

San Dieguito Union High School District

INFORMATION REGARDING BOARD AGENDA ITEM

TO: BOARD OF TRUSTEES

DATE OF REPORT: January 6, 2014

BOARD MEETING DATE: January 16, 2014

PREPARED BY: Delores Perley, Director of Finance
Eric R. Dill, Assoc. Superintendent, Business

SUBMITTED BY: Rick Schmitt
Superintendent

SUBJECT: ACCEPTANCE OF THE 2012-13 ANNUAL
AUDIT REPORT

EXECUTIVE SUMMARY

The District entered into an agreement for the annual audit of all funds with Wilkinson, Hadley, King, & Co. LLP – Certified Public Accountants. The audit has been completed in accordance with state law. Wilkinson, Hadley, King, & Co. LLP now present the audit report for your review and acceptance. Copies have been forwarded to the County Superintendent and the California Department of Education within the time frame required by law.

Findings and recommendations are noted on pages 81 through 84 of the audit report. The report does not contain any negative findings or identify any material weaknesses in the District's internal controls.

Wilkinson, Hadley, King & Co. will conduct audits of Proposition AA funds in January according to Proposition 39 requirements. The results of that audit will be presented to the Board of Trustees and the Independent Oversight Committee.

RECOMMENDATION:

It is recommended that the Board accept the 2012-13 annual audit of the San Dieguito Union High School District, as prepared by Wilkinson, Hadley, King, & Co. LLP, as shown in the attached supplement.

FUNDING SOURCE:

Not applicable.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
COUNTY OF SAN DIEGO
ENCINITAS, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2013

**Wilkinson Hadley King & Co. LLP
CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020**

Introductory Section

San Dieguito Union High School District
 Audit Report
 For The Year Ended June 30, 2013

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San Dieguito Union High School District
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Financial Section

Wilkinson Hadley King & Co. LLP

CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

Independent Auditor's Report

To the Board of Trustees
San Dieguito Union High School District
Encinitas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Dieguito Union High 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Dieguito Union High 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.

Emphasis of Matter

As described in Note A to the financial statements, in 2013, San Dieguito Union High School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information identified as Required Supplementary Information 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 Dieguito Union High School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*, published by the Education Audit Appeals Panel, and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 combining financial statements and other supplementary information and the schedule of expenditures of federal awards are 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 5, 2013 on our consideration of San Dieguito Union High 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 Dieguito Union High School District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 5, 2013

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

This section of San Dieguito Union High School District's (District) annual financial report presents management's discussion and analysis of the District's financial performance during the year ending June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements included in the audit report to enhance their understanding of the District's financial performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The statements are organized so the reader can understand the District as a complex financial entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole district, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2013 are as follows:

- Total governmental fund net position is \$109,672,033
- The state wide average for the cost of living adjustment was 3.24%
- The passage of a general obligation bond in November 2012

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund financial statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the building fund, each of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

- **Proprietary funds.** The District maintains one proprietary fund type, an internal service fund.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses three internal service funds to account for services provided to all the other funds of the District: Insurance premium reduction fund, other post-employment benefits fund and deductible insurance loss fund. The internal service funds have been included within *governmental activities* in the government-wide financial statements. The three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$109.7 million at the close of the most recent fiscal year.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
2012-13 NET POSITION**
(In Millions of Dollars)

	Governmental Activities		2012-13 % of Total	Total % Change over 11-12
	2011-2012	2012-13		
Current and Other Assets	33.7	199.5	51%	492.0%
Capital Assets	194.2	193.3	49%	-0.5%
Total Assets	\$ 227.9	\$ 392.8		72.4%
Long Term Debt Outstanding	103.0	269.8	95%	161.9%
Other Liabilities	8.2	13.3	5%	62.2%
Total Liabilities	\$ 111.2	\$ 283.1		154.6%
<u>Net Position</u>				
Net Investment in Capital				
Assets	94.6	92.5	84%	-2.2%
Restricted	22.1	17.2	16%	-22.2%
Total Net Position	\$ 116.7	\$ 109.7		-6.0%

- The resources in capital assets, less related debt, are 49% of total net position. Capital assets include land, site improvements, buildings, equipment, and work in progress, less a reduction for accumulated depreciation.
- The restricted portion of the District’s net position (16%) is reserved for capital projects, debt service and educational programs. The majority of the restricted balance consists of bond proceeds through the Community Facilities District (CFD) or Mello-Roos.

Governmental activities. The key elements of the District’s net position for the year ended June 30, 2013 are as follows:

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

<u>Revenues</u>	<u>Governmental Activities</u>		<u>% of Total</u> <u>2012-2013</u>	<u>% change</u> <u>over 11-12</u>
	<u>2011-2012</u>	<u>2012-2013</u>		
Program revenues				
Charges for services	2,896,711	2,820,522	2.47%	-2.6%
Operating grants and contributions	12,898,212	11,397,758	9.97%	-11.6%
Capital grants and contributions	128,330	3,849	0.00%	-97.0%
General revenues				
Property taxes	85,113,345	87,067,667	76.20%	2.3%
Federal and state aid not restricted to specific purposes	5,996,512	7,603,117	6.65%	26.8%
Interest and investment earnings	335,425	486,710	0.43%	45.1%
Interagency revenues	296,775	218,892	0.19%	-26.2%
Miscellaneous	4,544,290	4,668,112	4.09%	2.7%
Total revenues	<u>\$ 112,209,600</u>	<u>\$ 114,266,627</u>	<u>100.00%</u>	<u>1.8%</u>
<u>Expenditures by Function</u>				
Governmental activities				
Instruction	64,068,100	64,100,015	52.85%	0.0%
Instruction-related services	10,696,444	10,112,419	8.34%	-5.5%
Pupil Services	13,751,992	14,202,393	11.71%	3.3%
General Administration	5,666,796	5,423,481	4.47%	-4.3%
Plant Services	16,076,404	16,084,886	13.26%	0.1%
Ancillary Services	2,293,104	2,404,291	1.98%	4.8%
Enterprise Activities	1,096,319	1,130,155	0.93%	3.1%
Interest on long-term debt	5,324,505	6,641,943	5.48%	24.7%
Other outgo	1,567,850	1,178,274	0.97%	-24.8%
Depreciation (unallocated)	-	-	-	-
	<u>\$ 120,541,514</u>	<u>\$ 121,277,857</u>	<u>100.00%</u>	<u>0.6%</u>
Increase (decrease) in net position	<u>\$ (8,331,914)</u>	<u>\$ (7,011,230)</u>		
Net position - beginning	<u>\$ 124,995,179</u>	<u>\$ 116,663,263</u>		
Net position - ending	<u>\$ 116,663,265</u>	<u>\$ 109,652,033</u>		

- Operating Grants & Contributions: Decrease of \$1.5 Mil (-11.6%) – due to a decrease in Federal grants.
- Capital Grants & Contributions: Decrease of \$124K (-97.0%) – due to the final payment of a State School Building New Construction Grant for the San Dieguito Academy Performing Arts Building received in 2011-12 only.
- Federal and State Aid not Restricted to Specific Purposes: Increase of \$1.6 Mil (+26.8%) – due to a reduction in the Basic Aid Fair Share Contribution, capped at the district’s excess taxes, and an increase in solar energy rebates.

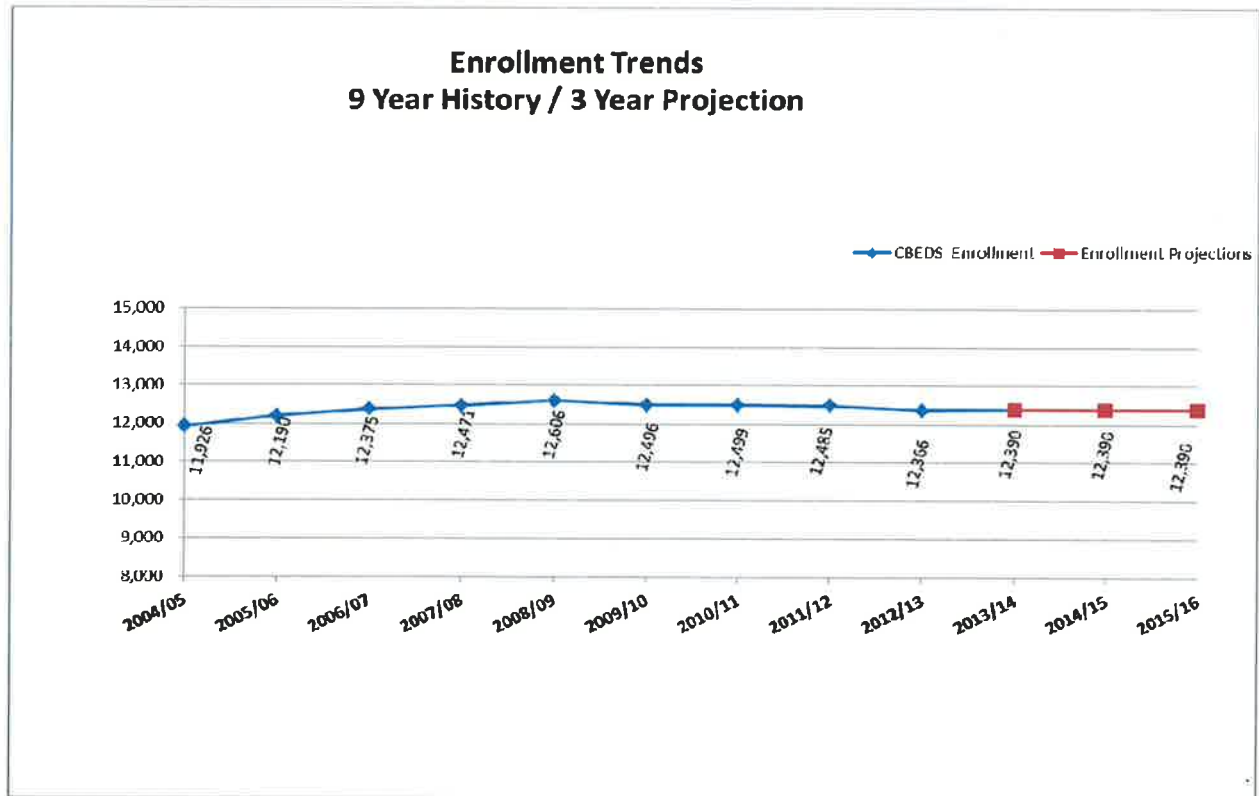
- Interest and Investment Earnings: Increase of \$151K (-45.1%) – increase in interest earned on bond proceeds.
- Interagency Revenues: Decrease of \$78K (+26.2%) – as a result of surplus equity paid in 2011-12 from the Joint Public Agency (JPA) for insurance.
- Instruction Related Services: Decrease of \$584K (-5.5%) – due to reductions, attrition, and retirement savings in school site support costs.
- Pupil Services: Increase of \$450K (+3.3%) – as a result of increased mental health expenses.
- Interest on Long-term Debt: Increase of \$1.3 Mil (+24.7%) – due to debt service costs associated with the first issuance of a voter-approved General Obligation bond.
- Other Outgo: Decrease \$390K (-24.8%) – decrease in Debt Services Expenses.
- The District is currently classified as a “Basic Aid” district. This means the local property taxes collected exceed the funded revenue limit entitlement provided by the state. The District became a Basic Aid district in 2008/09 following state funding cuts to the revenue limit. In 2012/13, the state funded approximately 79% of the base revenue limit.
- Depending on the growth level of local property tax revenue, the District might transition back to Revenue Limit/Local Control Funding Formula (LCFF) and receive state aid when the LCFF is fully implemented. State aid is based primarily on average daily attendance (ADA) and other appropriations. If a student is in attendance a full 180 days, the state awards the District one ADA. The state guarantees that if local taxes do not provide money equal to the base revenue limit guarantee it will make up the difference with state funding.

REVENUE LIMIT TABLE				
	<u>SDUHSD</u>	<u>% Increase</u>	<u>State Average</u>	<u>Difference</u>
2003-04	5,485	1.89%	5,587	(102)
2004-05	5,654	3.08%	5,742	(88)
2005-06	5,897	4.30%	5,986	(89)
2006-07	6,350	7.68%	6,400	(50)
2007-08	6,640	4.57%	6,690	(50)
2008-09	7,019	5.71%	7,069	(50)
2009-10	7,319	4.27%	7,369	(50)
2010-11	7,298	-0.29%	7,340	(42)
2011-12	7,463	2.26%	7,504	(41)
2012-13	7,706	3.26%	7,747	(41)

Enrollment, Enrollment Projections, and ADA

School Year	CBEDS Enrollment	Enrollment Projections	P2 ADA
2002/03	11,302		10,806
2003/04	11,689		11,269
2004/05	11,926		11,525
2005/06	12,190		11,731
2006/07	12,375		11,950
2007/08	12,471		12,027
2008/09	12,606		11,882
2009/10	12,496		12,150
2010/11	12,499		11,989
2011/12	12,485		12,019
2012/13	12,366		11,832
2013/14*		12,390	
2014/15*		12,390	
2015/16*		12,390	

*estimated



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$190.4 million; an increase of \$160.8 million over the previous year due to the first issuance of a voter-approved general obligation bond. The general fund had a fund balance increase of approximately \$479,000 due to additional property tax and other revenue received at the end of the fiscal year. In addition, the following expenditures should be noted:

- General fund salaries totaled \$64.5 million while the associated employee benefits of retirement, social security, Medicare, insurance (medical, dental, life, and accident), workers' compensation, and unemployment added \$20.3 million to arrive at 83% of total general fund expenditures.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into non-spendable, restricted, designated, assigned and unassigned portions. Non-spendable amounts represent items such as inventory and revolving cash. Restricted fund balances are those associated with restricted funding sources. Designated and assigned portions of the District's fund balances indicate the amounts that are not available for appropriation, but are reserved for District determined purposes. Fund balances of debt service, capital projects, and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion. The \$14.2 million fund balance of the general fund is primarily designated for the following purposes:

Reserve for economic uncertainty. As required by state law, the District has established an unassigned reserve within the unrestricted general fund. This reserve is required to be at least 3% of general fund expenditures set aside for contingencies or possible reductions in state funding and is not to be used in the negotiation or settlement of contract salaries.

In addition, the District's Board of Trustees requires a minimum reserve of 4.5%, as well as a Basic Aid Reserve of 3%. As of June 2013, the \$12.1 million held in reserve meets the combined 7.5% requirement. The maintenance of a sufficient reserve is a key credit consideration in garnering excellent short-term and long-term bond ratings.

Non-Spendable reserve for revolving cash fund. The District maintains a \$30,000 revolving cash fund for expediting emergency and small purchase reimbursement to employees. In addition, the District maintains a Purchasing Card fund to provide a timely alternative for needed purchases. The cash fund to cover the card purchases is \$145,000; increasing the total reserve for revolving funds to \$175,000.

Non-Spendable reserve for stores inventories. Two departments, purchasing and nutrition services maintain perpetual inventories to expedite and reduce cost through volume purchasing. The total valuation as of June 30, 2013 was \$55,394.

General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The most significant differences may be summarized as follows:

- The difference between the original budget and the actual expenditures was an increase of \$2.2 million or 2.1% in total general fund expenditures -- mainly in Books and Supplies due to additional local revenue received throughout the year.
- During the year, actual revenue received exceeded original budgetary estimates by \$8.0 million, or 7.8%, to account for carryover balances, increases in property taxes, including the Education Protection Account (EPA) that became law in 2012-13, as well as increases in federal and state revenues and local donations.
- After adjustments, actual revenues were \$1.6 million below final budgeted amounts and expenditures were \$3.3 million below final budgeted amounts. The revenue variance was due to revenue that will be deferred to 2013-14. The significant variance in expenditures was a positive \$2.3 million in Books and Supplies expenses. Positive variances indicate the actuals were better than expected.
- Variances primarily result from expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the original budget amounts.

Capital Asset and Debt Administration

Capital Assets: The State School Facilities Fund (Fund 35-00) is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

The Capital Facilities Fund 25-18 consists of school facilities impact fees that assure school facilities and services will be available to meet the needs of residents of new developments. Capital Facilities Fund 25-19 contains fees imposed and collected on new residential and commercial/industrial development within the District to fund additional school facilities required to serve additional grade 7-12 students generated by the new development. The fees are used for construction and/or acquisition of additional school facilities, remodeling existing school facilities to add additional classrooms and technology, and acquiring and installing additional portable classrooms to accommodate an increase in student population.

The projects in 2012-2013 included the completion of prior year’s ongoing projects: Final improvements for the Solar Project at La Costa Canyon High School, and closeout of several prior year projects at the Division of State Architects (DSA).

The Building Fund – Proposition 39 (Fund 21-39) was established by the board on February 7, 2013. On November 6, 2012, the voters of the San Dieguito Union High School District community voted to approve Proposition AA to authorize the District to issue up to \$449 million of general obligation bonds to finance certain specified capital projects and facilities. In April 2013, the district issued the first series of those bonds, in the amount of \$160 million to fund projects. The projects in 2012-2013, included: Torrey Pines High School field improvements as well as the early work on many large projects, at all school sites, to take place in the next several years.

Capital assets at June 30, 2012 and 2013 are outlined below:

	June 30, 2012	June 30, 2013	Total Change
Land	\$ 54,522,725	\$ 54,522,725	\$ -
Improvement of Sites	21,168,604	34,939,979	13,771,375
Buildings	165,595,654	166,296,923	701,269
Equipment	12,516,567	12,649,700	133,133
Work in Progress	12,953,805	5,867,665	(7,086,140)
Accumulated depreciation	(72,555,800)	(80,947,667)	(8,391,867)
Total Capital Assets	<u>\$ 194,201,555</u>	<u>\$ 193,329,325</u>	<u>\$ (872,230)</u>

Debt Administration: In August 2006, the District issued through the San Dieguito Public Facilities Authority the 2006 Revenue Refunding Bonds (the “Original Bonds”) to prepay and annul the outstanding 1998 and 2004 Revenue Bonds.

In connection with a conversion of interest on the Original Bonds from an auction rate to a long term rate on May 18, 2008, the Authority completed a remarketing of Series 2006A and 2006B bonds, and a third series of remarketed Original Bonds, 2006C, for the purpose of providing funds, along with other monies available to the Authority, to purchase the outstanding Original Bonds, pursuant to the provisions of the Indenture. The outstanding Original Bonds were required to be tendered in connection with the conversion of interest on the Original Bonds from an auction rate to a long term rate.

The 2006 Bonds have been remarketed in the aggregate principal amount of \$89,130,000, and will mature on August 1, 2041, subject to redemption prior to maturity.

Interest on the bonds is payable semiannually each February 1 and August 1, and bear rates of 4% - 7%.

The 2006 Bonds are insured by a financial guaranty insurance policy by Ambac Assurance Corporation.

The Series 2006A bonds are rated AAA (A underlying) by Standard & Poor’s and Aaa (A3 underlying) by Moody’s. The Series 2006B subordinate bonds are rated AAA (A- underlying). The Series 2006C super subordinate bonds are non-rated. The San Dieguito Public Facilities Authority assumes all debt service responsibility for the revenue bonds consistent with California law.

The San Dieguito Union High School District is not obligated for any debt repayment in the event of default.

In 2012, the District issued Lease Revenue Bonds in the amount of \$2,500,000 to fund projects at Torrey Pines related to stadium renovations, and HVAC related to energy management programs.

On November 6, 2012, the voters of the San Dieguito Union High School District community voted to approve Proposition AA to authorize the District to issue up to \$449 million of general obligation bonds to finance certain specified capital projects and facilities. In April 2013, the district issued the first series of those bonds, in the amount of \$160 million to fund projects. The District currently has \$167.6 million outstanding in general obligation bonds.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the San Dieguito Union High School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Associate Superintendent of Business Services, San Dieguito Union High School District, 710 Encinitas Blvd., Encinitas, CA 92024.

Basic Financial Statements

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental</u> <u>Activities</u>
ASSETS:	
Cash	\$ 192,022,540
Receivables	6,205,159
Stores	55,394
Prepaid Expenses	1,176,276
Capital Assets:	
Land	54,522,725
Improvements	34,939,979
Buildings	166,296,923
Equipment	12,649,700
Work in Progress	5,867,665
Less Accumulated Depreciation	<u>(80,947,667)</u>
Total Assets	<u>392,788,694</u>
LIABILITIES:	
Accounts Payable	9,718,854
Deferred Revenue	311,928
Long-Term Liabilities:	
Due Within One Year	3,243,643
Due in More Than One Year	269,842,236
Total Liabilities	<u>283,116,661</u>
NET POSITION	
Net Investment in Capital Assets	92,509,675
Restricted for:	
Capital Projects	9,866,152
Educational Programs	931,227
Unrestricted	6,364,979
Total Net Position	<u>\$ 109,672,033</u>

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 64,100,015	\$ 173,491	\$ 8,518,048	\$ 3,849	\$ (55,404,627)
Instruction-Related Services:					
Instructional Supervision and Administration	1,852,445	4,910	469,953	-	(1,377,582)
Instructional Library, Media and Technology	1,069,922	-	-	-	(1,069,922)
School Site Administration	7,190,052	21	271,926	-	(6,918,105)
Pupil Services:					
Home-to-School Transportation	4,234,331	535,995	13,550	-	(3,684,786)
Food Services	2,496,499	1,987,564	619,791	-	110,856
All Other Pupil Services	7,471,563	59	954,878	-	(6,516,626)
General Administration:					
Centralized Data Processing	897,678	-	-	-	(897,678)
All Other General Administration	4,525,803	111,233	267,045	-	(4,147,525)
Plant Services	16,084,886	45	897	-	(16,083,944)
Ancillary Services	2,404,291	-	-	-	(2,404,291)
Enterprise Activities	1,130,155	-	-	-	(1,130,155)
Interest on Long-Term Debt	6,641,943	-	-	-	(6,641,943)
Other Outgo	1,178,274	7,204	281,670	-	(889,400)
Total Expenses	\$ 121,277,857	\$ 2,820,522	\$ 11,397,758	\$ 3,849	\$ (107,055,728)
General Revenues:					
Taxes and Subventions:					
Taxes Levied for General Purposes					80,437,753
Taxes Levied for Other Specific Purposes					6,629,914
Federal and State Aid Not Restricted to Specific Programs					7,603,117
Interest and Investment Earnings					486,710
Interagency Revenues					218,892
Miscellaneous					4,668,112
Total General Revenues					\$ 100,044,498
Change in Net Position					(7,011,230)
Net Position Beginning					116,683,263
Net Position Ending					\$ 109,672,033

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 13,585,220	\$ 161,517,860	\$ 3,249,482	\$ 178,352,562
Cash on Hand and in Banks	2,771	-	4,898,963	4,901,734
Cash in Revolving Fund	175,187	-	-	175,187
Cash with a Fiscal Agent/Trustee	-	3,589,642	4,119,325	7,708,967
Accounts Receivable	5,487,562	114,964	582,868	6,185,394
Due from Other Funds	210,024	-	199,540	409,564
Stores Inventories	258	-	55,136	55,394
Total Assets	<u>19,461,022</u>	<u>165,222,466</u>	<u>13,105,314</u>	<u>197,788,802</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 2,574,813	\$ 3,764,799	\$ 368,359	\$ 6,707,971
Due to Other Funds	25	199,515	200,024	399,564
Unearned Revenue	241,432	-	70,496	311,928
Total Liabilities	<u>2,816,270</u>	<u>3,964,314</u>	<u>638,879</u>	<u>7,419,463</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	175,187	-	-	175,187
Stores Inventories	258	-	55,136	55,394
Restricted Fund Balances	931,227	-	1,727,594	2,658,821
Committed Fund Balances	-	-	3,137	3,137
Assigned Fund Balances	7,254,892	161,258,152	10,680,568	179,193,612
Unassigned:				
Reserve for Economic Uncertainty	8,283,188	-	-	8,283,188
Total Fund Balance	<u>16,644,752</u>	<u>161,258,152</u>	<u>12,466,435</u>	<u>190,369,339</u>
Total Liabilities and Fund Balances	<u>\$ 19,461,022</u>	<u>\$ 165,222,466</u>	<u>\$ 13,105,314</u>	<u>\$ 197,788,802</u>

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2013

Fund balances, governmental funds \$ 190,369,339

Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets relating to governmental activities, at historical cost:	274,276,992	
Accumulated depreciation:	<u>(80,947,667)</u>	
Net:		193,329,325

Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net position are: 1,176,276

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was: (3,010,884)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	167,592,717	
State school building loans payable	2,400,000	
Compensated absences payable	1,018,643	
Lease revenue bonds payable	15,251,068	
Other general long-term debt	<u>79,899,282</u>	
Total:		(266,161,710)

Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds are: (6,030,313)

Total net position, governmental activities \$ 109,672,033

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 2,314,039	\$ -	\$ -	\$ 2,314,039
Local Sources	80,438,033	-	-	80,438,033
Federal Revenue	4,081,236	-	642,568	4,723,804
Other State Revenue	5,735,578	-	34,417	5,769,995
Other Local Revenue	9,865,186	115,136	10,375,181	20,355,503
Total Revenues	<u>102,434,072</u>	<u>115,136</u>	<u>11,052,166</u>	<u>113,601,374</u>
Expenditures:				
Instruction	61,389,763	-	406,920	61,796,683
Instruction - Related Services	9,741,492	-	408,896	10,150,388
Pupil Services	11,517,024	-	2,555,858	14,072,882
Ancillary Services	2,405,112	-	-	2,405,112
General Administration	5,272,644	-	129,483	5,402,127
Plant Services	9,774,115	6,707,470	2,946,759	19,428,344
Other Outgo	896,231	-	-	896,231
Debt Service:				
Principal	765,588	-	2,150,000	2,915,588
Interest	840,567	-	4,020,834	4,861,401
Total Expenditures	<u>102,602,536</u>	<u>6,707,470</u>	<u>12,618,750</u>	<u>121,928,756</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(168,464)</u>	<u>(6,592,334)</u>	<u>(1,566,584)</u>	<u>(8,327,382)</u>
Other Financing Sources (Uses):				
Transfers In	765,588	-	5,924,844	6,690,432
Transfers Out	(117,992)	(765,588)	(5,826,852)	(6,710,432)
Proceeds From Sale of Bonds	-	160,000,000	-	160,000,000
Other Sources	-	8,336,717	765,588	9,102,305
Other Uses	-	-	(1,300)	(1,300)
Total Other Financing Sources (Uses)	<u>647,596</u>	<u>167,571,129</u>	<u>862,280</u>	<u>169,081,005</u>
Net Change in Fund Balance	479,132	160,978,795	(704,304)	160,753,623
Fund Balance, July 1	16,165,620	279,357	13,170,739	29,615,716
Fund Balance, June 30	<u>\$ 16,644,752</u>	<u>\$ 161,258,152</u>	<u>\$ 12,466,435</u>	<u>\$ 190,369,339</u>

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2013

Total change in fund balances, governmental funds \$ 160,753,623

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

	Expenditures for capital outlay:	7,519,637	
	Depreciation expense:	(8,391,867)	
	Net:	<u> </u>	(872,230)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 2,915,588

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (169,102,305)

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is: 2,002,945

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (938,348)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: 181,844

Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: (842,192)

Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: (1,110,155)

Change in net position of governmental activities \$ (7,011,230)

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
JUNE 30, 2013

	Nonmajor Internal Service Fund	Self-Insurance Fund
ASSETS:		
Current Assets:		
Cash in County Treasury	\$ 884,092	
Accounts Receivable	19,764	
Total Current Assets	<u>903,856</u>	
Total Assets		<u>903,856</u>
LIABILITIES:		
Current Liabilities:		
Due to Other Funds	\$ 10,000	
Total Current Liabilities	<u>10,000</u>	
Noncurrent Liabilities:		
Other Postemployment Benefits	<u>6,924,169</u>	
Total Noncurrent Liabilities	<u>6,924,169</u>	
Total Liabilities		<u>6,934,169</u>
NET POSITION:		
Unrestricted		<u>(6,030,313)</u>
Total Net Position		<u>\$ (6,030,313)</u>

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2013

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	\$ 897,962
Total Revenues	<u>897,962</u>
Operating Expenses:	
Services and Other Operating Expenses	2,028,117
Total Expenses	<u>2,028,117</u>
Income (Loss) before Contributions and Transfers	(1,130,155)
Interfund Transfers In	20,000
Change in Net Position	<u>(1,110,155)</u>
Total Net Position - Beginning	(4,920,158)
Total Net Position - Ending	<u>\$ (6,030,313)</u>

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	895,125
Cash Payments to Other Suppliers for Goods and Services	(736,362)
Net Cash Provided (Used) by Operating Activities	<u>158,763</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	2,836
Net Cash Provided (Used) for Investing Activities	<u>2,836</u>
Net Increase (Decrease) in Cash and Cash Equivalents	161,599
Cash and Cash Equivalents at Beginning of Year	722,493
Cash and Cash Equivalents at End of Year	<u><u>884,092</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	(1,110,155)
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(19,096)
Increase (Decrease) in Accounts Payable	(87,187)
Increase (Decrease) in Due To Other Funds	10,000
Increase (Decrease) in Net OPEB Obligation	1,368,037
Total Adjustments	<u>1,271,754</u>
Net Cash Provided (Used) by Operating Activities	<u><u>161,599</u></u>

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2013

	Agency Fund	Student Body Fund
ASSETS:		
Cash on Hand and in Banks	\$ 1,412,577	
Equipment	4,588	
Total Assets	<u>1,417,165</u>	
LIABILITIES:		
Due to Student Groups	\$ 1,417,165	
Total Liabilities	<u>1,417,165</u>	
NET POSITION:		
Total Net Position	<u>\$ -</u>	

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has one component unit, the San Dieguito Public Facilities Financing Authority. This component unit is shown as a blended component unit in the accompanying financial statements. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Building Fund. This fund accounts for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds: These funds account for the acquisition and/or construction of all major governmental general fixed assets.

Debt Service Funds. These funds account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

3. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

4. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with San Diego County Treasury was not available.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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 expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	5-15
Office Equipment	5-15
Other Equipment	5-15

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

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

e. 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 incurrance 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 combined balance sheet and revenue is recognized.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

i. Minimum Fund Balance Policy

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce the service levels because of temporary revenue shortfalls or unpredicted expenses. The District minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts equal to 4.5% of general fund operating expenses and other financing uses. This reserve may be increased from time to time in order to address specific anticipated revenue shortfalls.

j. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) has been combined with the General Fund for purposes of presentation in the audit report.

k. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

l. GASB 63 Implementation

The District has implemented GASB Statement Number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The purpose of this pronouncement is to improve financial reporting by standardizing the presentation of deferred inflows and outflows of resources and their effects on a government's net position. Transactions that result in consumption or acquisition of net assets in one period that are applicable to future periods as deferred outflows and inflows of resources are distinguished from assets and liabilities. Net position is the difference between 1) assets and deferred outflows of resources; and 2) liabilities and deferred inflows of resources. For the year ended June 30, 2013 the District did not have any items which would be considered deferred outflows and inflows of resources.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
Self-Insurance Fund	\$ 6,030,313

Remarks

Consistent with the requirements in GASB Statement No. 45 the district has recorded the liability for Other Post Employment Benefits; however, the district has elected not to fund the liability at this time as a result of the volatile economy and state budget.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$179,236,652 as of June 30, 2013). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$179,236,652. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$6,314,311 as of June 30, 2013) and in the revolving fund (\$175,187) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2013 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>
Money Market Funds	\$ 2,792,390
U.S. Treasury Bonds	4,916,577
Total Investments	<u>\$ 7,708,967</u>

4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The San Diego County Investment Pool is rated AA+ by Standard & Poors.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the San Diego Investment Pool with a fair value of \$179,236,652 and a book value of \$179,236,652. The weighted average days to maturity for this investment pool is 370 days.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

5. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Accounts Receivable

Accounts receivable at June 30, 2013 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
Federal Government:					
Federal programs	\$ 1,791,673	\$ 107,973	-	\$ -	\$ 1,899,646
State Government:					
Lottery	995,108	-	-	-	995,108
Other state programs	591,222	1,612	-	-	592,834
Local Sources:					
Interest	16,974	653	116,412	718	134,757
Other local sources	2,092,585	1,686	469,496	19,046	2,582,813
Totals	<u>\$ 5,487,562</u>	<u>\$ 111,924</u>	<u>\$ 585,908</u>	<u>\$ 19,764</u>	<u>\$ 6,205,158</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 54,522,725	\$ -	\$ -	\$ 54,522,725
Work in progress	12,953,805	5,415,597	12,501,737	5,867,665
Total capital assets not being depreciated	<u>67,476,530</u>	<u>5,415,597</u>	<u>12,501,737</u>	<u>60,390,390</u>
Capital assets being depreciated:				
Buildings	165,595,654	701,269	-	166,296,923
Improvements	21,168,604	13,771,375	-	34,939,979
Equipment	12,516,567	133,133	-	12,649,700
Total capital assets being depreciated	<u>199,280,825</u>	<u>14,605,777</u>	<u>-</u>	<u>213,886,602</u>
Less accumulated depreciation for:				
Buildings	(49,191,020)	(6,373,823)	-	(55,564,843)
Improvements	(13,510,214)	(1,285,968)	-	(14,796,182)
Equipment	(9,854,566)	(732,076)	-	(10,586,642)
Total accumulated depreciation	<u>(72,555,800)</u>	<u>(8,391,867)</u>	<u>-</u>	<u>(80,947,667)</u>
Total capital assets being depreciated, net	<u>126,725,025</u>	<u>6,213,910</u>	<u>-</u>	<u>132,938,935</u>
Governmental activities capital assets, net	<u>\$ 194,201,555</u>	<u>\$ 11,629,507</u>	<u>\$ 12,501,737</u>	<u>\$ 193,329,325</u>

Depreciation was charged to functions as follows:

Instruction	\$ 2,338,930
Instruction-Related Services	21,312
Pupil Services	257,496
General Administration	128,136
Plant Services	5,645,993
	<u>\$ 8,391,867</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2013 consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Adult Education Fund	\$ 86,830	Short term loan
General Fund	Cafeteria Fund	113,195	Indirect costs
General Fund	Self Insurance Fund	10,000	Insurance reimbursement
Capital Facilities Fund	Building Fund	199,515	Salaries reimbursement
Adult Education Fund	General Fund	25	Expense reimbursement
	Total	<u>\$ 409,565</u>	

All amounts due are scheduled to be repaid within one year.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2013 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Self Insurance Fund	\$ 20,000	Insurance reimbursement
General Fund	Adult Education Fund	83,180	Temporary loan
General Fund	Pupil Transportation Fund	14,812	Transportation expenses
Building Fund	General Fund	765,588	Prop 39 debt service
Component Units (52)	Component Units (49)	5,826,852	Debt service
	Total	<u>\$ 6,710,432</u>	

G. Accounts Payable

Accounts payable at June 30, 2013 consisted of:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Other Funds</u>	<u>Total</u>
Vendor payables	\$ 1,450,371	\$ 3,052	\$ 3,769,990	\$ -	\$ 5,223,413
Payroll and related benefits	1,124,442	31,276	328,840	-	1,484,558
Totals	<u>\$ 2,574,813</u>	<u>\$ 34,328</u>	<u>\$ 4,098,830</u>	<u>\$ -</u>	<u>\$ 6,707,971</u>

H. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

In July 2012, the District entered into the County of San Diego and San Diego County School Districts 2012 Pooled Tax and Revenue Anticipation Notes (TRANS) in the amount of \$18,225,000. The notes matured on April 30, 2013 and bore an interest rate of 2.00%. The notes were sold to supplement the District's cash flows.

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax anticipation notes	\$ -	\$ 18,225,000	\$ 18,225,000	\$ -

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

I. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2013 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ -	\$ 160,000,000	\$ -	\$ 160,000,000	\$ -
Unamortized discount	-	(744,000)	-	(744,000)	-
Unamortized premium	-	8,336,717	-	8,336,717	-
Special tax bonds	83,070,000	-	1,850,000	81,220,000	1,925,000
Unamortized discount	(1,366,260)	-	(45,542)	(1,320,718)	-
Lease revenue bonds	15,515,000	-	-	15,515,000	-
Unamortized discount	(382,604)	-	(27,329)	(355,275)	-
Unamortized premium	104,392	-	13,049	91,343	-
Net OPEB Obligation	5,556,131	1,995,956	627,918	6,924,169	-
Compensated absences *	1,200,487	-	181,844	1,018,643	1,018,643
State loan payable	2,700,000	-	300,000	2,400,000	300,000
Total governmental activities	<u>\$ 106,397,146</u>	<u>\$ 169,588,673</u>	<u>\$ 2,899,940</u>	<u>\$ 273,085,879</u>	<u>\$ 3,243,643</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt, net of unamortized discount, unamortized premium, and Net OPEB obligation, at June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,243,643	\$ 9,757,827	\$ 13,001,470
2015	12,570,000	10,831,331	23,401,331
2016	8,430,000	10,674,370	19,104,370
2017	2,995,000	10,539,795	13,534,795
2018	3,105,000	10,428,695	13,533,695
2019-2023	23,820,000	49,498,544	73,318,544
2024-2028	51,065,000	41,485,627	92,550,627
2029-2033	56,735,000	27,317,500	84,052,500
2034-2038	77,490,000	12,747,300	90,237,300
2039-2043	20,700,000	689,600	21,389,600
Totals	<u>\$ 260,153,643</u>	<u>\$ 183,970,589</u>	<u>\$ 444,124,232</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

3. General Obligation Bonds

General obligation bonds at June 30, 2013 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2012 Series A-1 Taxable	4/10/2013	0.46%	8/1/2014	\$ 2,320,000
2012 Series A-2 Tax-Exempt	4/10/2013	1.00-5.00%	8/1/2038	157,680,000
Total GO Bonds				\$ 160,000,000

	Beginning Balance	Increases	Decreases	Ending Balance
2012 Series A-1 Taxable	\$ -	\$ 2,320,000	\$ -	\$ 2,320,000
2012 Series A-2 Tax-Exempt	-	157,680,000	-	157,680,000
Unamortized Discount	-	(744,000)	-	(744,000)
Unamortized Premium	-	8,336,717	-	8,336,717
Total GO Bonds	\$ -	\$ 167,592,717	\$ -	\$ 167,592,717

The annual requirements to amortize the bonds outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ -	\$ 4,962,482	\$ 4,962,482
2015	10,245,000	6,115,361	16,360,361
2016	5,535,000	6,042,725	11,577,725
2017	-	6,015,050	6,015,050
2018	-	6,015,050	6,015,050
2019-2023	8,875,000	29,349,125	38,224,125
2024-2028	21,940,000	25,695,000	47,635,000
2029-2033	36,505,000	19,340,500	55,845,500
2034-2038	60,930,000	9,752,800	70,682,800
2039-2043	15,970,000	319,400	16,289,400
Totals	\$ 160,000,000	\$ 113,607,493	\$ 273,607,493

4. 2013 General Obligation Bonds

In April 2013, the District issued \$2,320,000 taxable, 2012 Election, Series A-1, General Obligation Bonds and \$157,680,000 tax-exempt, 2012 Election, Series A-2 General Obligation Bonds. The issue consisted of \$93,035,000 of current interest bonds with interest rates ranging from 1.00% to 5.00% with annual maturities from August 2014 through August 2033 and \$66,965,000 in a term bond with an interest rate of 4.00% with an annual maturity date of August 1, 2038. Interest on the bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2014. The bonds were authorized at an election of the registered voters held on November 6, 2012 at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of the bonds in order to finance specific construction, acquisition and modernization projects approved by the voters including lease payments with respect to such facilities in addition to purchasing the San Dieguito Public Facilities Authority's interest in and pay and prepay lease payments due on the Torrey Pines High School Projects.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

5. Special Tax Bonds

Special tax bonds at June 30, 2013 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2008 Special Tax Bonds	05/13/2008	4.00-5.00%	08/01/2041	\$ 89,130,000
	Beginning Balance	Increases	Decreases	Ending Balance
2008 Special Tax Bonds	\$ 83,070,000	\$ -	\$ 1,850,000	\$ 81,220,000
Unamortized Discount	(1,366,260)	-	(45,542)	(1,320,718)
Total Special Tax Bonds	\$ 81,703,740	\$ -	\$ 1,804,458	\$ 79,899,282

The annual requirements to amortize the bonds outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,925,000	\$ 3,810,724	\$ 5,735,724
2015	2,025,000	3,731,349	5,756,349
2016	2,135,000	3,647,024	5,782,024
2017	2,215,000	3,558,524	5,773,524
2018	2,305,000	3,466,624	5,771,624
2019-2023	12,985,000	15,750,279	28,735,279
2024-2028	16,110,000	12,428,072	28,538,072
2029-2033	20,230,000	7,977,000	28,207,000
2034-2038	16,560,000	2,994,500	19,554,500
2039-2043	4,730,000	370,200	5,100,200
Totals	\$ 81,220,000	\$ 57,734,296	\$ 138,954,296

6. Lease Revenue Bonds

Lease revenue bonds at June 30, 2013 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
Lease revenue series 2010A	05/10/2010	6.46%	05/01/2027	\$ 13,015,000
Lease revenue series 2012A	03/30/2012	4%	03/01/2020	2,500,000
Total Lease Revenue Bonds				15,515,000
	Beginning Balance	Increases	Decreases	Ending Balance
Lease revenue series 2010A	\$ 13,015,000	\$ -	\$ -	\$ 13,015,000
Unamortized discount	(382,604)	-	(27,329)	(355,275)
Lease revenue series 2012A	2,500,000	-	-	2,500,000
Unamortized premium	104,392	-	13,049	91,343
Total Lease Revenue Bonds	\$ 15,236,788	\$ -	\$ (14,280)	\$ 15,251,068

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

The annual requirements to amortize the bonds outstanding at June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 940,639	\$ 940,639
2015	-	940,639	940,639
2016	460,000	940,639	1,400,639
2017	480,000	922,239	1,402,239
2018	500,000	903,039	1,403,039
2019-2023	1,060,000	4,267,194	5,327,194
2024-2028	13,015,000	3,362,555	16,377,555
Totals	\$ 15,515,000	\$ 12,276,944	\$ 27,791,944

In May 2010, the District entered into a facility lease agreement with the San Dieguito Public Facilities Authority to execute and deliver Lease Revenue Bonds, Series 2010A (Qualified School Construction Bonds - Direct Subsidy) in the amount of \$13,015,000 with an interest rate of 6.46% for various capital projects and public school improvements. Through the facility lease, the District is obligated to make semi-annual base revenue payments to a principal account beginning April 2011 and continuing through April 2027. An annual base rental deposit to the principal account of \$2,005,030 is due in 2011 with remaining base rental deposits of \$1,606,227 due annually thereafter through April 2027. Interest on the lease revenue bonds is to be paid annually from the principal account beginning May 2011 with the entire principal balance of \$13,015,000 on the bonds due at the maturity date of May 1, 2027. Interest is subsidized by the Internal Revenue Service annually.

In March 2012, the District entered into a facility lease agreement with the San Dieguito Public Facilities Authority to execute and deliver Lease Revenue Bonds, Series 2012A in the amount of \$2,500,000 with an interest rate of 4% for various capital projects and public school improvements. Through the facility lease, the District is obligated to make semi-annual base revenue payments to a principal amount beginning March 2016 and continuing annually through March 2020. Interest on the lease revenue bonds is to be paid semi-annually on September 1 and March 1 beginning on September 1, 2012 and continuing through March 1, 2020.

7. Unamortized Premium/Discount

Bonds issued in the year ended June 30, 2008 were sold at a discount, meaning that the market rate of interest was higher than the stated rate of interest on the bonds; therefore, they were sold for less than the face value. Bonds issued in the year ended June 30, 2012 were sold at a premium, meaning that the market rate of interest was lower than the stated rate of interest on the bonds; therefore, they were sold for more than the face value. Generally Accepted Accounting Principles (GAAP) requires that premiums and discounts be amortized over the life of the debt. The carrying value reported on the government-wide balance sheet was presented in accordance with GAAP and was the face value of the debt plus the unamortized premium or less the unamortized discount. The total discount for the 2008 special tax bonds was \$1,548,444. This amount is being amortized over 33 years or the life of the bonds. The total discount for the lease revenue bonds series 2010A was \$437,262. This amount is being amortized over 16 years or the life of the bonds. The premium for lease revenue bonds 2012A was \$104,392. This amount is being amortized over 8 years, the life of the bonds.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

8. State School Building Loan

Effective December 10, 2008 the district entered into a loan agreement with the California Office of School Construction for a loan of \$3,000,000 bearing an interest rate of 2.568%. The loan is to be repaid in ten equal annual installments commencing July 1, 2011. The loan was made as a part of the Career Technical Education Facilities Program in accordance with School Facility Program Regulation Section 1859.194. Future payment requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 300,000	\$ 43,982	\$ 343,982
2015	300,000	43,982	343,982
2016	300,000	43,982	343,982
2017	300,000	43,982	343,982
2018	300,000	43,982	343,982
2019-2023	900,000	131,946	1,031,946
Totals	\$ 2,400,000	\$ 351,856	\$ 2,751,856

J. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSR). The relationship between the District and the JPA is such that the JPA is not a component unit of the District.

The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA.

Combined condensed audited financial information of the District's share of the JPA for the year ended June 30, 2013 is as follows:

Total Assets	\$ 3,459,400
Total Liabilities	2,667,589
Total Fund Balance	791,811
Total Cash Receipts	2,119,331
Total Cash Disbursements	2,257,512
Net Change in Fund Balance	(131,181)

K. Employee Retirement Systems

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

PERS:

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. 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 95814.

Funding Policy

Active plan members are required to contribute 7% 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 2012-13 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2013, 2012 and 2011 were \$1,768,694, \$1,721,302 and \$1,717,631, respectively, and equal 100% of the required contributions for each year.

STRS:

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2013, 2012 and 2011 were \$4,464,266, \$4,416,291 and \$4,427,966, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$2,794,084.

L. Postemployment Benefits Other Than Pension Benefits

Plan Description

The San Dieguito Union School District (District) administers a single-employer healthcare plan (Plan). The plan provides medical benefits to eligible retirees and their eligible dependents to age 65. Eligibility for retiree health benefits requires retirement from the District with at least 10 years of eligible service. The District's contribution for medical coverage is 100% of the cost for retiree only medical coverage up to a maximum based on the highest employee only medical premium in effect in the year of retirement. The retiree is responsible for any cost above the maximum or for cost associated with the election of dependent medical coverage and/or dental coverage. Membership of the plan consists of approximately 892 eligible active employees and 114 eligible retirees.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District and the Teachers Association (SDFA) and the local California School Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012-13, the District contributed \$627,918 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 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 of the year, the amount actually contributed to the plan and changes in the District's net obligation to the Plan:

Annual required contribution	\$ 2,260,217
Interest on net OPEB obligation	20,113
Adjustment to annual required contribution	<u>(284,374)</u>
Annual OPEB cost (expense)	1,995,956
Contribution made	<u>(627,918)</u>
Decrease in net OPEB obligation	1,368,038
Net OPEB obligation, beginning of year	5,556,131
Net OPEB obligation, end of year	<u>\$ 6,924,169</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation was as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2009	\$ 1,932,402	23.95%	\$ 1,469,597
2010	2,002,109	21.46%	3,042,132
2011	1,891,739	35.41%	4,264,066
2012	1,995,956	31.46%	5,556,131
2013	1,995,956	31.45%	6,924,169

Funding Status and Funding Progress

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

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 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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

In the June 30, 2011 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate. Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

Medical cost trend rates ranged from an initial rate of 8.5% reduced to a rate of 5.0% after ten years. The UAAL is being amortized at a level dollar method with the remaining amortization period at June 30, 2013 of 25 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

M. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

N. Construction Commitments

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

	Commitment	*Expected Date of Final Completion	Percentage Complete
Construction in Process:			
Canyon Crest Academy Field & Track Phase 1	\$ 3,200,998	08/28/2013	21%
Diegueno Middle School HVAC Phase 1A	2,247,977	08/29/2013	9%
La Costa Canyon HVAC Phase 1A	2,653,639	11/01/2013	-
Oak Crest Middle School HVAC/Lower Field Phase 1	1,976,146	08/29/2013	19%
San Dieguito Academy Field & Track Phase 1A	3,914,405	11/01/2013	-
Sunset High School Network Upgrades	122,783	08/27/2013	-
Torrey Pines High School Building E HVAC	790,813	08/29/2013	40%
District Wide Technology Infrastructure Projects	2,129,661	08/27/2013	1%

* Expected date of final completion subject to change

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

O. Subsequent Events

In July 2013, the District entered into the County of San Diego and San Diego County School Districts 2013 Pooled Tax and Revenue Anticipation Notes (TRANS) in the amount of \$13,250,000. The notes mature on April 30, 2014 and bear an interest rate of 2.00%. The notes were sold to supplement the District's cash flows.

Effective for the fiscal year beginning July 1, 2013 the District is implementing GASB Statement Number 65, Items Previously Reported as Assets and Liabilities. The purpose of this pronouncement is to improve financial reporting by clarifying the appropriate use of the financial statement elements of deferred inflows and outflows of resources to ensure consistency in financial reporting. With implementation of this pronouncement, the District will recognize certain items previously reported as assets or liabilities as outflows of resources or inflows of resources.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

EXHIBIT B-1

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ (39,236)	\$ 1,984,039	\$ 2,314,039	\$ 330,000
Local Sources	79,043,656	80,768,033	80,438,033	(330,000)
Federal Revenue	4,251,389	4,607,461	4,081,236	(526,225)
Other State Revenue	3,623,118	5,750,918	5,735,578	(15,340)
Other Local Revenue	7,568,435	10,894,206	9,856,348	(1,037,858)
Total Revenues	<u>94,447,362</u>	<u>104,004,657</u>	<u>102,425,234</u>	<u>(1,579,423)</u>
Expenditures:				
Current:				
Certificated Salaries	48,499,536	48,644,705	48,513,586	131,119
Classified Salaries	15,965,452	16,040,888	15,966,531	74,357
Employee Benefits	20,375,494	20,443,783	20,260,338	183,445
Books And Supplies	2,962,375	5,935,985	3,625,376	2,310,609
Services And Other Operating Expenditures	11,131,621	12,315,974	11,782,060	533,914
Other Outgo	60,000	910,546	896,231	14,315
Direct Support/Indirect Costs	(162,730)	(109,495)	(111,001)	1,506
Capital Outlay	16,500	64,941	63,260	1,681
Debt Service:				
Principal	765,588	765,588	765,588	-
Interest	840,639	840,639	840,567	72
Total Expenditures	<u>100,454,475</u>	<u>105,853,554</u>	<u>102,602,536</u>	<u>3,251,018</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,007,113)</u>	<u>(1,848,897)</u>	<u>(177,302)</u>	<u>1,671,595</u>
Other Financing Sources (Uses):				
Transfers In	-	-	765,588	765,588
Transfers Out	(44,600)	(117,998)	(117,992)	6
Total Other Financing Sources (Uses)	<u>(44,600)</u>	<u>(117,998)</u>	<u>647,596</u>	<u>765,594</u>
Net Change in Fund Balance	<u>(6,051,713)</u>	<u>(1,966,895)</u>	<u>470,294</u>	<u>2,437,189</u>
Fund Balance, July 1	<u>13,727,475</u>	<u>13,727,475</u>	<u>13,727,475</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 7,675,762</u>	<u>\$ 11,760,580</u>	<u>\$ 14,197,769</u>	<u>\$ 2,437,189</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS-HEALTHCARE PLAN
 YEAR ENDED JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/09	\$ -	\$ 13,005,147	\$ 13,005,147	-	\$ 71,991,005	18.1%
6/30/11	-	15,210,567	15,210,567	-	60,639,000	25.1%

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

Budgetary Comparison Schedule - General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) was included with the General Fund for financial reporting purposes. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
ASSETS:				
Cash in County Treasury	\$ 876,424	\$ -	\$ 2,373,058	\$ 3,249,482
Cash on Hand and in Banks	30,346	-	4,868,617	4,898,963
Cash with a Fiscal Agent/Trustee	-	-	4,119,325	4,119,325
Accounts Receivable	111,924	-	470,944	582,868
Due from Other Funds	25	-	199,515	199,540
Stores Inventories	55,136	-	-	55,136
Total Assets	<u>1,073,855</u>	<u>-</u>	<u>12,031,459</u>	<u>13,105,314</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 34,328	\$ -	\$ 334,031	\$ 368,359
Due to Other Funds	200,024	-	-	200,024
Unearned Revenue	70,496	-	-	70,496
Total Liabilities	<u>304,848</u>	<u>-</u>	<u>334,031</u>	<u>638,879</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	55,136	-	-	55,136
Restricted Fund Balances	661,852	-	1,065,742	1,727,594
Committed Fund Balances	3,137	-	-	3,137
Assigned Fund Balances	48,882	-	10,631,686	10,680,568
Total Fund Balance	<u>769,007</u>	<u>-</u>	<u>11,697,428</u>	<u>12,466,435</u>
Total Liabilities and Fund Balances	<u>\$ 1,073,855</u>	<u>\$ -</u>	<u>\$ 12,031,459</u>	<u>\$ 13,105,314</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

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

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-7)
Revenues:				
Federal Revenue	\$ 642,568	\$ -	\$ -	\$ 642,568
Other State Revenue	34,417	-	-	34,417
Other Local Revenue	2,817,531	-	7,557,650	10,375,181
Total Revenues	<u>3,494,516</u>	<u>-</u>	<u>7,557,650</u>	<u>11,052,166</u>
Expenditures:				
Instruction	406,920	-	-	406,920
Instruction - Related Services	408,896	-	-	408,896
Pupil Services	2,555,858	-	-	2,555,858
General Administration	111,001	-	18,482	129,483
Plant Services	-	-	2,946,759	2,946,759
Debt Service:				
Principal	-	1,850,000	300,000	2,150,000
Interest	-	3,976,852	43,982	4,020,834
Total Expenditures	<u>3,482,675</u>	<u>5,826,852</u>	<u>3,309,223</u>	<u>12,618,750</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>11,841</u>	<u>(5,826,852)</u>	<u>4,248,427</u>	<u>(1,566,584)</u>
Other Financing Sources (Uses):				
Transfers In	97,992	5,826,852	-	5,924,844
Transfers Out	-	-	(5,826,852)	(5,826,852)
Other Sources	-	-	765,588	765,588
Other Uses	-	-	(1,300)	(1,300)
Total Other Financing Sources (Uses)	<u>97,992</u>	<u>5,826,852</u>	<u>(5,062,564)</u>	<u>862,280</u>
Net Change in Fund Balance	109,833	-	(814,137)	(704,304)
Fund Balance, July 1	659,174	-	12,511,565	13,170,739
Fund Balance, June 30	<u>\$ 769,007</u>	<u>\$ -</u>	<u>\$ 11,697,428</u>	<u>\$ 12,466,435</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2013

	Adult Education Fund	Cafeteria Fund
ASSETS:		
Cash in County Treasury	\$ 13,362	\$ 811,081
Cash on Hand and in Banks	6,135	24,211
Accounts Receivable	86,984	24,902
Due from Other Funds	25	-
Stores Inventories	-	55,136
Total Assets	<u>106,506</u>	<u>915,330</u>
 LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 19,677	\$ 14,651
Due to Other Funds	86,829	113,195
Unearned Revenue	-	70,496
Total Liabilities	<u>106,506</u>	<u>198,342</u>
 Fund Balance:		
Nonspendable Fund Balances:		
Stores Inventories	-	55,136
Restricted Fund Balances	-	661,852
Committed Fund Balances	-	-
Assigned Fund Balances	-	-
Total Fund Balance	<u>-</u>	<u>716,988</u>
 Total Liabilities and Fund Balances	<u>\$ 106,506</u>	<u>\$ 915,330</u>

EXHIBIT C-3

Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 3,135	\$ 48,846	\$ 876,424
-	-	30,346
2	36	111,924
-	-	25
-	-	55,136
<u>3,137</u>	<u>48,882</u>	<u>1,073,855</u>
\$ -	\$ -	\$ 34,328
-	-	200,024
-	-	70,496
<u>-</u>	<u>-</u>	<u>304,848</u>
-	-	55,136
-	-	661,852
3,137	-	3,137
-	48,882	48,882
<u>3,137</u>	<u>48,882</u>	<u>769,007</u>
\$ <u>3,137</u>	\$ <u>48,882</u>	\$ <u>1,073,855</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Adult Education Fund	Cafeteria Fund
Revenues:		
Federal Revenue	\$ 127,016	\$ 515,552
Other State Revenue	-	34,417
Other Local Revenue	605,620	2,211,751
Total Revenues	<u>732,636</u>	<u>2,761,720</u>
Expenditures:		
Instruction	406,920	-
Instruction - Related Services	408,896	-
Pupil Services	-	2,555,858
General Administration	-	111,001
Total Expenditures	<u>815,816</u>	<u>2,666,859</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(83,180)</u>	<u>94,861</u>
Other Financing Sources (Uses):		
Transfers In	83,180	-
Total Other Financing Sources (Uses)	<u>83,180</u>	<u>-</u>
Net Change in Fund Balance	-	94,861
Fund Balance, July 1	-	622,127
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 716,988</u>

EXHIBIT C-4

Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ 642,568
-	-	34,417
11	149	2,817,531
<u>11</u>	<u>149</u>	<u>3,494,516</u>
-	-	406,920
-	-	408,896
-	-	2,555,858
-	-	111,001
<u>-</u>	<u>-</u>	<u>3,482,675</u>
11	149	11,841
-	14,812	97,992
<u>-</u>	<u>14,812</u>	<u>97,992</u>
11	14,961	109,833
3,126	33,921	659,174
<u>\$ 3,137</u>	<u>\$ 48,882</u>	<u>\$ 769,007</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2013

	Capital Facilities Fund	County School Facilities Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash in County Treasury	\$ 1,281,390	\$ 1,064,899
Cash on Hand and in Banks	-	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	362,958	843
Due from Other Funds	199,515	-
Total Assets	<u>1,843,863</u>	<u>1,065,742</u>
 LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 12,587	\$ -
Total Liabilities	<u>12,587</u>	<u>-</u>
 Fund Balance:		
Nonspendable Fund Balances:		
Restricted Fund Balances	-	1,065,742
Assigned Fund Balances	1,831,276	-
Total Fund Balance	<u>1,831,276</u>	<u>1,065,742</u>
 Total Liabilities and Fund Balances	<u>\$ 1,843,863</u>	<u>\$ 1,065,742</u>

EXHIBIT C-5

Special Reserve For Capital Outlay Fund	Capital Projects Fund For Blended Component Units	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 26,769	\$ -	\$ 2,373,058
-	4,868,617	4,868,617
-	4,119,325	4,119,325
21	107,122	470,944
-	-	199,515
<u>26,790</u>	<u>9,095,064</u>	<u>12,031,459</u>
\$ -	\$ 321,444	\$ 334,031
-	<u>321,444</u>	<u>334,031</u>
-	-	1,065,742
26,790	8,773,620	10,631,686
<u>26,790</u>	<u>8,773,620</u>	<u>11,697,428</u>
<u>\$ 26,790</u>	<u>\$ 9,095,064</u>	<u>\$ 12,031,459</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Capital Facilities Fund	County School Facilities Fund
Revenues:		
Other Local Revenue	\$ 934,920	\$ 3,849
Total Revenues	<u>934,920</u>	<u>3,849</u>
Expenditures:		
General Administration	18,482	-
Plant Services	425,984	-
Debt Service:		
Principal	300,000	-
Interest	43,982	-
Total Expenditures	<u>788,448</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>146,472</u>	<u>3,849</u>
Other Financing Sources (Uses):		
Transfers Out	-	-
Other Sources	-	-
Other Uses	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balance	146,472	3,849
Fund Balance, July 1	1,684,804	1,061,893
Fund Balance, June 30	<u>\$ 1,831,276</u>	<u>\$ 1,065,742</u>

EXHIBIT C-6

Special Reserve For Capital Outlay Fund	Capital Projects Fund For Blended Component Units	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 97	\$ 6,618,784	\$ 7,557,650
<u>97</u>	<u>6,618,784</u>	<u>7,557,650</u>
-	-	18,482
-	2,520,775	2,946,759
-	-	300,000
-	-	43,982
<u>-</u>	<u>2,520,775</u>	<u>3,309,223</u>
<u>97</u>	<u>4,098,009</u>	<u>4,248,427</u>
-	(5,826,852)	(5,826,852)
-	765,588	765,588
-	(1,300)	(1,300)
<u>-</u>	<u>(5,062,564)</u>	<u>(5,062,564)</u>
97	(964,555)	(814,137)
26,693	9,738,175	12,511,565
<u>\$ 26,790</u>	<u>\$ 8,773,620</u>	<u>\$ 11,697,428</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2013

The San Dieguito Union School District was established in 1936 and is comprised of an area of approximately 81 square miles in San Diego County. There were no changes in the boundaries of the district during the current fiscal year. The district is currently operating four comprehensive middle schools for grades seven through eight, and four comprehensive high schools for grades nine through twelve and one continuation high school. The district also operates an adult education program.

<u>Governing Board</u>		
<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Barbara Groth	President	Four Year Term Expires December 2014
Amy Herman	Vice President	Four Year Term Expires December 2014
Beth Hergesheimer	Clerk	Four Year Term Expires December 2016
Joyce Delassandro	Trustee	Four Year Term Expires December 2016
John Salazar	Trustee	Four Year Term Expires December 2014

<u>Administration</u>
Ken Noah Superintendent
Torrie Norton Associate Superintendent Human Resources
Richard Schmitt Associate Superintendent Education Services
Eric Dill Associate Superintendent Business Services

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2013

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Elementary:				
Grades 7 and 8	3,688.01	N/A	3,682.14	N/A
Home and hospital	4.60	N/A	5.72	N/A
Special education	90.79	N/A	92.57	N/A
Elementary totals	<u>3,783.40</u>	<u>N/A</u>	<u>3,780.43</u>	<u>N/A</u>
High School:				
Grades 9 through 12, regular classes	7,684.49	N/A	7,613.28	N/A
Home and hospital	14.62	N/A	19.50	N/A
Special education	218.60	N/A	214.86	N/A
Continuation education	130.78	N/A	132.76	N/A
High school totals	<u>8,048.49</u>	<u>N/A</u>	<u>7,980.40</u>	<u>N/A</u>
ADA totals	<u>11,831.89</u>	<u>N/A</u>	<u>11,760.83</u>	<u>N/A</u>

Note: There were no audit findings which resulted in revisions to the second period or annual reports of attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

TABLE D-2

SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2013

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2012-13 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 7	50,327	48,929	54,000	52,500	63,235	180	-	Complied
Grade 8	50,327	48,929	54,000	52,500	63,235	180	-	Complied
Grade 9	64,800	63,000	64,800	63,000	65,052	180	-	Complied
Grade 10	64,800	63,000	64,800	63,000	65,052	180	-	Complied
Grade 11	64,800	63,000	64,800	63,000	65,052	180	-	Complied
Grade 12	64,800	63,000	64,800	63,000	65,052	180	-	Complied

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201. This schedule is required of all districts, including basic aid districts.

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 instruction time offered by the district and whether the district complied with the provisions of Education Code Sections 46200 through 46206.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2013

TABLE D-3

General Fund	Budget 2014 (See Note 1)	2013	2012	2011
Revenues and other financial sources	\$ 98,373,222	\$ 103,190,822	\$ 100,569,190	\$ 98,859,076
Expenditures, other uses and transfers out	102,985,959	102,720,528	102,152,900	100,075,061
Change in fund balance (deficit)	(4,612,737)	470,294	(1,583,710)	(1,215,985)
Ending fund balance	\$ 9,585,032	\$ 14,197,769	\$ 13,727,475	\$ 15,311,185
Available reserves (see note 2)	\$ 8,472,806	\$ 13,091,097	\$ 12,949,745	\$ 14,492,160
Available reserves as a percentage of total outgo (see note 3)	8.2%	12.7%	12.7%	14.5%
Total long-term debt	\$ 269,842,236	\$ 273,085,879	\$ 106,397,147	\$ 104,394,880
Average daily attendance at P-2	11,804	11,832	12,019	11,964

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.

The general fund balance has decreased by \$3,384,937 (20.55%) over the past three years. The fiscal year 2013-14 budget projects a decrease of \$4,612,737 (32.49%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$160,650,071 over the past three years.

Average daily attendance has decreased by 318 over the past three years.

Notes:

- 1 Budget 2014 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all assigned fund balances, unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 GASB Statement No. 54 requires the inclusion of the Special Reserve Fund for Other Than Capital Outlay (Fund 17) with the General Fund for reporting purposes only. This schedule has been prepared without the inclusion of Fund 17.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2013

TABLE D-4

	General Fund	Special Reserve Fund for Other Than Capital Outlay (Fund 17)
	<u> </u>	<u> </u>
June 30, 2013, annual financial and budget report fund balances	\$ 14,197,769	\$ 2,446,983
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Inclusion for reporting purposes under GASB 54	<u>2,446,983</u>	<u>(2,446,983)</u>
Net adjustments and reclassifications	<u>2,446,983</u>	<u>(2,446,983)</u>
June 30, 2013, audited financial statement fund balances	<u>\$ 16,644,752</u>	<u>\$ -</u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2013

TABLE D-5

No charter schools are chartered by San Dieguito Union High School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
None	N/A

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF TREASURY</u>			
Direct Program:			
QZAB Interest Subsidy	21.XXX	-	\$ 704,695
Total U. S. Department of Treasury			<u>704,695</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
Adult Education	84.002	14109	127,016
Title I Part A *	84.010	14109	615,834
Special Education *	84.027	14329	1,595,390
Special Education Early Intervention *	84.027	10119	108,974
Special Education Private Schools *	84.027	10115	172,628
Special Education Mental Health *	84.027A	14468	307,220
Vocational Education	84.048	13924	117,509
Workability	84.158	10006	134,966
Advanced Placement Testing	84.330	14363	4,287
Title III Limited English Proficiency	84.365	10084	98,332
Title III Immigrant Education	84.365	14346	28,965
Title II Teacher Quality	84.367	14341	192,527
Total Passed Through State Department of Education			<u>3,503,648</u>
Total U. S. Department of Education			<u>3,503,648</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	13526	71,934
National School Lunch Section 4 *	10.555	13391	73,375
National School Lunch Section 11 *	10.555	13396	297,737
Commodities *	10.555	13396	72,507
Total Passed Through State Department of Education			<u>515,553</u>
Total U. S. Department of Agriculture			<u>515,553</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 4,723,896</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of San Dieguito Union High School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB 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 general purpose financial statements.

Other Independent Auditor's Reports

Wilkinson Hadley King & Co. LLP
CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*

Board of Trustees
San Dieguito Union High School District
Encinitas, California

Members of the Board of Trustees:

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 Dieguito Union High School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise San Dieguito Union High School District's basic financial statements, and have issued our report thereon dated December 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Dieguito Union High 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 Dieguito Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of San Dieguito Union High School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Dieguito Union High School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 5, 2013

Wilkinson Hadley King & Co. LLP
CPAs and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
San Dieguito Union High School District
Encinitas, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited San Dieguito Union High 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 Dieguito Union High School District's major federal programs for the year ended June 30, 2013. San Dieguito Union High 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 Dieguito Union High 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 Dieguito Union High 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 Dieguito Union High School District's compliance.

Opinion on Each Major Federal Program

In our opinion, San Dieguito Union High 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of San Dieguito Union High 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 Dieguito Union High 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 Dieguito Union High 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 considered 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.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 5, 2013

Wilkinson Hadley King & Co. LLP
 CPAs and Advisors
 218 W. Douglas Ave
 El Cajon, CA 92020

Independent Auditor's Report on State Compliance

Board of Trustees
 San Dieguito Union High School District
 Encinitas, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*, published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2013.

Management's Responsibility for State Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13* published by the Education Audit Appeals Panel. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State's audit guide *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13* published by the Education Audit Appeals Panel. Those standards and audit guide 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 direct and material effect on the state programs noted below. An audit includes examining, on a test basis, evidence about the 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 the District's compliance with those requirements.

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

<u>Description</u>	<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	N/A
Independent Study	23	No
Continuation Education	10	Yes

Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	N/A
Class Size Reduction (Including Charter Schools):		
General Requirements	7	N/A
Option One	3	N/A
Option Two	4	N/A
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program:		
General Requirements	4	N/A
After School	5	N/A
Before School	6	N/A
Charter Schools		
Contemporaneous Records of Attendance	1	N/A
Mode of Instruction	1	N/A
Nonclassroom-Based Instruction/Independent Study	15	N/A
Determination of Funding for Nonclassroom-Based Instruction	3	N/A
Annual Instructional Minutes - Classroom Based	4	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform testing for Independent Study. The procedure was not required to be performed since the ADA was below the level that requires testing.

Opinion on State Compliance

In our opinion, San Dieguito Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with *Standards and Procedures for Audits of California K-12 Local Education Agencies*, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 5, 2013

Findings and Recommendations Section

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A
84.027, 84.027A, 84.391	Special Education Cluster
84.367	Title II Teacher Quality
84.048	Vocational Education

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies?

Yes No

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

Unmodified

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

None

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings in the 2011-12 audit report.		