



SAN LEANDRO UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

SAN LEANDRO UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' 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, 2013, 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, 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.

Opinion

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Leandro Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* 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 12, 2013, 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.

Vairine K. Tuine, Day & Co LLP

Pleasanton, California
December 12, 2013



San Leandro Unified School District

Business & Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Background

San Leandro Unified School District is located in Alameda County. The District currently operates 13 schools, consisting of 8 elementary school (grades K-5), 2 middle schools (grades 6-8), 1 comprehensive high school (grades 9-12), 1 continuation high school, 1 adult school and 1 independent study program. As of June 30, 2013, the District employed on a regular basis 482 certificated employees and 238 classified employees.

Student enrollment for grades K-12 this school year was 8,769. About 60 percent of the District's students are eligible for free and reduced priced meals. The District serves a diverse student population and students speak more than 40 languages.

Mission Statement and Strategies

The San Leandro Unified School District Mission Statement is as follows:

The mission of the San Leandro Unified School District is to educate students to achieve and demonstrate academic excellence and become confident, collaborative and competitive in a global society, by utilizing state-of-the-art technologies and innovative teaching strategies within a well-maintained, secure teaming environment, in a region rich in heritage and diverse in culture, where we value our traditions while welcoming change.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

The District's guiding strategies are as follows:

- We will reach out and actively involve families and the entire community to educate our children.
- We will develop and implement systematic ongoing methods of assessment at major transition points which measure students' progress toward achieving academic excellence.
- We will develop and implement means to ensure that our facilities meet our students' needs.
- We will secure funding and resources necessary to fulfill our mission and objectives.
- We will implement, periodically update, and measure objectives of the technology plan(s) adopted by the District.
- We will design and implement a staff development program that affects the changes essential to the achievement of the mission.
- We will develop and implement an innovative curriculum, including technology, while emphasizing character development.

This Mission Statement and Strategic Plan are the guiding principles for the District. All curriculum, operational and financial decision are based on the mission and strategic plan principles.

District Goals

The District's 2012-2013 essential goals identified by the Board of Education are as follows:

1. Educate the Whole Student: Ensure the academic, physical, social and emotional well-being of every student
2. Ensure the Financial Stability and Efficiency of the District
3. Provide Effective and Timely Communication and Community Engagement
4. Human Resources Recruit and Support Outstanding Employees
5. Ensure Safe and Well Maintained Facilities
6. Board Governance

District Highlights

Academic achievement as measured by the Academic Performance Index (API), the state accountability system that indicates growth from year, went up district-wide for eight consecutive years until this past year. In 2012-13 the district went down 2 API points for the first time since 2003-2004. This eight-year trend leading up to a slight decline district-wide is shown in table to the right and the graph below.

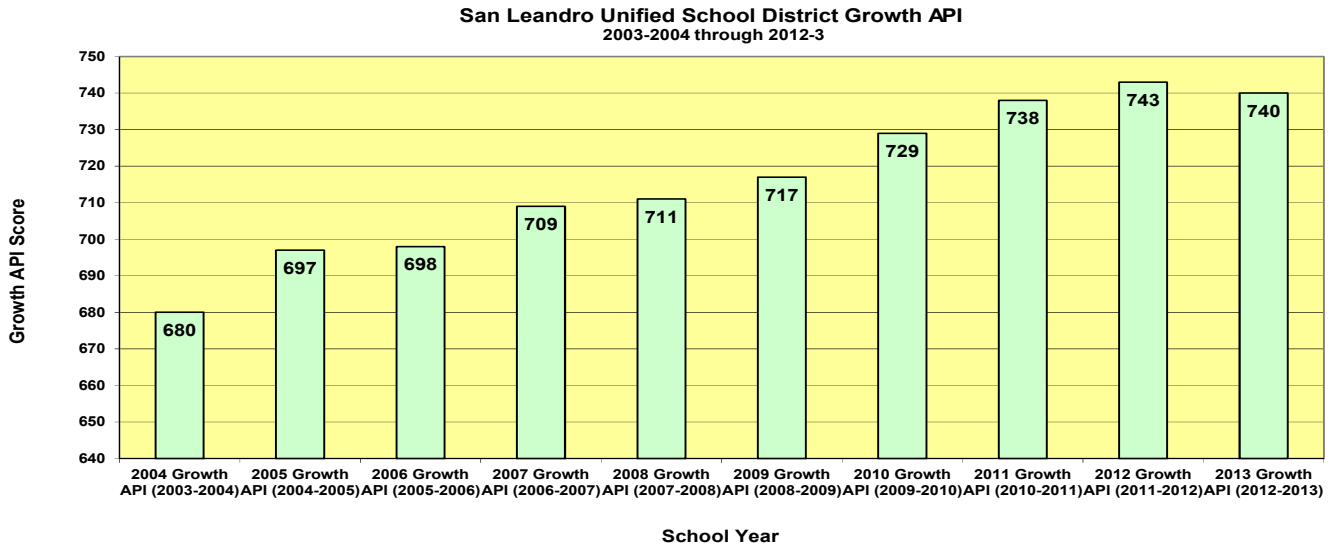
Year	Growth API Score	Growth
2003-2004	680	-2
2004-2005	697	19
2005-2006	698	1
2006-2007	709	13
2007-2008	711	1
2008-2009	717	2
2009-2010	729	15
2010-2011	738	8
2011-2012	743	6
2012-2013	740	-2

SAN LEANDRO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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SLUSD API 10-Year Growth Trend



In prior years, San Leandro’s API scores were always at or above the API requirement for Adequate Yearly Progress (AYP), the federal accountability system under No Child Left Behind (NCLB). However, for the first time this year SLUSD did not the minimum “2013 Growth API” score of 770 or “2012-13 Growth” of at least one point. Additionally, only 3 of the SLUSD numerically significant student subgroups showed an increase API score district-wide, while 5 numerically significant student subgroups decreased and one stayed the same. See the chart below:

	Number of Students Included in 2013 API	Numerically Significant in Both Years	Subgroup API		
			2012 Base	2013 Growth	2012-13 Growth
SLUSD	6,317		742	740	-2
African American	987	Yes	673	670	-3
Native American	17	No	694	725	
Asian	934	Yes	854	858	4
Filipino	501	Yes	814	804	-10
Hispanic/Latino	2,965	Yes	703	703	0
Pacific Islander	86	No	668	680	
White	664	Yes	793	781	-12
Two or More Races	163	Yes	825	822	-3
Socioeconomically Disadvantaged	4,525	Yes	712	714	2
English Learners	2,712	Yes	709	711	2
Students with Disabilities	826	Yes	598	573	-25

SLUSD 2012-13 Academic Performance Index (API) Cycle Data

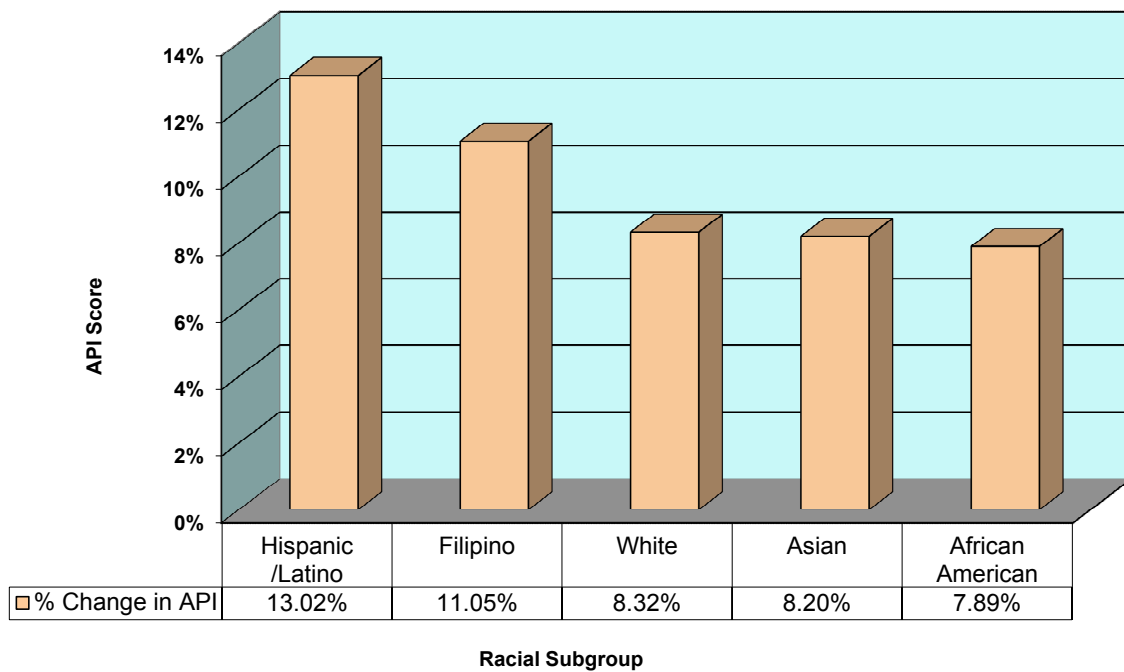
SAN LEANDRO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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The overall 10-year trend for the our numerically significant racial student subgroups show positive growth for all subgroups, with our Hispanic/Latino and Filipino student subgroups showing the greatest percent increase between 2003-04 through 2012-13. The Hispanic /Latino student subgroups demonstrated higher growth than the White and Asian student subgroups, indicating that San Leandro Unified School District gradually closing the Achievement Gap for the Hispanic/Latino student subgroup; however, more targeted work remains for the African American student subgroup. See graph below.

**SLUSD Student Subgroup Percent Change in API Over a 9-Year Period
2003-04 through 2012-13**



The district AYP Graduation Rate of 83.09% exceeded the federal AYP target of 82.40%. Note that the Class of 2012 is used to determine 2013 AYP Graduation Rates. AYP target graduation rates were also set for each of the district’s numerically significant student subgroups as well. These AYP target graduation rates are based on an algorithm that considers the graduation rate of the prior year and the goal of a 90% graduation rate for all student subgroups by 2019. Therefore, a unique AYP graduation target was set for each racial subgroup; see the chart on the following page. Note that all measured numerically significant student subgroups from the Class of 2012 met their 2012 AYP Cohort Graduation Rate

SAN LEANDRO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

District Student Subgroup	2013 Cohort Graduation Rate (Class of 2011-12)	2013 Target Graduation Rate	2013 Graduation Criteria Met	2014 Target Graduation Rate (Class of 2012-13)	Exclusion/ Alternative Method
SLUSD	83.09	82.40	Yes	83.67	
African American	79.43	78.76	Yes	80.64	
Native American	66.67	N/A	N/A	N/A	U50
Asian	93.15	85.78	Yes	86.48	
Filipino	92.65	85.96	Yes	90	
Hispanic/Latino	76.90	79.60	Yes	79.08	5Y
Pacific Islander	60.00	N/A	N/A	N/A	U50
White	89.62	82.50	Yes	88.97	
Two or More Races	87.50	N/A	N/A	N/A	U50
Socio-economically Disadvantaged (SED)	80.20	80.07	Yes	81.73	
English Learner (EL)	69.49	68.58	Yes	72.15	
Students with Disabilities (SWD)	76.19	69.22	Yes	72.68	

SLUSD 2013 AYP Class of 2012 Graduation Rate by Student Subgroup

In addition, SLUSD met 23 of the 42 AYP criteria set forth in NCLB. SLUSD also met all the AYP Participation criteria; however, the district missed both the ELA and Math AYP proficiency targets district-wide and for all numerically significant student subgroups in ELA and Math, with two exceptions. The Asian and Filipino student subgroup met the AYP Math proficiency target through the Safe Harbor method.

The chart below details the ELA and Math AYP proficiency criteria that were attained or missed. Since San Leandro was a Program Improvement (PI) Year 3 District at the onset of 2012-13, and missed the ELA and Math indicators for 2012-13 school year, the District remains in PI Year 3 for the 2013-14 school year. Note that a District Program Improvement classification never exceeds PI Year 3.

	ELA		Math	
	Met 2013 AYP Participation	Met 2013 AYP Percent Proficient	Met 2013 AYP Participation	Met 2013 AYP Percent Proficient
SLUSD	Yes	No	Yes	No
African American	Yes	No	Yes	No
Native American	--	--	--	--
Asian	Yes	No	Yes	SH
Filipino	Yes	No	Yes	SH
Hispanic/Latino	Yes	No	Yes	No
Pacific Islander	--	--	--	--
White	Yes	No	Yes	No
Two or More Races	Yes	No	Yes	No
Socioeconomically Disadvantaged	Yes	No	Yes	No
English Learners	Yes	No	Yes	No
Students with Disabilities	Yes	No	Yes	No

SLUSD 2012-13 AYP Subgroup Criteria

SAN LEANDRO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

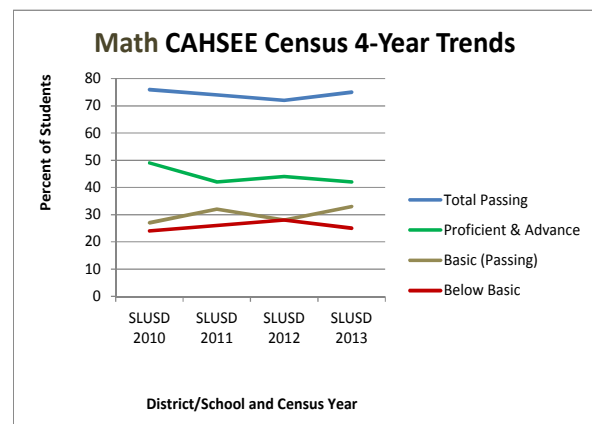
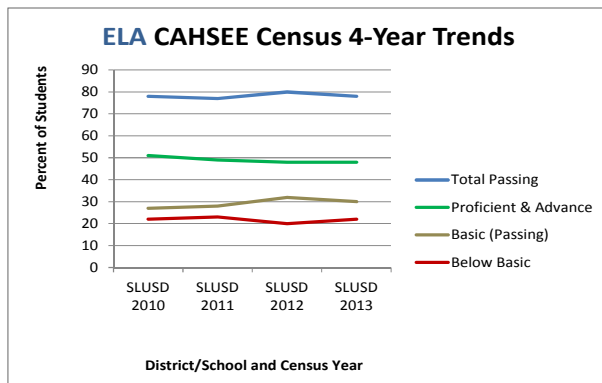
JUNE 30, 2013

SLUSD continues a rigorous program evaluation process to meet Title I and Title III program improvement requirements. This will assist the district in identifying areas of need and strategically refine program design and implementation. This year ELA and Math teachers are receiving professional development on the new adopted Common Core State Standards and are beginning the process of pacing calendars and pacing guides for implementation in 2014-15. Interventions at various levels, including Tiered Academic and Behavior Intervention, have also been instituted to address the short fall of the 2012-13 AYP proficiency targets.

In addition, San Leandro 10th grade students participating in the census administration of the California High School Exit Exam (CAHSEE) passed at a rate of 75% for both English Language Arts and Math in February of 2013. See chart below. This is a decrease of 1% in English Language Arts and a decrease of 2% in Math over a 4-year period. This decrease in performance has given us reason to give concerted attention to CAHSEE preparation prior to the CAHSEE Census administering to grade 10 student each February.

ELA	ELA				Math	Math			
	SLUSD 2010	SLUSD 2011	SLUSD 2012	SLUSD 2013		SLUSD 2010	SLUSD 2011	SLUSD 2012	SLUSD 2013
Total Passing	78	77	80	78	76	74	72	75	
Proficient & Advance	51	49	48	48	49	42	44	42	
Basic (Passing)	27	28	32	30	27	32	28	33	
Below Basic	22	23	20	22	24	26	28	25	
Total	100	100	100	100	100	100	100	100	

SLUSD Census (Grade 10) CAHSEE Chart of Performance Levels: 2010 vs. 2013



SLUSD Census (Grade 10) CAHSEE Performance Level 4-Year Trends: 2010 vs. 2013

SAN LEANDRO UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

FINANCIAL INFORMATION OF THE SCHOOL DISTRICT

Financial Reports

In June 1999, the Governmental Accounting Standards Board (GASB) Issued Codification Section N50.118-.121 (formerly GASB Statement No. 34), *Basic Financial Statements—and Management’s Discussion and Analysis—For State and Local Governments*. This standard significantly changed the way school districts report their finances to the public. The focus of financial reporting is now on the overall status of the local educational agency’s (LEA) financial health instead of on the individual funds.

The District maintains and accounts for the value of fixed assets through a 3rd party vendor. An extensive inventory for the High School and 9th grade campus was done in 2010. Net position, the difference between the District’s assets and liabilities, are one way to measure the District’s financial health or position. Over time, increases or decreases in the Districts net position will serve as a useful indicator of whether its financial position is improving or declining.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Codification Section P50.108-.109(formerly GASB Statement No. 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This standard requires that Other Postemployment Benefits (OPEB) be recognized as an expense and obligation on the LEA’s financial statements reported on the full accrual basis accounting. The latest actuarial study was done in December 2011 to comply with GASB 45 requirements.

Financial Condition of the Unrestricted General Fund

San Leandro Unified School District Unrestricted General Fund net difference between total revenues and total expenditures was \$2,070,252 in 2012-13 and it is due to a few major reasons:

- 1) Title I, Part A, Program Improvement LEA awards in fiscal year 2011-12 and mostly spent in fiscal year 2012-13
- 2) Increased expenditure for Special Education programs in fiscal year 2012-13.

On a year to year basis, the District’s financial goal is to have balanced revenue to expenditure ratio. Since the biggest revenue of the district is from Revenue Limit, it has been difficult to cover cost increases for employee salaries and benefits, other fixed costs and maintenance of programs due to the State’s continued budget cut and growing deficit factor and unfunded COLA.

The following tables summarize General Fund balance changes and operational fund financial statements:

General Fund Summary of Financial Operations			Change in Fund Balance	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>		
Revenues	\$69,628,403	\$69,444,371	Fund Balance June 30, 2013	\$ 9,135,245
Expenditures	<u>\$71,698,655</u>	<u>\$69,883,527</u>	Fund Balance June 30, 2012	<u>\$ 11,205,497</u>
Difference	\$(2,070,252)	\$(439,156)	Change	\$(2,070,252)

SAN LEANDRO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Statement of Net Position

The *Statement of Net Position* for the 2012-2013 year shows the District’s net position as \$72,454,458. This amount includes the value of the land, buildings, and equipment (less depreciation) owned by the District as well as all liabilities such as bond repayment obligations. The table below summarizes the change in net assets from 2011-2012 to 2012-2013.

Statement of Net Position		
	June 30, 2013	June 30, 2012
Assets	\$258,425,778	\$268,142,392
Liabilities	\$185,971,320	\$190,692,910
Ending Net Position	\$72,454,458	\$ 77,449,482

Capital Assets

The net Capital Assets as of June 30, 2013 are \$206,183,008. This represents an increase of \$29,679,484 over the prior year. This increase is mainly due to the District’s Measure B General Obligation Bond projects.

Long-Term Liabilities

In November 2006, the District received 67.66% voter approval of Measure B General Obligation Bonds in the principal amount of \$109,000,000. The projects associated with passage of this bond measure have reduced overcrowding at the high school and are providing modernization at all school sites. Measure B project list included the following:

Renovation & upgrade projects at all sites	\$	41,900,000
9th Grade campus		38,000,000
Arts & Education center		17,000,000
Industrial Arts renovation		3,000,000
Career & Tech Education		600,000
PG&E parking lot		4,000,000
SLHS Library expansion		900,000
SLHS Open spaces		750,000
Bancroft MS parking lot		350,000
Bancroft field		800,000
Financial reserve		1,700,000
		<u>109,000,000</u>

SAN LEANDRO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

At the July 13, 2010, Board meeting, the SLUSD Board of Education unanimously passed [Resolution # 10-50](#) to place a school facilities bond on the November 2, 2010 ballot. This \$50.1 million bond, Measure M, has an estimated tax rate of approximately \$25.00 per \$100,000 of assessed property value. At the July 20, 2010 Board meeting, the Board approved the ballot measure, including the bond amount, initial project list, and 75-word question. The project list, which includes the Pacific Sports Complex and Burrell Field, and the swimming pools at San Leandro High School, continues to be refined. The Board approved the following Measure M Project List.

Sports Complex & Burrell field	\$	16,800,000
New Swim Center at San Leandro High School		6,000,000
Elementary schools – Baseline standards		7,500,000
Middle Schools-synthetic athletic field, par course		3,125,000
High School - athletic field		5,300,000
Lincoln HS – refurbish basketball court, par course, etc		350,000
Adult School – modernization		250,000
District wide – fencing and motion detector security lights		1,500,000
Sustainability projects		6,889,286
Financial reserve and program level expenses		<u>2,385,714</u>
	\$	<u>50,100,000</u>

The Long-Term liabilities as of June 30, 2013 are \$171,110,781. This represents a decrease of \$144,459 from the prior year. This decrease is mainly due to principal payments made on existing liabilities.

Statement of Activities

The *Statement of Activities* for the 2012-2013 shows the District's change in net position as \$(4,995,024) for Governmental Activities.

	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Changes in Net Position	\$(2,942,568)	\$(4,995,024)

SAN LEANDRO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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General Fund Revenues

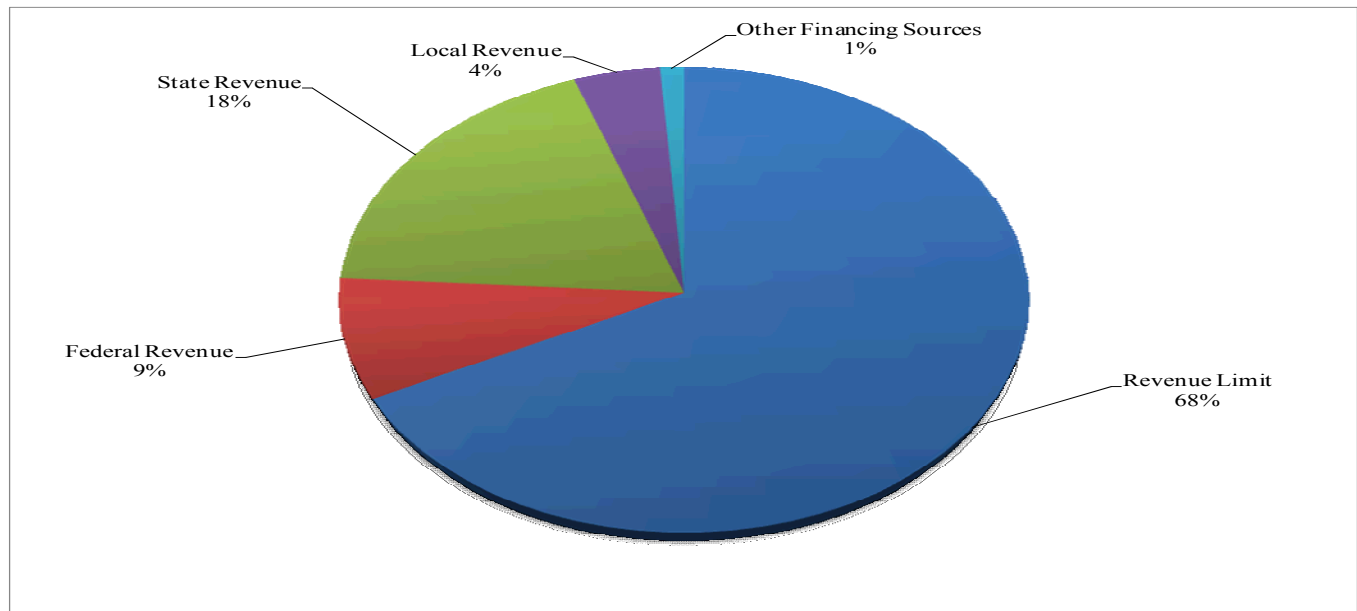
Most of the District’s General Fund revenue is generated from the District’s revenue limit, which yields funds based on a state-determined dollar amount times the average number of students who are in attendance (ADA) throughout the school year. Public education--unlike any other public agency--receives most of its revenue based on the population it serves.

The second biggest source of revenue is State categorical income that must be spent for selected State-determined programs. The two largest categorical programs, sometimes called “restricted programs” are funding for a portion of Special Education services and Economic Impact Aid (EIA).

Federal income is a small portion of the entire district income, although this year we received Federal Stimulus money to help the district’s finances and cash flow. Again, most of the Federal income is restricted since it must be expended for purposes that are determined by the grantor and not the local Board of Education.

The District’s total resources for expenditure in the budget year include a “beginning balance,” which reflects a carryover of unexpended balances from the prior year.

Combined General Fund Sources Available	
Revenue Limit	\$ 47,042,609
Federal Revenue	5,888,816
State Revenue	12,982,098
Local Revenue	2,914,308
Other Financing Sources	800,572
Total Revenue	69,628,403
Beginning Fund Balance	11,205,497
Total General Fund Sources	\$ 80,833,900



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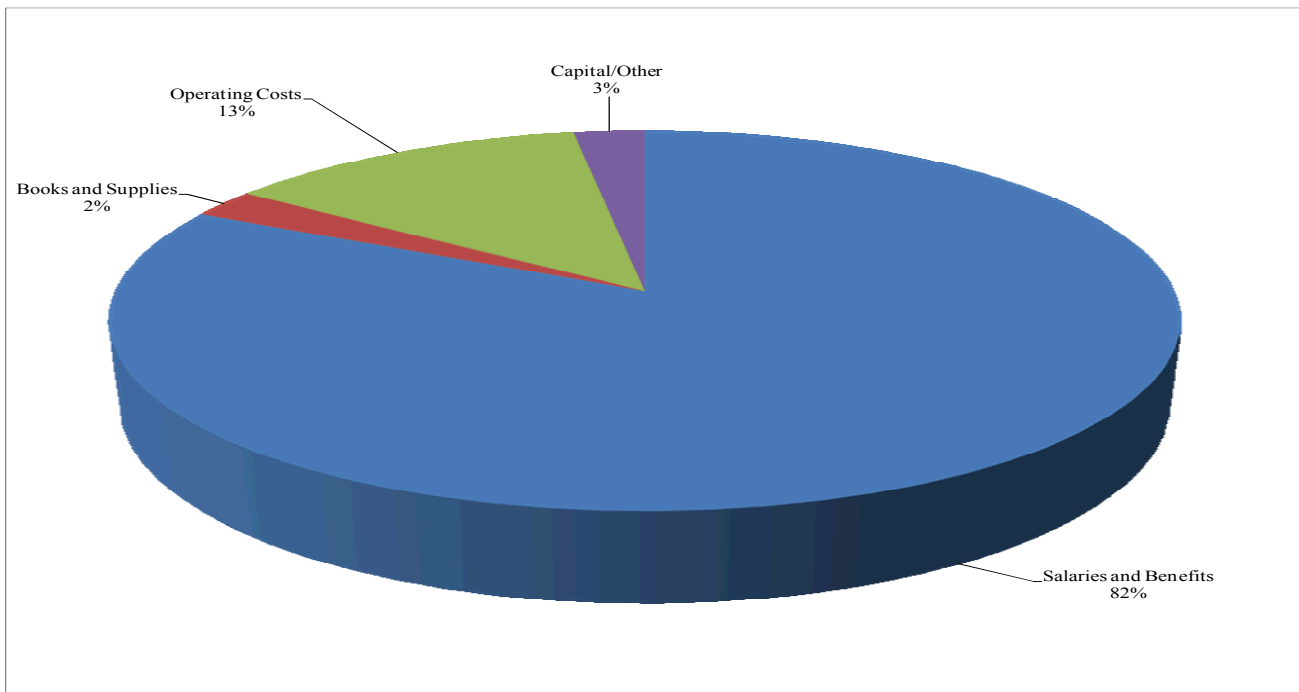
MANAGEMENT'S DISCUSSION AND ANALYSIS

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General Fund Combined Expenditures

Employee salary and benefit costs consume 82% of the District's general fund expenditures. 68% of the District's expenditures go directly to the classroom for instructional salary and benefit costs. A portion of California school district income is restricted income and, as such, can only be expended for selected purposes as determined by the granting agency. The balance of the District's income is unrestricted since it can be expended as determined by the LEA for general educational purposes.

Combined General Fund Expenditures	
Salaries and Benefits	\$ 59,027,390
Books and Supplies	1,703,245
Operating Costs	9,182,629
Capital/Other	1,785,391
Total Expenditures	\$ 71,698,655

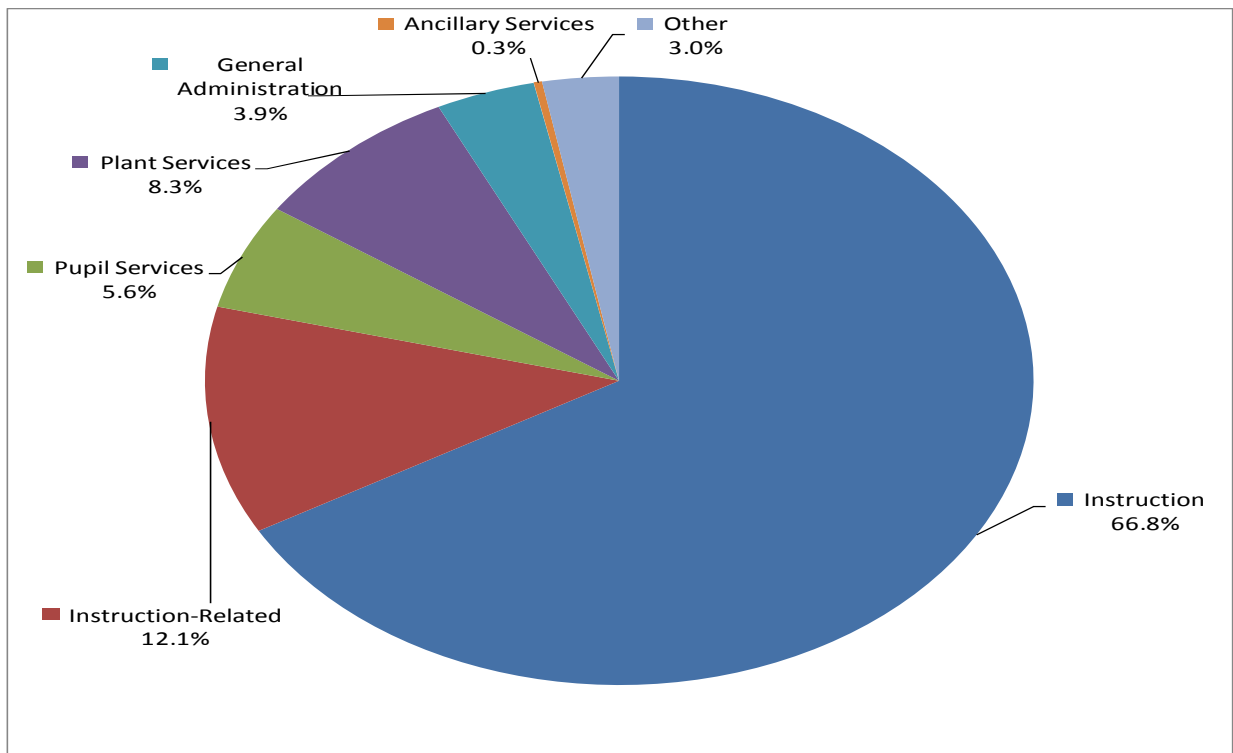


SAN LEANDRO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Combined General Fund Expenditures by Function	
Instruction	\$ 47,898,874
Instruction –Related	8,678,342
Pupil Services	4,023,143
Plant Services	5,943,508
General Administration	2,776,657
Ancillary Services	237,172
Other	2,140,959
Total Expenditures	\$ 71,698,655



Factors bearing on the District’s Future

The District receives most of its funds based upon student daily attendance (ADA). The District currently receives the approximate average State revenue limit per A.D.A. for unified districts. Maintaining a minimal fund balance over the state required 3% reserve requires the District to be cognizant of its activities and on target in its enrollment projections. The District’s most significant financial goal is to increase the Unrestricted General Fund balance.

The District cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State’s current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the District has no control. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budgets.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Contacting the District's Financial Management

If you have any questions regarding this report or need additional financial information, contact Song Chin-Bendib, Assistant Superintendent of Business and Operations (510) 667-3504 or Rais Abassi Director of Fiscal Services (510) 667-3501.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

ASSETS

Deposits and investments	\$ 39,140,737
Receivables	12,057,570
Deferred charges	1,012,371
Stores inventories	32,092
Capital assets not depreciated	58,119,238
Capital assets, net of accumulated depreciation	<u>148,063,770</u>
Total Assets	<u>258,425,778</u>

LIABILITIES

Accounts payable	12,047,499
Interest payable	2,771,893
Deferred revenue	41,147
Current portion of long-term obligations	4,458,765
Noncurrent portion of long-term obligations	<u>166,652,016</u>
Total Liabilities	<u>185,971,320</u>

NET POSITION

Invested in capital assets, net of related debt	54,304,728
Restricted for:	
Debt service	7,488,063
Capital projects	2,589,569
Educational programs	1,547,181
Other activities	3,222,434
Unrestricted	<u>3,302,483</u>
Total Net Position	<u>\$ 72,454,458</u>

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, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 53,882,350	\$ 892	\$ 8,670,374	\$ 543,845	\$ (44,667,239)
Instruction-related activities:					
Supervision of instruction	2,731,657	-	1,357,023	-	(1,374,634)
Instructional library, media, and technology	537,641	-	-	-	(537,641)
School site administration	7,055,360	80	1,468,463	-	(5,586,817)
Pupil services:					
Home-to-school transportation	1,136,849	-	253,612	-	(883,237)
Food services	3,112,888	505,997	2,618,158	-	11,267
All other pupil services	3,332,224	259	1,007,834	-	(2,324,131)
Administration:					
Data processing	504,291	-	3,851	-	(500,440)
All other administration	2,629,376	15,676	379,325	-	(2,234,375)
Plant services	7,238,625	597	6,981	-	(7,231,047)
Ancillary services	237,172	-	-	-	(237,172)
Enterprise services	302,162	-	-	-	(302,162)
Interest on long-term obligations	8,323,377	-	-	-	(8,323,377)
Other outgo	1,155,425	21,304	184,804	-	(949,317)
Total Governmental Activities	\$ 92,179,397	\$ 544,805	\$ 15,950,425	\$ 543,845	(75,140,322)
General revenues and subventions:					
					18,228,457
					10,359,881
					1,390,059
					36,728,147
					91,986
					3,346,768
					70,145,298
					(4,995,024)
					77,449,482
					\$ 72,454,458

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013**

	<u>General Fund</u>	<u>Building Funds</u>	<u>Bond Interest and Redemption Fund</u>	<u>Non Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Deposits and investments	\$ 5,079,318	\$ 20,136,041	\$ 7,483,163	\$ 5,572,171	\$ 38,270,693
Receivables	10,598,096	19,729	4,900	1,434,408	12,057,133
Due from other funds	120,734	543,199	-	2,028,881	2,692,814
Stores inventories	-	-	-	32,092	32,092
Total Assets	<u>\$ 15,798,148</u>	<u>\$ 20,698,969</u>	<u>\$ 7,488,063</u>	<u>\$ 9,067,552</u>	<u>\$ 53,052,732</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,452,547	\$ 7,009,169	\$ -	\$ 577,654	\$ 12,039,370
Due to other funds	2,185,126	442	-	663,491	2,849,059
Deferred revenue	25,230	-	-	15,917	41,147
Total Liabilities	<u>6,662,903</u>	<u>7,009,611</u>	<u>-</u>	<u>1,257,062</u>	<u>14,929,576</u>
Fund Balances:					
Nonspendable	40,000	-	-	32,092	72,092
Restricted	1,547,181	13,689,358	7,488,063	1,740,438	24,465,040
Assigned	3,752,699	-	-	6,037,960	9,790,659
Unassigned	3,795,365	-	-	-	3,795,365
Total Fund Balances	<u>9,135,245</u>	<u>13,689,358</u>	<u>7,488,063</u>	<u>7,810,490</u>	<u>38,123,156</u>
Total Liabilities and Fund Balances	<u>\$ 15,798,148</u>	<u>\$ 20,698,969</u>	<u>\$ 7,488,063</u>	<u>\$ 9,067,552</u>	<u>\$ 53,052,732</u>

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, 2013**

Total Fund Balance - Governmental Funds		\$ 38,123,156
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	\$ 283,562,782	
Accumulated depreciation is	<u>(77,379,774)</u>	
Net Capital Assets		206,183,008
Expenditures relating to issuance of debt were recognized on modified accrual basis, but are amortized over the life of the bonds on the accrual basis.		1,012,371
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(2,771,894)
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.		1,018,598
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	162,436,387	
Accrued interest on the bonds	4,569,960	
Capital leases payable	1,115,505	
Certificates of participation	765,746	
Premiums, net of accumulated amortization	112,463	
Compensated absences (vacations)	337,762	
Other post employment benefits	522,958	
City Loan	<u>1,250,000</u>	
Total Long-Term Obligations		<u>(171,110,781)</u>
Total Net Position - Governmental Activities		<u>\$ 72,454,458</u>

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources	\$ 47,042,609	\$ -	\$ -	\$ -	\$ 47,042,609
Federal sources	5,888,816	-	-	2,929,328	8,818,144
Other state sources	12,982,098	-	-	2,840,527	15,822,625
Other local sources	2,914,308	105,452	10,372,424	2,580,865	15,973,049
Total Revenues	68,827,831	105,452	10,372,424	8,350,720	87,656,427
EXPENDITURES					
Current					
Instruction	47,898,874	-	-	1,278,569	49,177,443
Instruction-related activities:					
Supervision of instruction	2,379,649	-	-	104,252	2,483,901
Instructional library, media and technology	489,836	-	-	-	489,836
School site administration	5,808,857	-	-	606,590	6,415,447
Pupil services:					
Home-to-school transportation	1,035,764	-	-	-	1,035,764
Food services	110	-	-	2,835,991	2,836,101
All other pupil services	2,987,269	-	-	42,726	3,029,995
Administration:					
Data processing	504,291	-	-	-	504,291
All other administration	2,272,366	-	-	118,530	2,390,896
Plant services	5,943,508	399,198	-	248,774	6,591,480
Facility acquisition and construction	93,101	35,170,534	-	189,702	35,453,337
Ancillary services	237,172	-	-	-	237,172
Other outgo	1,155,425	-	-	-	1,155,425
Enterprise services	302,162	-	-	-	302,162
Debt service					
Principal	-	-	2,890,000	242,121	3,132,121
Interest and other	-	-	6,776,693	71,094	6,847,787
Total Expenditures	71,108,384	35,569,732	9,666,693	5,738,349	122,083,158
Excess (Deficiency) of Revenues Over Expenditures	(2,280,553)	(35,464,280)	705,731	2,612,371	(34,426,731)
Other Financing Sources (Uses)					
Transfers in	800,572	543,199	-	41,000	1,384,771
Transfers out	(590,271)	-	-	(1,343,771)	(1,934,042)
Net Financing Sources (Uses)	210,301	543,199	-	(1,302,771)	(549,271)
NET CHANGE IN FUND BALANCES	(2,070,252)	(34,921,081)	705,731	1,309,600	(34,976,002)
Fund Balance - Beginning	11,205,497	48,610,439	6,782,332	6,500,890	73,099,158
Fund Balance - Ending	\$ 9,135,245	\$ 13,689,358	\$ 7,488,063	\$ 7,810,490	\$ 38,123,156

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ (34,976,002)
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 outlays in the period.	
Depreciation expense	\$ (7,069,998)
Capital outlays	<u>36,749,482</u>
Net Expense Adjustment	29,679,484
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 \$31,881.	(31,881)
Proceeds received from Sale of Bonds is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.	(1,250,000)
Accretion of loan principal on long-term liabilities is not in the governmental funds until it is paid, but increases long-term liabilities in the Statement of Net Position	(1,619,467)
Payment of principal on general obligation bonds 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.	2,890,000
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	14,058
Payment of costs for the issuance of certificates of participation or bonds is an expenditure in the governmental funds, but is recorded as a prepaid expense and amortized on the statement of net position over the life of the bonds.	(76,491)
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.	71,436
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.	170,685
The difference between Annual Required Contribution for Other Postemployment Benefit and amounts recognized in the governmental activities.	(100,372)
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.	206,309
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.	<u>27,217</u>
Change in Net Position of Governmental Activities	<u>\$ (4,995,024)</u>

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Governmental Activities - Internal Service Fund
	<u> </u>
ASSETS	
Current Assets	
Deposits and investments	\$ 870,044
Receivables	437
Due from other funds	156,246
Total Current Assets	<u> 1,026,727</u>
 LIABILITIES	
Current Liabilities	
Accounts payable	8,129
Total Current Liabilities	<u> 8,129</u>
 NET POSITION	
Restricted	<u> \$ 1,018,598</u>

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, 2013**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	\$ 1,335,440
Total Operating Revenues	<u>1,335,440</u>
OPERATING EXPENSES	
Supplies and materials	5,228
Other operating cost	1,850,743
Total Operating Expenses	<u>1,858,307</u>
Operating Income (Loss)	<u>(522,867)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	813
Transfers in	549,271
Total Nonoperating Revenues (Expenses)	<u>550,084</u>
Change in Net Position	27,217
Total Net Position - Beginning	991,381
Total Net Position - Ending	<u>\$ 1,018,598</u>

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, 2013**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from self insurance premiums	\$ 1,335,131
Cash payments to other suppliers of goods or services	(1,870,174)
Net Cash Used for Operating Activities	<u>(535,043)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash provided from other funds	<u>979,737</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>813</u>
Net Increase in Cash and Cash Equivalents	445,507
Cash and Cash Equivalents - Beginning	424,537
Cash and Cash Equivalents - Ending	<u>\$ 870,044</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating income (loss)	\$ (522,867)
Changes in assets and liabilities:	
Receivables	(309)
Accounts payable	(11,867)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (535,043)</u>

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	<u>\$ 409,148</u>
LIABILITIES	
Due to student groups	<u>\$ 409,148</u>

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For San Leandro Unified School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Non-Major Governmental Funds

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

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

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

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

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

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), 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:

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 net position use.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Deferred Revenue Deferred 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 deferred revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred 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, 2013, 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.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 assets. 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.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

Deferred 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, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

Current Loans

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

Fund Balances - Governmental Funds

As of June 30, 2013, 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.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 \$14,847,247 of restricted net position, of which \$1,547,181 is restricted by enabling legislation.

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.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Budgetary Data

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

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

Property Tax

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

Changes in Accounting Principles

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net assets reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by remaining that measure as net positions, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows or resources, certain items that were previously reported as assets and liabilities.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Concepts Statement No. 4, Elements of Financial Statements, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements have been issues. Statement No. 53, Accounting and Financial reporting for Derivative Instruments, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statements elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issues Statement No. 68, Accounting and Financial Reporting for Pension - an amendment of GASB Statement No. 27. The primary objective of this Statements is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions. It also improves information provided by state and local governmental employers about financial support for pension that is provided by other entities. This Statement results from comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decisions-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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

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

- Contributions from employers and non-employer contributions entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

- Single employers are those whose employees are provided with defined benefit pensions through single employer pension plans - pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pension through agent multiple-employer pension plans-pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans-pension plans in which the pension obligation to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 38,270,693
Proprietary Funds	870,044
Fiduciary funds	409,148
Total Deposits and Investments	<u>\$ 39,549,885</u>

Deposits and investments as of June 30, 2013, consist of the following:

Cash on hand and in banks	\$ 486,559
Cash in revolving	40,000
Investments	39,023,326
Total Deposits and Investments	<u>\$ 39,549,885</u>

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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	\$ 38,970,423	525
Local Agency Investment Fund (LAIF)	52,903	278
Total	\$ 39,023,326	

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, 2013.

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, 2013, the District's bank balance of approximately \$200,000 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.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest Redemption Fund	Non-Major Governmental Funds	Total	Proprietary Funds
Federal Government						
Categorical aid	\$ 2,259,537	\$ -	\$ -	\$ 714,215	\$ 2,973,752	\$ -
State Government						
Apportionment	4,412,754	-	-	-	4,412,754	-
Categorical aid	3,690,890	-	-	707,762	4,398,652	-
Lottery	233,790	-	-	-	233,790	-
Local Government						
Interest	1,125	19,729	4,900	12,431	38,185	437
Total	<u>\$ 10,598,096</u>	<u>\$ 19,729</u>	<u>\$ 4,900</u>	<u>\$ 1,434,408</u>	<u>\$ 12,057,133</u>	<u>\$ 437</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 14,223,557	\$ 145,548 *	\$ -	\$ 14,369,105
Construction in Progress	13,043,585	31,546,314	839,766	43,750,133
Total Capital Assets Not Being Depreciated	<u>27,267,142</u>	<u>31,691,862</u>	<u>839,766</u>	<u>58,119,238</u>
Capital Assets Being Depreciated:				
Land Improvements	17,161,527	21,575	-	17,183,102
Buildings and Improvements	193,727,694	5,550,496	-	199,278,190
Furniture and Equipment	8,656,937	325,315	-	8,982,252
Total Capital Assets Being Depreciated	<u>219,546,158</u>	<u>5,897,386</u>	<u>-</u>	<u>225,443,544</u>
Total Capital Assets	<u>246,813,300</u>	<u>37,589,248</u>	<u>839,766</u>	<u>283,562,782</u>
Less Accumulated Depreciation:				
Land Improvements	11,998,670	364,498	-	12,363,168
Buildings and Improvements	54,690,643	6,001,583	-	60,692,226
Furniture and Equipment	3,620,463	703,917	-	4,324,380
Total Accumulated Depreciation	<u>70,309,776</u>	<u>7,069,998</u>	<u>-</u>	<u>77,379,774</u>
Governmental Activities Capital Assets, Net	<u>\$ 176,503,524</u>	<u>\$ 30,519,250</u>	<u>\$ 839,766</u>	<u>\$ 206,183,008</u>

* Includes \$50,000 deposit to escrow account to purchase land for \$1,300,000 at 13666 East 14th Street, San Leandro.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

Governmental Activities

Instruction	\$ 4,603,460
Supervision of instruction	242,414
Instructional library, media, and technology	47,805
School site administration	626,110
Home-to-school transportation	101,085
Food services	276,787
All other pupil services	295,710
All other administration	233,337
Plant services	643,290
Total Depreciation Expenses	<u><u>\$ 7,069,998</u></u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2013, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

Due To	Due From				Total
	General Fund	Building Fund	Non-Major Governmental Funds	Proprietary Funds	
General Fund	\$ -	\$ -	\$ 2,028,880	\$ 156,246	\$ 2,185,126
Building Fund	442	-	-	-	442
Non-Major Governmental Funds	120,292	543,199	-	-	663,491
Total	<u><u>\$ 120,734</u></u>	<u><u>\$ 543,199</u></u>	<u><u>\$ 2,028,880</u></u>	<u><u>\$ 156,246</u></u>	<u><u>\$ 2,849,059</u></u>

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Operating Transfers

Interfund transfers for the year ended June 30, 2013, consisted of the following:

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.

Transfer To	Transfer From				Total
	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ 41,000	\$ 549,271	\$ 590,271
Non-Major Governmental Funds	800,572	543,199	-	-	1,343,771
Total	<u>\$ 800,572</u>	<u>\$ 543,199</u>	<u>\$ 41,000</u>	<u>\$ 549,271</u>	<u>\$ 1,934,042</u>

The General Fund transferred to the Adult Education Fund for Tier III flexibility transfers.	\$ 41,000
The General Fund transferred to the Self Insurance Fund to pay for property and liability insurance.	549,271
The Adult Education Fund transferred to the General Fund for Tier III flexibility transfers.	470,000
The Deferred Maintenance Fund transferred to the General Fund for Tier III flexibility transfers.	330,572
The County School Facilities Fund transferred to the Building Fund for OPSC funding received restroom project.	278,788
The County School Facilities Fund transferred to the Building Fund for OPSC funding for bond projects.	264,411
Total	<u>\$ 1,934,042</u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2013, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Funds
	Vendor payables	\$ 4,229,247	\$ 7,009,169	\$ 577,654	\$ 11,816,070
Salaries and benefits	223,300	-	-	223,300	-
Total	<u>\$ 4,452,547</u>	<u>\$ 7,009,169</u>	<u>\$ 577,654</u>	<u>\$ 12,039,370</u>	<u>\$ 8,129</u>

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2013, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 25,230	\$ -	\$ 25,230
State categorical aid	-	15,917	15,917
Total	<u>\$ 25,230</u>	<u>\$ 15,917</u>	<u>\$ 41,147</u>

NOTE 8 – CURRENT LOANS

At July 1, 2012, the District had an outstanding Tax and Revenue Anticipation Notes. On May 23, 2012, the District borrowed \$8,000,000 from a Tax and Revenue Anticipation Note. The note was issued to supplement cash flows. Interest and principal were due and payable on August 31, 2012.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes is as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2012	Additions	Payments	Outstanding June 30, 2013
5/23/2012	0.31%	8/31/2012	<u>\$ 8,000,000</u>	<u>\$ -</u>	<u>\$ 8,000,000</u>	<u>\$ -</u>

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, 2012	Additions	Deductions	Balance June 30, 2013	Due in One Year
General obligation bonds	\$ 165,326,387	\$ -	\$ 2,890,000	\$ 162,436,387	\$ 4,092,814
Bond accreted interest	2,950,493	1,619,467	-	4,569,960	-
Subtotal	168,276,880	1,619,467	2,890,000	167,006,347	4,092,814
Bond premiums	126,521	-	14,058	112,463	14,058
Certificates of participation	936,431	-	170,685	765,746	178,609
Note payable	-	1,250,000	-	1,250,000	100,000
Accumulated vacation - net	305,881	31,881	-	337,762	-
Capital leases	1,186,941	-	71,436	1,115,505	73,284
Other post employment benefits	422,586	664,449	564,077	522,958	-
Total	<u>\$ 171,255,240</u>	<u>\$ 3,565,797</u>	<u>\$ 3,710,256</u>	<u>\$ 171,110,781</u>	<u>\$ 4,458,765</u>

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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. 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		Bonds	
				Outstanding July 1, 2012	Issued	Redeemed	Outstanding June 30, 2013
7/25/2002	8/1/2012	3.125-7.00%	\$7,000,000	\$ 150,000	\$ -	\$ 150,000	\$ -
2/21/2007	8/1/2031	4.30%	29,000,000	23,240,000	-	905,000	22,335,000
2/21/2007	8/1/2028	4.15%	39,210,000	36,150,000	-	1,120,000	35,030,000
3/18/2009	8/1/2033	4.00-6.25%	30,000,000	29,900,000	-	100,000	29,800,000
2/13/2010	8/1/2040	6.38-6.98%	19,999,043	22,949,436	1,619,467	-	24,568,903
5/1/2010	2/1/2026	4.55%	18,327,344	18,327,444	-	-	18,327,444
5/24/2011	8/1/2041	3.00-5.75%	30,000,000	30,000,000	-	-	30,000,000
10/19/2011	8/1/2022	2.00-3.125%	7,560,000	7,560,000	-	615,000	6,945,000
				<u>\$ 168,276,880</u>	<u>\$ 1,619,467</u>	<u>\$ 2,890,000</u>	<u>\$ 167,006,347</u>

Debt Service Requirements to Maturity

The bonds mature through August 2041 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 4,092,814	\$ 6,638,059	\$ 10,730,873
2015	4,121,011	6,494,450	10,615,461
2016	4,353,959	6,342,386	10,696,345
2017	4,714,825	6,175,874	10,890,699
2018	4,845,720	5,989,559	10,835,279
2019-2023	32,357,102	26,357,380	58,714,482
2024-2028	35,201,396	19,105,522	54,306,918
2029-2033	19,065,975	13,923,079	32,989,054
2034-2038	28,302,420	23,035,916	51,338,336
2039-2043	25,381,164	31,593,904	56,975,068
Subtotal	<u>162,436,386</u>	<u>\$ 145,656,129</u>	<u>\$ 308,092,515</u>
Accretions	4,569,961		
Total	<u>\$ 167,006,347</u>		

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013, the principal balance outstanding was \$765,746.

The certificates mature through February 2018 as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 178,609	\$ 33,121	\$ 211,730
2015	186,901	24,829	211,730
2016	195,578	16,152	211,730
2017	204,658	7,072	211,730
Total	<u>\$ 765,746</u>	<u>\$ 81,174</u>	<u>\$ 846,920</u>

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 principal and interest payments are as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 100,000	\$ -	\$ 100,000
2015	68,936	17,250	86,186
2016	69,970	16,216	86,186
2017	71,020	15,167	86,187
2018	82,003	28,202	110,205
2019-2023	448,426	102,599	551,025
2024-2028	341,071	57,139	398,210
2029-2033	68,574	3,429	72,003
Total	<u>\$ 1,250,000</u>	<u>\$ 240,002</u>	<u>\$ 1,490,002</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2013, amounted to \$337,762.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2012	\$ 1,186,941
Additions	-
Payments	71,436
Balance, June 30, 2013	<u>\$ 1,115,505</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2014	\$ 101,485
2015	101,485
2016	101,485
2017	101,485
2018	101,485
2019-2023	507,423
2024-2028	304,446
Total	<u>1,319,294</u>
Less: Amount Representing Interest	203,789
Present Value of Minimum Lease Payments	<u>\$ 1,115,505</u>

Leased land, buildings, and equipment under capital leases in capital assets at June 30, 2013, include the following:

Buildings	\$ 1,530,197
Less: Accumulated depreciation	(63,758)
Total	<u>\$ 1,466,439</u>

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

Other Postemployment Benefits (OPEB) Asset/Obligation

The District's annual required contribution for the year ended June 30, 2013, was \$692,574, and contributions made by the District during the year were \$564,077. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$16,903 and \$(45,028), respectively, which resulted in an increase to the net OPEB obligation of \$100,372. As of June 30, 2013, the net OPEB asset/obligation was \$522,958. See Note 11 for additional information regarding the OPEB asset/obligation and the postemployment benefits plan.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
Stores inventories	-	-	-	32,092	32,092
Total Nonspendable	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>32,092</u>	<u>72,092</u>
Restricted					
Legally restricted programs	1,547,181	-	-	-	1,547,181
Capital projects	-	13,689,358	-	274,709	13,964,067
Debt services	-	-	7,488,063	-	7,488,063
Food service operations	-	-	-	1,465,729	1,465,729
Total Restricted	<u>1,547,181</u>	<u>13,689,358</u>	<u>7,488,063</u>	<u>1,740,438</u>	<u>24,465,040</u>
Assigned					
Jobs bill balance	185,570	-	-	-	185,570
SERP designations for 2015-17	269,347	-	-	-	269,347
Legal fees prior year	388,649	-	-	-	388,649
Legal fees 11-12 carryover	100,909	-	-	-	100,909
Legal fees 12-13 carryover	36,210	-	-	-	36,210
Mandated cost	1,183,372	-	-	-	1,183,372
Adult Education sweep	250,000	-	-	-	250,000
ADA Increase	468,752	-	-	-	468,752
Retben/WC savings	174,592	-	-	-	174,592
Leave of absence (LOA) 12-13	109,000	-	-	-	109,000
Tier III carryover	292,255	-	-	-	292,255
Site discretionary carryover	66,214	-	-	-	66,214
Summer school, core, retention	72,561	-	-	-	72,561
AMS servers and equipment	30,000	-	-	-	30,000
Zion bank loan	-	-	-	1,319,299	1,319,299
Additional sweep	-	-	-	244,737	244,737
Districtwide maintenance	-	-	-	160,578	160,578
Debt service	-	-	-	572,213	572,213
RDA/developer fees designations	-	-	-	1,467,937	1,467,937
Designation 3% reserve	125,268	-	-	-	125,268
Bond projects	-	-	-	-	-
Science wing state match	-	-	-	274,716	274,716
City of San Leandro RDA	-	-	-	1,509,584	1,509,584
Portables	-	-	-	488,896	488,896
Total Assigned	<u>3,752,699</u>	<u>-</u>	<u>-</u>	<u>6,037,960</u>	<u>9,790,659</u>
Unassigned					
Reserve for economic uncertainties	3,795,365	-	-	-	3,795,365
Total Unassigned	<u>3,795,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,795,365</u>
Total	<u>\$ 9,135,245</u>	<u>\$ 13,689,358</u>	<u>\$ 7,488,063</u>	<u>\$ 7,810,490</u>	<u>\$ 38,123,156</u>

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 200 retirees and beneficiaries currently receiving benefits, and 75 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 (CEA), 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, FEA, CSEA and the unrepresented groups. For fiscal year 2012-2013, the District contributed \$564,077 to the plan, all of which was used for current premiums (approximately 85 percent of total premiums).

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 692,574
Interest on net OPEB obligation	16,903
Adjustment to annual required contribution	<u>(45,028)</u>
Annual OPEB cost (expense)	664,449
Contributions made	<u>(564,077)</u>
Increase in net OPEB obligation	100,372
Net OPEB obligation, beginning of year	<u>422,586</u>
Net OPEB obligation, end of year	<u><u>\$ 522,958</u></u>

Trend Information

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

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2011	\$ 845,042	\$ 861,942	102.0%	\$ 325,726
2012	661,780	564,920	85.4%	422,586
2013	664,449	564,077	84.9%	522,958

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2011, actuarial valuation, the entry age actuarial method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial 11 percent to an ultimate rate of 6 percent. The UAAL is being amortized at a level percentage of projected payroll method. The remaining amortization period at July 1, 2011, was 9 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, 2013, 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.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

<u>Insurance Program / Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
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 retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$3,227,688, \$3,202,455, and \$3,298,399, respectively, and equal 100 percent of the required contributions for each year.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

CalPERS

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$1,174,421, \$1,108,185, and \$976,237, respectively, and equal 100 percent of the required contributions for each year.

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 \$2,008,016 (5.176 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*.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013.

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, 2013.

Construction Commitments

As of June 30, 2013, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Garfield modernization	\$ 77,987	June-15
Jefferson modernization	109,134	June-15
Madison modernization	77,559	June-15
McKinley modernization	63,500	June-15
Monroe modernization	99,453	June-15
Roosevelt modernization	144,148	June-15
Washington modernization	61,625	June-15
Wilson modernization	78,179	June-15
Total	\$ 711,585	

Property Purchase

The District is under contract to purchase land and buildings located at 13666 East 14th Street, San Leandro for \$1,300,000 for the purposes of operating a District wide school based health center. Escrow is anticipated to close on July 31, 2013.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013, the District made payments of \$515,486 to East Bay Schools Insurance Group and Alameda County Schools Insurance Group public entity risk pools and \$1,173,101 and \$1,151,850 to the Eden Area Regional Occupational Program and the School Project for Utility Rate, respectively for occupational programs and utilities.

REQUIRED SUPPLEMENTARY INFORMATION

SAN LEANDRO UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive
				Final
				to Actual
REVENUES				
Revenue limit sources	\$ 45,410,624	\$ 46,137,873	\$ 47,042,609	\$ 904,736
Federal sources	5,025,124	6,475,165	5,888,816	(586,349)
Other state sources	10,315,351	10,984,389	12,982,098	1,997,709
Other local sources	3,989,597	4,472,446	2,914,308	(1,558,138)
Total Revenues ¹	64,740,696	68,069,873	68,827,831	757,958
EXPENDITURES				
Current				
Certificated salaries	39,088,987	39,272,485	39,095,611	176,874
Classified salaries	9,001,715	9,119,874	9,217,376	(97,502)
Employee benefits	8,845,462	8,834,611	10,714,403	(1,879,792)
Books and supplies	1,817,859	3,541,601	1,703,245	1,838,356
Services and operating expenditures	7,548,205	9,871,715	9,182,629	689,086
Other outgo	1,495,973	1,570,914	1,036,895	534,019
Capital outlay	56,032	135,984	158,225	(22,241)
Total Expenditures ¹	67,854,233	72,347,184	71,108,384	1,238,800
Excess (Deficiency) of Revenues				
Over Expenditures	(3,113,537)	(4,277,311)	(2,280,553)	1,996,758
Other Financing Sources (Uses)				
Transfers in	800,572	800,572	800,572	-
Transfers out	-	-	(590,271)	(590,271)
Net Financing Sources (Uses)	800,572	800,572	210,301	(590,271)
NET CHANGE IN FUND BALANCES	(2,312,965)	(3,476,739)	(2,070,252)	1,406,487
Fund Balance - Beginning	11,205,497	11,205,497	11,205,497	-
Fund Balance - Ending	\$ 8,892,532	\$ 7,728,758	\$ 9,135,245	\$ 1,406,487

¹ On behalf payments of \$2,008,016 are included in the actual revenues and expenditures, and have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, but are not included in the original and final General Fund budgets.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013**

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, 2010	June 18, 2008	\$ -	\$ 7,533,000	\$ 7,533,000	\$ -	\$ 47,500,000	15.9%
June 30, 2011	July 1, 2011	-	6,585,557	6,585,557	\$ -	51,062,142	12.9%
June 30, 2012	July 1, 2011	-	6,585,557	6,585,557	\$ -	51,062,142	12.9%

SUPPLEMENTARY INFORMATION

SAN LEANDRO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

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	\$ 1,208,214
NCLB - Title I, Part A, Program Improvement LEA Corrective Action, Extensive Performance Problems	84.010	14955	641,195
Early Intervention Services (IDEA)			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,939,371
Preschool Grants, Part B, Section 619	84.173	13430	86,744
Preschool Local Entitlement, Part B, Section 611	84.027A	13682	160,762
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	195,934
Adult Education			
Adult Basic Education & ESL	84.002A	14508	211,986
Adult Secondary Education	84.002	13978	57,391
English Literacy & Civics Education	84.002A	14109	159,865
Technology Secondary II C, Section 131	84.048	13924	54,104
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	133,540
Title IV, Part B, Twenty-First Century Community Learning Centers Program	84.287	14349	468,171
Title III, Limited English Proficient (LEP) Student Program	84.365	10084	258,957
Title X, McKinney-Vento Homeless Children Assistance Grants	84.196	14332	24,749
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)	84.334A	[2]	612,392
Total U.S. Department of Education			<u>6,213,375</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Basic School Breakfast Program	10.553	03525	2,840
National School Lunch Program	10.553	13390	1,835,815
Commodities ¹	10.550	13755	158,055
Meals Supplements - Snack	10.555	[2]	121,583
Meal Pattern	10.555	[2]	37,147
Especially Needy Breakfast	10.553	13526	502,701
Total U.S. Department of Agriculture			<u>2,658,141</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medi-Cal Administrative Assistance (MAA)	93.778	10060	60,944
Medi-Cal Billing Option	93.778	10013	43,739
Total U.S. Department of Health and Human Services			<u>104,683</u>
Total Expenditures of Federal Awards			<u>\$ 8,976,199</u>

[1] Not recorded in financial statements

[2] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2013

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Diane Prola	President	2016
Jason Toro	Vice President	2016
Ron Carey	Clerk	2014
Lance James	Member	2014
Vince J. Rosato	Member	2016
Mike Katz-Lacabe	Member	2014

ADMINISTRATION

Michael McLaughlin	Superintendent
Song Chin-Bendib	Assistant Superintendent, Business and Operations
Rosanna Mucetti	Assistant Superintendent, Educational Services
John Thompson, Ed. D.	Senior Director II, Human Resources

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2013

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Kindergarten	645	634
First through third	1,887	1,909
Fourth through sixth	1,786	1,780
Seventh and eighth	1,208	1,207
Home and hospital	2	2
Special education	194	202
Total Elementary	<u>5,723</u>	<u>5,735</u>
SECONDARY		
Regular classes	2,408	2,384
Continuation education	93	90
Home and hospital	7	9
Special education	118	118
Total Secondary	<u>2,626</u>	<u>2,600</u>
Total K-12	<u><u>8,348</u></u>	<u><u>8,335</u></u>

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2013**

Grade Level	1982-83	Reduced 1982-83	1986-87	Reduced 1986-87	2012-13	Number of Days		Status
	Actual Minutes	Actual Minutes	Minutes Requirement	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,960	34,496	36,000	33,600	37,800	180	N/A	In compliance
Grade 1	44,000	41,067	50,400	47,040	51,765	180	N/A	In compliance
Grade 2	44,000	41,067	50,400	47,040	51,765	180	N/A	In compliance
Grade 3	44,000	41,067	50,400	47,040	51,765	180	N/A	In compliance
Grade 4	56,760	52,976	54,000	50,400	56,820	180	N/A	In compliance
Grade 5	56,760	52,976	54,000	50,400	56,820	180	N/A	In compliance
Grade 6	56,760	52,976	54,000	50,400	57,945	180	N/A	In compliance
Grade 7	56,760	52,976	54,000	50,400	57,945	180	N/A	In compliance
Grade 8	56,760	52,976	54,000	50,400	57,945	180	N/A	In compliance
Grade 9	58,960	55,029	64,800	60,480	73,335	180	N/A	In compliance
Grade 10	58,960	55,029	64,800	60,480	73,335	180	N/A	In compliance
Grade 11	58,960	55,029	64,800	60,480	73,335	180	N/A	In compliance
Grade 12	58,960	55,029	64,800	60,480	73,335	180	N/A	In compliance

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

	<u>Form Debt</u>
FORM DEBT	
Balance, June 30, 2013, Unaudited Actuals	\$ 168,241,314
Increase in:	
General obligation bonds payable	1,507,004
General obligation bond premiums, net of amortization	112,463
Other post employment benefits	<u>1,250,000</u>
Balance, June 30, 2013, Audited Financial Statements	<u><u>\$ 171,110,781</u></u>

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

	(Budget)			
	2014 ¹	2013	2012	2011
GENERAL FUND ⁴				
Revenues	\$ 67,475,805	\$ 66,819,815	\$ 66,431,921	\$ 69,686,465
Other sources	1,132,361	800,572	1,130,571	-
Total Revenues and Other Sources	<u>68,608,166</u>	<u>67,620,387</u>	<u>67,562,492</u>	<u>68,686,465</u>
Expenditures	69,318,997	69,100,368	67,463,148	65,663,065
Other uses and transfers out	151,754	590,271	538,500	2,625,017
Total Expenditures and Other Uses	<u>69,470,751</u>	<u>69,690,639</u>	<u>68,001,648</u>	<u>68,288,082</u>
INCREASE (DECREASE) IN FUND BALANCE	<u>\$ (862,585)</u>	<u>\$ (2,070,252)</u>	<u>\$ (439,156)</u>	<u>\$ 1,398,383</u>
ENDING FUND BALANCE	<u>\$ 8,272,660</u>	<u>\$ 9,135,245</u>	<u>\$ 11,205,497</u>	<u>\$ 11,644,653</u>
AVAILABLE RESERVES ²	<u>\$ 2,632,043</u>	<u>\$ 3,795,365</u>	<u>\$ 3,663,180</u>	<u>\$ 3,936,790</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	<u>3.79%</u>	<u>5.45%</u>	<u>5.39%</u>	<u>5.76%</u>
LONG-TERM OBLIGATIONS	<u>\$ 166,652,016</u>	<u>\$ 171,110,781</u>	<u>\$ 171,255,240</u>	<u>\$ 172,447,045</u>
K-12 AVERAGE DAILY ATTENDANCE AT P-2	<u>8,348</u>	<u>8,348</u>	<u>8,479</u>	<u>8,422</u>

The General Fund balance has decreased by \$2,509,408 over the past two years. The fiscal year 2013-2014 budget projects a decrease of \$862,585(9 percent). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2013-2014 fiscal year. Total long-term obligations have decreased by \$1,336,264 over the past two years.

Average daily attendance has decreased by 74 over the past two years. No additional growth of ADA is anticipated during fiscal year 2013-2014.

¹ Budget 2014 is included for analytical purposes only and has not been subjected to audit.

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

³ On behalf payments of \$2,008,016 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2013.

⁴ General Fund amounts include activities related to the consolidation of the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects, as required by GASB 54.

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
None	

See accompanying note to supplementary information.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 527,326	\$ 1,043,427	\$ 69,873
Receivables	866,480	555,497	45
Due from other funds	727,567	-	93,750
Stores inventories	-	32,092	-
Total Assets	\$ 2,121,373	\$ 1,631,016	\$ 163,668
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 525,674	\$ 45,111	\$ 3,091
Due to other funds	31,663	88,084	-
Deferred revenue	-	-	-
Total Liabilities	557,337	133,195	3,091
Fund Balances:			
Nonspendable	-	32,092	-
Restricted	-	1,465,729	-
Assigned	1,564,036	-	160,577
Total Fund Balances	1,564,036	1,497,821	160,577
Total Liabilities and Fund Balances	\$ 2,121,373	\$ 1,631,016	\$ 163,668

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
\$ 1,099,936	\$ 817,378	\$ 2,014,231	\$ 5,572,171
11,138	530	718	1,434,408
1,207,564	-	-	2,028,881
-	-	-	32,092
<u>\$ 2,318,638</u>	<u>\$ 817,908</u>	<u>\$ 2,014,949</u>	<u>\$ 9,067,552</u>
\$ 3,778	\$ -	\$ -	\$ 577,654
-	543,199	545	663,491
-	-	15,917	15,917
<u>3,778</u>	<u>543,199</u>	<u>16,462</u>	<u>1,257,062</u>
-	-	-	32,092
-	274,709	-	1,740,438
2,314,860	-	1,998,487	6,037,960
<u>2,314,860</u>	<u>274,709</u>	<u>1,998,487</u>	<u>7,810,490</u>
<u>\$ 2,318,638</u>	<u>\$ 817,908</u>	<u>\$ 2,014,949</u>	<u>\$ 9,067,552</u>

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, 2013**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	\$ 429,241	\$ 2,500,087	\$ -
Other State sources	1,759,655	195,765	329,759
Other local sources	262,027	523,994	317
Total Revenues	2,450,923	3,219,846	330,076
EXPENDITURES			
Current			
Instruction	1,278,569	-	-
Instruction-related activities:			
Supervision of instruction	104,252	-	-
School site administration	606,590	-	-
Pupil services:			
Food services	-	2,835,991	-
All other pupil services	42,726	-	-
Administration:			
All other administration	31,663	86,867	-
Plant services	117,205	-	-
Facility acquisition and construction	40,198	-	-
Debt service			
Principal	71,436	-	-
Interest and other	30,048	-	-
Total Expenditures	2,322,687	2,922,858	-
Excess (Deficiency) of Revenues Over Expenditures	128,236	296,988	330,076
Other Financing Sources (Uses)			
Transfers in	41,000		-
Transfers out	(470,000)	-	(330,572)
Net Financing Sources (Uses)	(429,000)	-	(330,572)
NET CHANGE IN FUND BALANCES	(300,764)	296,988	(496)
Fund Balance - Beginning	1,864,800	1,200,833	161,073
Fund Balance - Ending	\$ 1,564,036	\$ 1,497,821	\$ 160,577

See accompanying note to supplementary information.

<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve Capital Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 2,929,328
-	543,199	12,149	2,840,527
1,462,022	1,133	331,372	2,580,865
<u>1,462,022</u>	<u>544,332</u>	<u>343,521</u>	<u>8,350,720</u>
-	-	-	1,278,569
-	-	-	104,252
-	-	-	606,590
-	-	-	2,835,991
-	-	-	42,726
-	-	-	118,530
129,583	-	1,986	248,774
131,396	-	18,108	189,702
170,685	-	-	242,121
41,046	-	-	71,094
<u>472,710</u>	<u>-</u>	<u>20,094</u>	<u>5,738,349</u>
<u>989,312</u>	<u>544,332</u>	<u>323,427</u>	<u>2,612,371</u>
-	-	-	41,000
-	(543,199)	-	(1,343,771)
-	(543,199)	-	(1,302,771)
989,312	1,133	323,427	1,309,600
1,325,548	273,576	1,675,060	6,500,890
<u>\$ 2,314,860</u>	<u>\$ 274,709</u>	<u>\$ 1,998,487</u>	<u>\$ 7,810,490</u>

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:		
Commodities	10.550	\$ 8,818,144
Total Schedule of Expenditures of Federal Awards		<u>\$ 158,055</u> <u>\$ 8,976,199</u>

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

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

SAN LEANDRO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Charter Schools

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

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

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

INDEPENDENT AUDITORS' REPORTS



**INDEPENDENT AUDITORS' 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, 2013, 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 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Leandro Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Leandro Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of San Leandro Unified School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control as described in the accompanying Schedule of Findings and Questioned Costs as item 2013-1 that we consider to be significant deficiencies.

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*.

We noted certain matters that we reported to management of San Leandro Unified School District in a separate letter dated December 12, 2013.

San Leandro Unified School District's response to Findings

San Leandro Unified School District's response to the finding identified in our audit is 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.

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, Tine, Day & Co LLP

Pleasanton, California
December 12, 2013



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

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

Governing Board
San Leandro Unified School District
San Leandro, California

Report on Compliance for Each Major Federal Program

We have audited San Leandro Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Leandro Unified School District's (the District) major Federal programs for the year ended June 30, 2013. San Leandro Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, San Leandro Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of San Leandro Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered San Leandro Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Leandro Unified School District's internal control over compliance.

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

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

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

Vaurinek, Ture, Day & Co LLP

Pleasanton, California
December 12, 2013



INDEPENDENT AUDITORS' 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 *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2012-2013* 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, 2013.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the San Leandro Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013*. 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 opinion. Our audit does not provide a legal determination of San Leandro Unified School District's compliance with those requirements.

Opinion

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, 2013.

Other Matters

We noted certain matters that we reported to management of San Leandro Unified School District in a separate letter dated December 12, 2013.

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:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable

Vaurine K, Ture, Day & Co LLP

Pleasanton, California
December 12, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN LEANDRO UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555, 10.553, 10.550</u>	<u>Child Nutrition Cluster</u>
<u>84.027, 84.027A, 84.173</u>	<u>Special Education Cluster</u>

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

STATE AWARDS

Type of auditors' report issued on compliance for programs:	<u>Unmodified</u>
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SAN LEANDRO UNIFIED SCHOOL DISTRICT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

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:

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

**2013-1 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

At Wilson Elementary we noted that donations and receipts that come in the mail are not receipted or kept in a log.

Questioned costs

None

Context

We reviewed cash collections at Wilson Elementary, Washington Elementary, Roosevelt Elementary, Bancroft Middle School, and Lincoln High School and noted the above.

Effect

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

Cause

Internal controls over Associated Student Body and Site Cash have not been optimized.

Recommendation

Receipt books and sub-receipt books should be used for revenue producing activities at the site level.

Corrective Action Plan

Wilson Elementary School now uses receipt books for incoming payments. Also, the site now time stamps donations that come in the mail.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None noted.

SAN LEANDRO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

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.

2012-1 Code 30000 – Internal Controls – Associated Student Body

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.

Condition

At James Monroe, John Muir, Jefferson Elementary, and Lincoln High School there were no receipt books or sub-receipt books used for revenue producing activities. In addition, at one site we noted that undeposited cash is not stored in a secure location. San Leandro High appears to use one bank account and comingle Associated Study Body cash with site cash.

Questioned costs

Not Determined.

Context

We reviewed Associated Study Body transactions at James Monroe, John Muir, Jefferson Elementary, and Lincoln High School, and San Leandro High in April 2012 and noted the above items.

Effect

There exists the risk that Associated Student Body funds could potentially be misappropriated.

Cause

Internal controls over Associated Student Body have not been adequately implemented.

Recommendation

Receipt books and sub-receipt books should be used for revenue producing activities at the site level. Associated Student Body funds should be kept separate from site cash.

Current Status

Partially implemented. See current year financial statement finding 2013-1.