45 per ADA for restricted funding (Prop 20-Text book funding)
- One-time State Discretionary funding is increased from $207 to $214 per ADA.
- STRS on-behalf rate increased to 8.578248% of 2014-15 CalSTRS creditable compensation.

Expenditure Assumptions

- Classroom staffing is estimated using the following class sizes and ratio as defined in the bargaining agreement:

	Staffing Ratio	Enrollment
Grades Kindergarten through third	27:1	2500.59
Grades four through eight	32:1	3045.73
Grades nine through twelve	35:1	2549.02

- District Bargaining Units – San Leandro Teachers Association (SLTA), California School Employees Association (CSEA) and Unrepresented Group Unit have reached salary settlement of 2.5% salary increase for fiscal year 2016-17.
- Teamster and Trade Unions reached salary settlement for 2015/16 of 5%.
- Step and Column increases are included in the adopted budget.

- Employers' STRS and PERS Rate increases are included.
- District's State approved indirect cost rate is 6.48% for 2016-17.
- Proceeds from Parcel Tax are allocated for teachers' positions.
- Contributions to Routine Repair Maintenance Account, Transportation and Special Education will continue.

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 kcollins@slusd.us.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Deposits and investments	$ 22,736,794
Receivables	5,803,290
Prepaid expenses	8,043
Stores inventories	59,918
Capital assets not depreciated	16,824,655
Capital assets, net of accumulated depreciation	214,525,181
Total Assets	259,957,881
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	16,952,055
LIABILITIES	
Accounts payable	6,005,222
Interest payable	3,234,353
Unearned revenue	18,055
Long Term obligations:	
Current portion of long-term obligations other than pensions	6,318,081
Noncurrent portion of long-term obligations other than pensions	194,714,221
Total Long Term obligations	201,032,302
Aggregate net pension liability	80,358,336
Total Liabilities	290,648,268
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	15,770,662
NET POSITION	
Net investment in capital assets	35,087,484
Restricted for:	
Debt service	4,916,503
Capital projects	956,742
Educational programs	1,670,196
Other activities	3,574,694
Unrestricted	(75,714,613)
Total Net Position	$ (29,508,994)

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, 2016

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	$ 65,891,567	$ 4,978	$ 9,054,682	$ (56,831,907)
Instruction-related activities:				
Supervision of instruction	4,849,004	37	1,679,586	(3,169,381)
Instructional library, media, and technology	1,885,371	2	39,978	(1,845,391)
School site administration	8,079,365	187	1,179,052	(6,900,126)
Pupil services:				
Home-to-school transportation	1,195,516	-	-	(1,195,516)
Food services	3,199,297	511,457	2,791,909	104,069
All other pupil services	4,741,741	146	1,106,253	(3,635,342)
Administration:				
Data processing	1,550,186	63	67,044	(1,483,079)
All other administration	5,798,131	22,181	504,226	(5,271,724)
Plant services	11,019,751	627	25,249	(10,993,875)
Ancillary services	539,125	-	4,656	(534,469)
Enterprise services	555,686	-	-	(555,686)
Interest on long-term obligations	7,660,848	-	-	(7,660,848)
Other outgo	1,165,025	38,522	1,045,692	(80,811)
Total Governmental Activities	$ 118,130,613	$ 578,200	$ 17,498,327	(100,054,086)
General revenues and subventions:				
Property taxes, levied for general purposes				22,144,367
Property taxes, levied for debt service				13,042,946
Taxes levied for other specific purposes				1,475,814
Federal and State aid not restricted to specific purposes				55,932,330
Interest and investment earnings				44,274
Miscellaneous				4,303,354
Subtotal, General Revenues				96,943,085
Change in Net Position				(3,111,001)
Net Position - Beginning				(26,397,993)
Net Position - Ending				$ (29,508,994)

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund	Adult Education Fund	Building Funds	Capital Facilities Fund
ASSETS				
Deposits and investments	$ 5,394,663	$ 1,902,667	$ 3,566,928	$ 1,809,746
Receivables	4,622,320	285,960	142,412	90,672
Due from other funds	392,026	319,757	11,800	-
Prepaid expenditures	8,043	-	-	-
Stores inventories	-	-	-	-
Total Assets	$ 10,417,052	$ 2,508,384	$ 3,721,140	$ 1,900,418
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 3,752,948	$ 933,235	$ 1,128,542	$ 153,311
Due to other funds	772,771	-	-	1,200,000
Unearned revenue	11,810	-	-	-
Total Liabilities	4,537,529	933,235	1,128,542	1,353,311
Fund Balances:				
Nonspendable	48,043	-	-	-
Restricted	1,670,196	1,541,215	2,592,598	547,107
Assigned	1,396,481	33,934	-	-
Unassigned	2,764,803	-	-	-
Total Fund Balances	5,879,523	1,575,149	2,592,598	547,107
Total Liabilities and Fund Balances	$ 10,417,052	$ 2,508,384	$ 3,721,140	$ 1,900,418

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
$ 8,143,627	$ 1,913,475	$ 22,731,106
7,229	654,697	5,803,290
-	1,200,000	1,923,583
-	-	8,043
-	59,918	59,918
$ 8,150,856	$ 3,828,090	$ 30,525,940
$ -	$ 35,934	$ 6,003,970
-	122,470	2,095,241
-	6,245	18,055
-	164,649	8,117,266
-	59,918	107,961
8,150,856	3,323,592	17,825,564
-	279,931	1,710,346
-	-	2,764,803
8,150,856	3,663,441	22,408,674
$ 8,150,856	$ 3,828,090	$ 30,525,940

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, 2016

Total Fund Balance - Governmental Funds		**$ 22,408,674**
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	$ 337,338,798	
Accumulated depreciation is	(105,988,962)	
Net Capital Assets		231,349,836
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.		(3,234,353)
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.		176,094
Deferred inflows and outflows of resources related to pension liablility are not recognized on the modified accrual basis, but are amortized over the remaining service life of the members receiving pension benefits.		1,181,393
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	187,869,723	
Capital leases payable	889,918	
Certificates of participation	204,658	
Qualified zone academy lease	5,000,000	
Premiums, net of accumulated amortization	4,853,887	
Compensated absences (vacations)	574,588	
Other post employment benefits (OPEB)	628,434	
City Loan	1,011,094	
Net pension liability	80,358,336	
Total Long-Term Obligations		(281,390,638)
Total Net Position - Governmental Activities		**$ (29,508,994)**

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, 2016

	General Fund	Adult Education Fund	Building Fund	Capital Facilities Fund
REVENUES				
Local Control Funding Formula	$ 72,892,369	$ -	$ -	$ -
Federal sources	4,533,313	463,976	-	-
Other state sources	11,861,280	2,602,453	3	-
Other local sources	3,608,170	15,870	323,427	833,356
Total Revenues	92,895,132	3,082,299	323,430	833,356
EXPENDITURES				
Current				
Instruction	57,255,815	1,654,920	-	-
Instruction-related activities:				
Supervision of instruction	4,190,805	144,475	-	-
Instructional library, media and technology	1,685,627	-	-	-
School site administration	6,360,241	769,435	-	-
Pupil services:				
Home-to-school transportation	1,054,989	-	-	-
Food services	-	-	-	-
All other pupil services	4,153,363	31,011	-	-
Administration:				
Data processing	1,385,953	-	-	-
All other administration	4,271,009	-	-	21,831
Plant services	7,911,322	132,848	198,783	188,212
Facility acquisition and construction	428,372	-	8,009,869	82,740
Ancillary services	481,891	-	-	-
Other outgo	1,165,025	-	-	-
Enterprise services	485,254	-	-	-
Debt service				
Principal	130,000	77,124	-	265,548
Interest and other	109,150	24,361	-	32,368
Total Expenditures	91,068,816	2,834,174	8,208,652	590,699
Excess (Deficiency) of Revenues Over Expenditures	1,826,316	248,125	(7,885,222)	242,657
Other Financing Sources (Uses)				
Transfers in	270,049	415,111	1,000,000	-
Transfers out	(1,090,616)	-	-	(700,000)
Net Financing Sources (Uses)	(820,567)	415,111	1,000,000	(700,000)
NET CHANGE IN FUND BALANCES	1,005,749	663,236	(6,885,222)	(457,343)
Fund Balance - Beginning	4,873,774	911,913	9,477,820	1,004,450
Fund Balance - Ending	$ 5,879,523	$ 1,575,149	$ 2,592,598	$ 547,107

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, 2016

Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 72,892,369
-	2,694,460	7,691,749
-	201,232	14,664,968
13,067,260	1,922,443	19,770,526
13,067,260	4,818,135	115,019,612
-	-	58,910,735
-	-	4,335,280
-	-	1,685,627
-	-	7,129,676
-	-	1,054,989
-	2,860,350	2,860,350
-	-	4,184,374
-	-	1,385,953
-	122,056	4,414,896
-	-	8,431,165
-	-	8,520,981
-	-	481,891
-	-	1,165,025
-	-	485,254
5,393,959	-	5,866,631
7,323,537	-	7,489,416
12,717,496	2,982,406	118,402,243
349,764	1,835,729	(3,382,631)
-	-	1,685,160
-	(300,000)	(2,090,616)
-	(300,000)	(405,456)
349,764	1,535,729	(3,788,087)
7,801,092	2,127,712	26,196,761
$ 8,150,856	$ 3,663,441	$ 22,408,674

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, 2016

Total Net Change in Fund Balances - Governmental Funds		**$ (3,788,087)**
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 depreciation exceeds capital outlay in the period.		
Depreciation expense	$ (11,270,292)	
Capital outlays	7,078,560	
Adjustments	(141,553)	
Net Expense Adjustment		(4,333,285)
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 $136,461.		(136,461)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(337,645)
Payment of principal on general obligation bonds and notes is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		5,393,959
Premiums on bonds are amortized over the term of the bond in the government-wide statements, but are recorded as an other source of funds in the year of issue on the governmental fund statements		359,184
Payment of principal on capital leases is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		277,094
Payment of principal on certificates of participation are an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		195,578
The difference between Annual Required Contribution for Other Postemployment Benefit and amounts recognized in the governmental activities.		243,900
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(530,615)
An internal service fund is used by the District's management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.		(454,623)
Change in Net Position of Governmental Activities		**$ (3,111,001)**

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 5,688
Due from other funds	441,707
Total Current Assets	447,395
LIABILITIES	
Current Liabilities	
Accounts payable	1,252
Due to other funds	270,049
Total Current Liabilities	271,301
NET POSITION	
Unassigned	$ 176,094

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, 2016

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	$ 1,503,416
Total Operating Revenues	**1,503,416**
OPERATING EXPENSES	
Supplies and materials	6,078
Other operating cost	2,358,024
Total Operating Expenses	**2,364,102**
Operating Loss	**(860,686)**
NONOPERATING REVENUES (EXPENSES)	
Interest income	607
Transfers in	675,505
Transfers out	(270,049)
Total Nonoperating Revenues	**406,063**
Change in Net Position	(454,623)
Total Net Position - Beginning	630,717
Total Net Position - Ending	$ 176,094

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, 2016

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from self insurance premiums	$ 1,503,416
Cash payments to other suppliers of goods or services	(2,362,903)
Net Cash Used for Operating Activities	(859,487)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash provided from other funds	235,113
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	607
Net Change in Cash and Cash Equivalents	(623,767)
Cash and Cash Equivalents - Beginning	629,455
Cash and Cash Equivalents - Ending	$ 5,688
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating loss	$ (860,686)
Changes in assets and liabilities:	
Accounts payable	1,199
NET CASH USED FOR OPERATING ACTIVITIES	$ (859,487)

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	Agency Funds
ASSETS	
Deposits and investments	$ 438,799
LIABILITIES	
Due to student groups	$ 438,799

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 schools, two middle schools, one comprehensive high school, one continuation 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.

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.

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.

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).

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.

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).

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).

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, 2016, 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 Net 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 pension related items.

In addition to liabilities, the Statement of Net 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 pension related items.

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.

Fund Balances - Governmental Funds

As of June 30, 2016, 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 $11,118,135 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 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 District has implemented the provisions of this Statement as of June 30, 2016.

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 provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

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 District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

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*.

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

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

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

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

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

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and 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*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental activities	$ 22,736,794
Fiduciary funds	438,799
Total Deposits and Investments	$ 23,175,593

Deposits and investments as of June 30, 2016, consist of the following:

Cash on hand and in banks	$ 499,317
Cash in revolving	40,000
Investments	22,636,276
Total Deposits and Investments	$ 23,175,593

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	$	22,582,919	376 Days
Local Agency Investment Fund (LAIF)		53,357	167 days
Total	$	22,636,276	

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, 2016.

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, 2016, approximately $88,500 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 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Alameda County Treasury Investment Pool and Local Agency Investment Funds/State Investment Pools are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2016:

		Fair Value Measurements Using			
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
County Pool	$ 22,582,919	$ -	$ -	$ -	$ 22,582,919
State Investment Pool	53,357	-	-	-	53,357
Total	$ 22,636,276	$ -	$ -	$ -	$ 22,636,276

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Adult Education Fund	Building Fund	Capital Facilities Fund	Bond Interest Redemption Fund	Non-Major Governmental Funds	Total
Federal Government							
Categorical aid	$ 2,671,809	$ 279,915	$ -	$ -	$ -	$ 487,625	$ 3,439,349
State Government							
State principle apportionment	495,873	-	-	-	-	-	495,873
Categorical aid	277,765	-	-	-	-	-	277,765
Lottery	528,932	-	-	-	-	-	528,932
Other Local Sources	647,941	6,045	142,412	90,672	7,229	167,072	1,061,371
Total	$ 4,622,320	$ 285,960	$ 142,412	$ 90,672	$ 7,229	$ 654,697	$ 5,803,290

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance (Restated) July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 14,369,105	$ -	$ -	$ 14,369,105
Construction in Progress	20,470,515	6,610,796	24,625,760	2,455,551
Total Capital Assets Not Being Depreciated	34,839,620	6,610,796	24,625,760	16,824,656
Capital Assets Being Depreciated:				
Land Improvements	17,178,555	5,969,023	-	23,147,578
Buildings and Improvements	269,141,833	18,703,538	-	287,845,371
Furniture and Equipment	9,100,232	420,963	-	9,521,195
Total Capital Assets Being Depreciated	295,420,620	25,093,524	-	320,514,144
Total Capital Assets	330,260,240	31,704,320	24,625,760	337,338,800
Less Accumulated Depreciation:				
Land Improvements	13,093,440	409,620	-	13,503,060
Buildings and Improvements	75,850,128	10,072,303	-	85,922,431
Furniture and Equipment	5,775,102	788,369	-	6,563,471
Total Accumulated Depreciation	94,718,670	11,270,292	-	105,988,962
Governmental Activities Capital Assets, Net	$ 235,541,570	$ 20,434,028	$ 24,625,760	$ 231,349,838

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

Governmental Activities	
Instruction	$ 6,835,211
Supervision of instruction	503,008
Instructional library, media, and technology	195,578
School site administration	937,421
Home-to-school transportation	138,712
Food services	331,877
All other pupil services	550,168
Ancillary services	62,553
Enterprise activities	64,474
Data processing	160,807
All other administration	512,245
Plant services	978,238
Total Depreciation Expenses	$ 11,270,292

NOTE 6 - 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, 2016, 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	Adult Education Fund	Building Fund	Non-Major Governmental Funds	Proprietary Funds	Total
General Fund	$ -	$ 319,757	$ 11,800	$ -	$ 441,214	$ 772,771
Capital Facilities Fund	-	-	-	1,200,000	-	1,200,000
Non-Major Governmental Funds	121,977	-	-	-	493	122,470
Proprietary Funds	270,049	-	-	-	-	270,049
Total	$ 392,026	$ 319,757	$ 11,800	$ 1,200,000	$ 441,707	$ 2,365,290

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, 2016, consisted of the following:

	Transfer From				
Transfer To	General Fund	Adult Fund	Building Fund	Internal Service Funds	Total
General Fund	$ -	$ 415,111	$ -	$ 675,505	$ 1,090,616
Capital Facilities Fund	-	-	700,000	-	700,000
Non-Major Governmental Funds	-	-	300,000	-	300,000
Internal Service Funds	270,049	-	-	-	270,049
Total	$ 270,049	$ 415,111	$ 1,000,000	$ 675,505	$ 2,360,665

The Self Insurance Fund transferred to the General Fund to return the excess OPEB Contribution.	$ 270,049
The General Fund transferred to the Adult Education Fund to make a Contribution.	415,111
The Capital Facilities and Special Reserve Capital Outlay Fund transferred to the Building Fund to make a Contribution	1,000,000
The General Fund transferred to the Self Insurance Fund for the Property & Liability Insurance Premium.	675,505
Total	$ 2,360,665

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consisted of the following:

	General Fund	Adult Education Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Vendor payables	$ 3,525,961	$ 877,222	$ 1,128,542	$ 153,311	$ 26,763	$ 5,711,799	$ 1,252
Salaries and benefits	226,987	56,013	-	-	9,171	292,171	-
Total	$ 3,752,948	$ 933,235	$ 1,128,542	$ 153,311	$ 35,934	$ 6,003,970	$ 1,252

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2016, consists of the following:

	General Fund	Special Reserve Capital Outlay Fund	Total
Federal financial assistance	$ 11,810	$ -	$ 11,810
State categorical aid	-	6,245	6,245
Total	$ 11,810	$ 6,245	$ 18,055

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General obligation bonds	$ 193,263,682	$ -	$ 5,393,959	$ 187,869,723	$ 5,374,825
Bond premiums	5,213,071	-	359,184	4,853,887	359,183
Certificates of participation	400,236	-	195,578	204,658	204,658
Note payable	1,081,064	-	69,970	1,011,094	71,020
Qualified Zone Academy Lease	5,130,000	-	130,000	5,000,000	225,000
Accumulated vacation - net	438,127	136,461	-	574,588	-
Capital leases	967,042	-	77,124	889,918	83,395
Other post employment benefits	872,334	-	243,900	628,434	-
Total	$ 207,365,556	$ 136,461	$ 6,469,715	$ 201,032,302	$ 6,318,081

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, 2015	Issued	Redeemed	Bonds Outstanding June 30, 2016
2/21/2007	8/1/2031	4.30%	29,000,000	$ 20,555,000	$ -	$ 605,000	$ 19,950,000
2/21/2007	8/1/2028	4.15%	39,210,000	32,110,000	-	1,650,000	30,460,000
3/18/2009	8/1/2033	4.00-6.25%	30,000,000	1,390,000	-	150,000	1,240,000
2/13/2010	8/1/2040	6.38-6.98%	19,999,043	12,980,063	-	-	12,980,063
5/1/2010	2/1/2026	4.55%	18,327,344	17,063,619	-	1,168,959	15,894,660
5/24/2011	8/1/2041	3.00-5.75%	30,000,000	29,300,000	-	100,000	29,200,000
10/19/2011	8/1/2022	2.00-3.125%	7,560,000	5,695,000	-	680,000	5,015,000
7/10/2013	8/1/2026	0.55-4.00%	11,670,000	11,050,000	-	365,000	10,685,000
7/10/2013	8/1/2038	3.00-5.00%	20,100,000	20,100,000	-	45,000	20,055,000
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	-	630,000	30,645,000
				$ 193,263,682	$ -	$ 5,393,959	$ 187,869,723

Debt Service Requirements to Maturity

The bonds mature through August 2041 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
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	7,888,562	6,646,322	14,534,884
2022-2026	52,301,484	27,346,848	79,648,332
2027-2031	41,010,000	29,295,128	70,305,128
2032-2036	28,395,000	22,720,925	51,115,925
2037-2041	22,435,063	9,078,274	31,513,337
2042	11,075,099	90,563	11,165,662
Total	187,869,723	$ 124,421,980	$ 301,216,604

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, 2016, the principal balance outstanding was $204,658.

The certificates mature through February 2017 as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 204,658	$ 7,072	$ 211,730

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
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	89,607	20,598	110,205
2022-2026	400,926	73,692	474,618
2027-2029	196,078	19,927	216,005
Total	$ 1,011,094	$ 206,536	$ 1,217,630

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2016, amounted to $574,588.

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
2017	$ 225,000	$ 242,395	$ 467,395
2018	245,000	103,618	348,618
2019	260,000	98,301	358,301
2020	275,000	92,659	367,659
2021	300,000	86,692	386,692
2022-2026	1,805,000	327,128	2,132,128
2027-2030	1,890,000	99,983	1,989,983
Total	$ 5,000,000	$ 1,050,774	$ 6,050,774

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, 2015	$ 967,042
Additions	-
Payments	77,124
Balance, June 30, 2016	$ 889,918

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2017	$ 101,485
2018	101,485
2019	101,485
2020	101,485
2021	101,485
2022-2027	507,423
Total	1,014,848
Less: Amount Representing Interest	124,930
Present Value of Minimum Lease Payments	$ 889,918

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2016, include the following:

Buildings	$ 1,530,197
Less: Accumulated depreciation	(197,974)
Total	$ 1,332,223

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, 2016, was $646,349, and contributions made by the District during the year were $923,879. Interest on the net OPEB obligation to the annual required contribution was $33,630, which resulted in a decrease to the net OPEB obligation of $243,900. As of June 30, 2016, the net OPEB obligation was $628,434. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Adult Education Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable							
Revolving cash	$ 40,000	$ -	$ -	$ -	$ -	$ -	$ 40,000
Stores inventories	-	-	-	-	-	59,918	59,918
Prepaid expenditures	8,043	-	-	-	-	-	8,043
Total Nonspendable	48,043	-	-	-	-	59,918	107,961
Restricted							
Legally restricted programs	1,670,196	1,541,215	-	-	-	-	3,211,411
Capital projects	-	-	2,592,598	547,107	-	1,383,965	4,523,670
Debt services	-	-	-	-	8,150,856	-	8,150,856
Food service operations	-	-	-	-	-	1,939,627	1,939,627
Total Restricted	1,670,196	1,541,215	2,592,598	547,107	8,150,856	3,323,592	17,825,564
Assigned							
Other	1,396,481	33,934	-	-	-	279,931	1,710,346
Total Assigned	1,396,481	33,934	-	-	-	279,931	1,710,346
Unassigned							
Reserve for economic uncertainties	2,764,800	-	-	-	-	-	2,764,800
Remaining unassigned	3	-	-	-	-	-	3
Total Unassigned	2,764,803	-	-	-	-	-	2,764,803
Total	$ 5,879,523	$ 1,575,149	$ 2,592,598	$ 547,107	$ 8,150,856	$ 3,663,441	$ 22,408,674

NOTE 11 - 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 159 retirees and beneficiaries currently receiving benefits, and 22 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 2015-2016, the District contributed $923,879 to the plan, all of which was used for current 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	$ 646,349
Interest on net OPEB obligation	33,630
Annual OPEB cost (expense)	679,979
Contributions made	(923,879)
Decrease in net OPEB obligation	(243,900)
Net OPEB obligation, beginning of year	872,334
Net OPEB obligation, end of year	$ 628,434

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
2016	$ 679,979	$ 923,879	135.9%	$ 628,434

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, 2015, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a five 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 seven percent to an ultimate rate of three percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at July 1, 2015, was 15 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 12 - 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, 2016, 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 13 - 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).

For the fiscal year ended June 30, 2016, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 64,583,072	$ 11,933,241	$ 11,432,309	$ 5,298,484
CalPERS	15,775,264	5,018,814	4,338,353	1,371,498
Total	$ 80,358,336	$ 16,952,055	$ 15,770,662	$ 6,669,982

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, 2014, 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, 2016, 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	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

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, 2016, are presented above and the District's total contributions were $4,806,023.

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

At June 30, 2016, 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	$ 64,583,072
State's proportionate share of the net pension liability associated with the District	34,157,326
Total	$ 98,740,398

The net pension liability was measured as of June 30, 2015. 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. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.0959 percent and 0.0927 percent, resulting in a net increase in the proportionate share of 0.0032 percent.

For the year ended June 30, 2016, the District recognized pension expense of $5,298,484. In addition, the District recognized pension expense and revenue of $2,974,879 for support provided by the State. At June 30, 2016, 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	$ 4,806,023	$ -
liability	2,038,678	-
Difference between projected and actual earnings on pension plan investments	5,088,540	10,353,110
Differences between expected and actual experience in the measurement of the total pension liability	-	1,079,199
Total	$ 11,933,241	$ 11,432,309

The deferred outflows 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 subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (2,178,902)
2018	(2,178,902)
2019	(2,178,902)
2020	1,272,136
Total	$ (5,264,570)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 159,913
2018	159,913
2019	159,913
2020	159,913
2021	159,913
Thereafter	159,914
Total	$ 959,479

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
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's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (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%)	$	97,515,412
Current discount rate (7.60%)	$	64,583,072
1% increase (8.60%)	$	37,213,640

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, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. 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, 2016, 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	11.847%	11.847%

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, 2016, are presented above and the total District contributions were $1,526,315.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $15,775,264. The net pension liability was measured as of June 30, 2015. 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. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.1070 percent and 0.1091 percent, resulting in a net decrease in the proportionate share of 0.0021 percent.

For the year ended June 30, 2016, the District recognized pension expense of $1,371,498. At June 30, 2016, 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	$ 1,526,315	$ -
Net change in proportionate share of net pension liability	-	237,999
Difference between projected and actual earnings on pension plan investments	2,590,919	3,131,078
Differences between expected and actual experience in the	901,580	-
Changes of assumptions	-	969,276
Total	$ 5,018,814	$ 4,338,353

The deferred outflows 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 subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (395,963)
2018	(395,963)
2019	(395,963)
2020	647,730
Total	$ (540,159)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (105,412)
2018	(105,412)
2019	(94,871)
Total	$ (305,695)

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age

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	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 (6.65%)	$ 25,675,556
Current discount rate (7.65%)	$ 15,775,264
1% increase (8.65%)	$ 7,542,509

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 $2,974,879 (7.12589 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 14 - 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, 2016.

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, 2016.

NOTE 15 - 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, 2016, the District made payments of $675,505 to East Bay Schools Insurance Group, $1,682,519 to Alameda County Schools Insurance Group, $140,142 to School Project for Utility Rate public entity risk pool, and $1,140,332 to the Eden Area Regional Occupational Program for occupational programs.

REQUIRED SUPPLEMENTARY INFORMATION

SAN LEANDRO UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 69,258,412	$ 70,283,395	$ 72,892,369	$ 2,608,974
Federal sources	4,339,103	4,728,950	4,533,313	(195,637)
Other state sources	8,612,500	10,965,670	11,861,280	895,610
Other local sources	4,854,480	5,909,491	3,608,170	(2,301,321)
Total Revenues [1]	87,064,495	91,887,506	92,895,132	1,007,626
EXPENDITURES				
Current				
Certificated salaries	43,862,815	45,692,292	45,971,874	(279,582)
Classified salaries	11,227,511	11,263,828	12,121,965	(858,137)
Employee benefits	10,045,160	13,125,156	14,408,536	(1,283,380)
Books and supplies	3,335,195	4,880,935	3,945,944	934,991
Services and operating expenditures	11,867,912	12,839,742	12,726,882	112,860
Other outgo	540,000	739,657	1,042,969	(303,312)
Capital outlay	1,035,419	958,344	611,496	346,848
Debt service - principal	289,253	419,253	130,000	289,253
Debt service - interest	91,149	121,304	109,150	12,154
Total Expenditures [1]	82,294,414	90,040,511	91,068,816	(1,028,305)
Excess (Deficiency) of Revenues Over Expenditures	4,770,081	1,846,995	1,826,316	(20,679)
Other Financing Sources (Uses)				
Transfers in	7,000	130,997	270,049	139,052
Transfers out	(606,717)	(832,505)	(1,090,616)	(258,111)
Net Financing Sources (Uses)	(599,717)	(701,508)	(820,567)	(119,059)
NET CHANGE IN FUND BALANCES	4,170,364	1,145,487	1,005,749	(139,738)
Fund Balance - Beginning	4,742,917	4,742,917	4,873,774	130,857
Fund Balance - Ending	$ 8,913,281	$ 5,888,404	$ 5,879,523	$ (8,881)

[1] On behalf payments are included in the actual revenues and expenditures and final budget, but not in the original budgeted amounts.

See accompanying note to required supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SPECIAL REVENUE FUND
(ADULT EDUCATION)
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Federal sources	$ 542,562	$ 551,597	$ 463,976	$ (87,621)
Other State sources	1,848,368	2,199,708	2,602,453	402,745
Other local sources	447,165	245,447	15,870	(229,577)
Total Revenues	2,838,095	2,996,752	3,082,299	85,547
EXPENDITURES				
Current				
Certificated salaries	1,130,141	1,090,808	1,044,744	46,064
Classified salaries	272,532	281,691	322,033	(40,342)
Employee benefits	253,852	317,835	353,648	(35,813)
Books and supplies	172,091	166,248	61,186	105,062
Services and operating expenditures	643,688	762,562	951,078	(188,516)
Other outgo	41,059	41,059	-	41,059
Capital outlay	24,434	-	-	-
Debt service - principal	74,700	74,700	77,124	(2,424)
Debt service - interest	28,200	28,200	24,361	3,839
Total Expenditures	2,640,697	2,763,103	2,834,174	(71,071)
Excess (Deficiency) of Revenues Over Expenditures	(792,329)	(563,395)	248,125	473,816
Other Financing Sources (Uses)				
Transfers in	41,000	157,000	415,111	258,111
Net Financing Sources (Uses)	41,000	157,000	415,111	258,111
NET CHANGE IN FUND BALANCES	(751,329)	(406,395)	663,236	1,069,631
Fund Balance - Beginning	911,913	911,913	911,913	-
Fund Balance - Ending	$ 160,584	$ 505,518	$ 1,575,149	$ 1,069,631

See accompanying note to required supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2012	July 1, 2011	$ -	$ 6,585,557	$ 6,585,557	0%	$ 51,062,142	12.9%
June 30, 2014	July 1, 2013	-	5,981,792	5,981,792	0%	1,653,966	361.7%
June 30, 2016	July 1, 2015	-	6,320,300	6,320,300	0%	1,437,722	439.6%

See accompanying note to required supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016

Measurement Date	June 30, 2015	June 30, 2014
CalSTRS		
District's proportion of the net pension liability	0.0959%	0.0927%
District's proportionate share of the net pension liability	$ 64,583,072	$ 54,149,390
State's proportionate share of the net pension liability associated with the District	34,157,326	32,697,739
Total	$ 98,740,398	$ 86,847,129
District's covered - employee payroll	$ 43,790,149	$ 41,655,648
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	147.48%	129.99%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability	0.1070%	0.1091%
District's proportionate share of the net pension liability	$ 15,775,264	$ 12,387,907
District's covered - employee payroll	$ 11,851,312	$ 11,465,251
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	133.11%	108.05%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

Note : In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
Contractually required contribution	$ 4,806,023	$ 3,893,895
Contributions in relation to the contractually required contribution	4,806,023	3,893,895
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 45,865,001	$ 43,790,149
Contributions as a percentage of covered - employee payroll	10.48%	8.89%
CalPERS		
Contractually required contribution	$ 1,526,315	$ 1,394,910
Contributions in relation to the contractually required contribution	1,526,315	1,394,910
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 13,014,800	$ 11,851,132
Contributions as a percentage of covered - employee payroll	11.73%	11.77%

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

See accompanying note to required supplementary information.

SUPPLEMENTARY INFORMATION

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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	$1,555,067
Special Education Cluster (IDEA)			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,756,536
Preschool Grants, Part B, Section 619	84.173	13430	60,442
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	114,128
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	127,898
Sub-total for Special Education Cluster			2,059,004
Adult Education			
Adult Basic Education & ESL	84.002A	14508	249,788
Adult Secondary Education	84.002	13978	125,550
English Literacy & Civics Education	84.002A	14109	88,638
Sub-total for Adult Education Cluster			463,976
Technology Secondary II C, Section 131	84.048	13924	47,852
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	223,210
Title III, Immigrant Education Program	84.365	14346	29,603
Title III, Limited English Proficient (LEP) Student Program	84.365	10084	273,378
Total U.S. Department of Education			4,652,090
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
National School Lunch Program	10.553	13390	1,957,738
Commodities [2]	10.550	13755	197,354
Meals Supplements - Snack	10.555	[1]	104,997
Especially Needy Breakfast	10.553	13526	533,089
National School Lunch Program - Supplements	10.565	[1]	98,636
Total U.S. Department of Agriculture			2,891,814
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medi-Cal Administrative Assistance (MAA)	93.778	10060	228,099
Medi-Cal Billing Option	93.778	10013	117,100
Total U.S. Department of Health and Human Services			345,199
Total Expenditures of Federal Awards			$7,889,103

[1] Pass-Through Entity Identifying Number not available.
[2] Not included in the financial statements.

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2016

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 comprehensive high school, one adult school and one independent study center. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Vince J. Rosato	President	2016
Lance James	Vice President	2018
Leo Sheridan	Clerk	2018
Evelyn Gonzalez	Member	2016
Ashley Vo	Member	2016
Diane Prola	Member	2016
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
Kevin Collins, Ed. D.	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, 2016

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,523.50	2,526.57
Fourth through sixth	1,908.97	1,906.67
Seventh and eighth	1,145.99	1,144.69
Ninth through twelfth	2,550.07	2,519.96
Total Regular ADA	8,128.53	8,097.89
Extended Year Special Education		
Transitional kindergarten through third	5.72	5.72
Fourth through sixth	2.45	2.45
Seventh and eighth	1.05	1.05
Ninth through twelfth	3.14	3.14
Total Extended Year Special Education	12.36	12.36
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	3.64	1.16
Fourth through sixth	5.16	1.62
Seventh and eighth	2.98	0.62
Ninth through twelfth	10.29	3.41
Total Special Education, Nonpublic, Nonsectarian Schools	22.07	6.81
Extended Year Special Education - Nonpublic		
Transitional kindergarten through third	0.19	0.19
Fourth through sixth	0.80	0.80
Seventh and eighth	0.42	0.42
Ninth through twelfth	1.43	1.43
Total Extended Year, Special Education Nonpublic Schools	2.84	2.84
Total ADA	8,165.80	8,119.90

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2016

Grade Level	1986-87 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	37,800	180	Complied
Grade 1	50,400	51,750	180	Complied
Grade 2	50,400	51,750	180	Complied
Grade 3	50,400	51,750	180	Complied
Grade 4	54,000	56,760	180	Complied
Grade 5	54,000	56,760	180	Complied
Grade 6	54,000	57,904	180	Complied
Grade 7	54,000	57,904	180	Complied
Grade 8	54,000	57,904	180	Complied
Grade 9	64,800	66,430	180	Complied
Grade 10	64,800	66,430	180	Complied
Grade 11	64,800	66,430	180	Complied
Grade 12	64,800	66,430	180	Complied

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, 2016

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, 2016, Unaudited Actuals	$ -
Increase in:	
Land	14,369,105
Construction in Progress	2,455,551
Buildings	287,845,371
Building Improvements	23,147,578
Equipment	9,521,195
Accumulated depreciation - Buildings	(85,922,431)
Accumulated depreciation - Site Improvements	(13,503,060)
Accumulated depreciation - Equipment	(6,563,471)
Balance, June 30, 2016, Audited Financial Statements	$ 231,349,838

	Form Debt
FORM DEBT	
Balance, June 30, 2016, Unaudited Actuals	201,169,615
Decrease in:	
General obligation bonds payable	(4,586,272)
Certificate of Participation Payable	(195,578)
Obligations under Capital Leases	(77,124)
Qualified zone academy lease	(1,211,064)
Other post employment benefits	(44,173)
Increase in:	
Compensated absences	111,917
General obligation bond premiums, net of amortization	4,853,887
City Loan	1,011,094
Balance, June 30, 2016, Audited Financial Statements	$ 201,032,302

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

	(Budget) 2017 [1]	2016	2015	2014
GENERAL FUND [3]				
Revenues	$ 90,039,977	$ 92,895,132	$ 79,444,412	$ 71,298,534
Other sources	-	270,049	2,391,821	1,375,088
Total Revenues and Other Sources	90,039,977	93,165,181	81,835,983	72,673,622
Expenditures	89,955,017	91,068,816	80,809,606	73,746,863
Other uses and transfers out	675,505	1,090,616	3,023,881	1,190,726
Total Expenditures and Other Uses	90,630,522	92,159,432	83,833,487	74,937,589
INCREASE (DECREASE) IN FUND BALANCE	$ (590,545)	$ 1,005,749	$ (1,997,504)	$ (2,263,967)
ENDING FUND BALANCE	$ 5,288,978	$ 5,879,523	$ 4,873,774	$ 6,871,278
AVAILABLE RESERVES [2]	$ 2,718,916	$ 2,764,803	$ 2,591,812	$ 2,845,435
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.00%	3.00%	3.18%	3.80%
LONG-TERM OBLIGATIONS	$ 194,714,221	$ 201,032,302	$ 207,365,556	$ 206,113,136
K-12 AVERAGE DAILY ATTENDANCE AT P-2	8,160	8,166	8,183	8,298

The General Fund balance has decreased by $991,755 over the past two years. The fiscal year 2016-2017 budget projects a decrease of $590,545 (10 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the last three years and anticipates incurring another operating deficit during the 2016-2017 fiscal year. Total long-term obligations have decreased by $5,080,834.

Average daily attendance has decreased by 132 over the past two years. The District is anticipating an additional decrease of 6 ADA during fiscal year 2016-2017.

[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.

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Cafeteria Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
ASSETS				
Deposits and investments	$ 1,610,406	$ 166,212	$ 136,857	$ 1,913,475
Receivables	487,625	-	167,072	654,697
Due from other funds	-	-	1,200,000	1,200,000
Stores inventories	59,918	-	-	59,918
Total Assets	$ 2,157,949	$ 166,212	$ 1,503,929	$ 3,828,090
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 35,934	$ -	$ -	$ 35,934
Due to other funds	122,470	-	-	122,470
Unearned revenue	-	-	6,245	6,245
Total Liabilities	158,404	-	6,245	164,649
Fund Balances:				
Nonspendable	59,918	-	-	59,918
Restricted	1,939,627	166,212	1,217,753	3,323,592
Assigned	-	-	279,931	279,931
Total Fund Balances	1,999,545	166,212	1,497,684	3,663,441
Total Liabilities and Fund Balances	$ 2,157,949	$ 166,212	$ 1,503,929	$ 3,828,090

See accompanying note to supplementary information.

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, 2016

	Cafeteria Fund	County School Facilities Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
REVENUES				
Federal sources	$ 2,694,460	$ -	$ -	$ 2,694,460
Other State sources	201,232	-	-	201,232
Other local sources	548,636	525	1,373,282	1,922,443
Total Revenues	3,444,328	525	1,373,282	4,818,135
EXPENDITURES				
Current				
Pupil services:				
Food services	2,860,350	-	-	2,860,350
Administration:				
All other administration	122,056	-	-	122,056
Total Expenditures	2,982,406	-	-	2,982,406
Excess (Deficiency) of Revenues Over Expenditures	461,922	525	1,373,282	1,835,729
Other Financing Sources (Uses)				
Transfers out	-	-	(300,000)	(300,000)
Net Financing Sources (Uses)	-	-	(300,000)	(300,000)
NET CHANGE IN FUND BALANCES	461,922	525	1,073,282	1,535,729
Fund Balance - Beginning	1,537,623	165,687	424,402	2,127,712
Fund Balance - Ending	$ 1,999,545	$ 166,212	$ 1,497,684	$ 3,663,441

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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:		$ 7,691,749
Commodities	10.550	197,354
Total Schedule of Expenditures of Federal Awards		$ 7,889,103

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 exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

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.

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, 2016, 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 15, 2016

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application;* GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68;* GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments;* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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.

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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 2016-001 that we consider to be significant deficiencies.

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 accompanying 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.

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*.

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 15, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about San 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.

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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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
December 15, 2016

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 *2015-2016 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, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State 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 *2015-2016 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

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 and After School Education and Safety Program. Compliance with such requirements is necessary, in our opinion, for San Leandro Unified School District to comply with the requirements applicable to that program.

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Qualified Opinion

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, 2016.

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, 2016, 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
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	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
	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below

	Procedures Performed
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	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 did not offer an Early Retirement Incentive Program during the current year; 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 offer Middle or Early College High School; therefore, we did not perform any procedures related to the program.

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 accompanying 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 15, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency 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 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.565, 10.550	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
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 programs which were qualified:

Name of Program
Unduplicated Local Control Funding Formula Pupil Counts
After School Education and Safety Program

SAN LEANDRO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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

2016-001 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

Wilson Elementary School

Site Cash – We noted the following:

- Two of the Cash Verification Forms used for cash collections were not properly footed.
- A cash collection was deposited two months after it was collected.
- Cash Verification Forms were not always show evidence of the initial of the individual verified the cash.

Bancroft Middle School

ASB – We noted the following:

- No pre-numbered receipts or receipt log was used to document cash collections. The School does record cash collections in Quickbooks, however, these collections were recorded after funds are deposited.
- Disbursements did not always have supporting documents such as invoices or receipts attached. We noted approximately $1,070 in disbursements that were not supported.
- Receiving documents for goods purchased were not always maintained. We noted approximately $14,000 in uniform purchase did not have receiving documents ensuring goods were received as ordered.
- The Site uses Quicken to perform bank reconciliations, however, the reconciled bank balances were not reconciled with the register or book balance. We reviewed the October 2015 bank reconciliation and noted approximately $4,200 difference between the bank reconciled balance and the register/book balance.

San Leandro High School

Site Cash

- Library Funds: no documentation maintained for the petty cash box located in the Library for cash collections or cash disbursements. Petty cash box was not properly locked up.
- Cafeteria Funds: There was $700 excess funds kept in the cafeteria safe that were not tracked or documented for the sources or uses of the this fund.

ASB

- Receiving documents for goods purchased were not always maintained. We noted approximately $23,250 in purchases that did not have receiving documents to ensure goods were received as ordered.
- No evidence of expenditures being approved in the student council meeting minutes.
- Three check requests did not have the authorized student body approval prior to the disbursements made.
- One disbursement in the amount of $239.57 appears to be for textbook purchases which should not have been paid out of the ASB funds. This disbursement did not have evidence of the student body authorization.

Questioned costs
None.

Context
We reviewed ASB and site cash transactions at Wilson Elementary, Bancroft Middle School, and San Leandro High School and noted the above.

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

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

Recommendation
Controls over cash collections and disbursements should be strengthened to mitigate opportunities for misappropriation of funds. The District should provide additional trainings to individuals involved in the ASB and site cash transactions and monitor these activities to ensure controls are properly designed and implemented. ASB events and disbursements should be discussed and approved by the student council and such approval should be documented in the student council minutes. Cash collections should be documented at the time of collection and the documentation should include the date, amount, and source of the collection. There should also be document showing the date and amount that the collections were deposited. This would help ensuring that the funds collected are deposited intact and timely.

Corrective Action Plan
The District will strengthen controls over cash collection, cash handling, purchasing, and appropriate uses of ASB funds. 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, 2016

None reported.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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

2016-002 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
During the test, we noted that the status indicated in the supporting documents for seven students were not consistent with the status reported on the certified "1.18-FRPM/PM/English Learner/Foster Youth - Student List". After the finding, 100 percent FRPM/PM/English Learner/Foster Youth students were examined and noted a total of 241 should not have been reported.

Questioned Costs
Supplemental grant: $253,360; Concentration grant: $119,000 (see schedules on next page).

Context
We reviewed 60 student files.

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

Cause
Due to a procedural misunderstanding, the district did not correctly report Free and Reduced Prime Meal data and did not reconcile Food Service data with our AERIES System Data. In other words, the District did not use the data from Nutri-Kids-System (on the Food Service Side) to update AERIES on the Instruction Technology side which, in turn, feeds into the CALPADS State system.

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 and Unduplicated Count data is reflective of the most up-to-date data for students that are in the Free and Reduced Lunch status. Data will be reviewed and reconciled by multiple departments to ensure accuracy.

Questioned Costs Calculation

	Free, Reduced, and Priced Meal	English Learne	Free, Reduced, Priced Meal and English Learner
LEA's certified - total unduplicated pupil count	5,475	2,240	5,901
total unduplicated pupil count adjusted	(241)		(241)
Audited	5,234	2240	5,660

Supplemental Grant Funding

Gades	Adjusted based Grant Per ADA	Adjustements	Adjustment	Funding Ratio	ADA Adjustment	Unduplicated Pupil Percentage	Supplemental Grant Factor	Question Costs -
Grades TK/K-3 ADA	7,083.00	1.104	4	96%	4	0.6772	0.2	4,054
Grades 4-6 ADA	7,189.00		56	96%	54	0.6772	0.2	52,177
Grades 7-8 ADA	7,403.00		50	96%	48	0.6772	0.2	47,973
Grades 9-12 ADA	8,578.00	1.026	131	96%	125	0.6772	0.2	149,426
			241		231			$ 253,630

Concentration Grant Funding

Gades	Adjusted based Grant Per ADA	Current Year Adjusted Base Grant per ADA	Adjustment	Funding Ratio	ADA Adjustment	Percentage used to calculate Concentration Grant	Concentration Grant Factor	Question Costs -
Grades TK/K-3 ADA	7,083.00	7,820.00	4	96%	4	0.1271	0.5	1,902
Grades 4-6 ADA	7,189.00		56	96%	54	0.1271	0.5	24,483
Grades 7-8 ADA	7,403.00		50	96%	48	0.1271	0.5	22,511
Grades 9-12 ADA	8,578.00	8,801.00	131	96%	125	0.1271	0.5	70,116
			241		231			$ 119,013

2016-003 After School Education and Safety Program (40000)

Criteria or Specific Requirements
Title 5, California Code of Regulations, Section 19846(a)(2) states: Select a representative sample of schools for each program type, as that term is used in the attendance report, for which data was reported to the California Department of Education for the after school base grant program. Determine whether the reported number of student services, as that term is used in the report, for each selected school is supported by written records that document pupil participation, by tracing the reported numbers through any documentation used to summarized the numbers of students services, to written data origination documentation.

Condition
We noted 9 instances where sign in sheets noted absent but credit was claimed.

Questioned Costs
None.

Context
The condition identified was determined through review of the Sign-In sheet from one of the eight sites that operate an after school program.

Effect
Reported ASES attendance is not accurate.

Cause
Staff failed to follow procedures for after school attendance reporting, including follow-up on missing sign-in and sign-out data.

Recommendation
The District should established procedures to ensure proper documentation for students attending the ASES program is properly maintained. Semi-annual attendance reports should be reviewed to ensure the information reported is accurate based on the attendance records.

Corrective Action Plan
Staff will review program requirements and check all attendance logs for completeness and accuracy.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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

2015-001 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
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 implemented.

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.

Current Status
Partially implemented, see current year finding 2016-001.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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 determine 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.

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.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Current Status
Not implemented, see current year finding 2016-002.