

# San Dieguito Union High School District

## INFORMATION REGARDING BOARD AGENDA ITEM

**TO:** BOARD OF TRUSTEES

**DATE OF REPORT:** January 5, 2015

**BOARD MEETING DATE:** January 15, 2015

**PREPARED BY:** Delores Perley, Chief Financial Officer  
Eric R. Dill, Assoc. Superintendent, Business

**SUBMITTED BY:** Rick Schmitt  
Superintendent

**SUBJECT:** ACCEPTANCE OF THE 2013-14 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 presents 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 90 through 93 of the audit report. Each exception requires a response from the district (LEA's response) and is included in the audit report as the last paragraph of each exception.

The following exceptions were noted:

Page 78, Item B, Finding 2014-1 (30000)

The auditors discovered that a small sampling of the Associated Student Body (ASB) check request forms did not have all the required signatures. It was also found that a deposit was not made timely. The District has discussed these findings and proper procedures with the individual schools. In addition, proper cash collection and disbursement procedures are part of the ongoing training provided to Principals, Assistant Principals, ASB advisors and their accounting assistants throughout the year. The District also performs internal audits and regularly reviews ASB transactions for compliance with sound accounting practices.

Page 79, Finding 2014-2 (10000)

The auditors noted some tested absences did not have a full day absence code, which overstated daily attendance. This was due to staff turnover and substitute staffing as well as some coding nuisances unique to Aeries. District staff audited and corrected

the school's attendance. A revised attendance report was submitted to the state to correct the average daily attendance (ADA) and was reviewed by the auditors. Additional training has also been provided to ensure attendance staff and all attendance substitutes are following proper procedures.

Neither of the auditor's findings had any financial impact on the General Fund as ASB funds are separate from the General Fund and, even though a revised attendance report was submitted to the state, the District does not rely on average daily attendance for state funding. Notwithstanding, staff takes these findings seriously and will ensure all corrective action is implemented.

Wilkinson, Hadley, King & Co. LLP will conduct the audit 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 Citizens' Oversight Committee.

**RECOMMENDATION:**

It is recommended that the Board accept the 2013-14 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, 2014**

**Wilkinson Hadley King & Co. LLP  
CPA's 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, 2014

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	13	Exhibit A-1
Statement of Activities.....	14	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	15	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	16	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	17	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	18	Exhibit A-6
Statement of Net Position - Internal Service Fund.....	19	Exhibit A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Internal Service Fund.....	20	Exhibit A-8
Statement of Cash Flows - Proprietary Funds.....	21	Exhibit A-9
Statement of Fiduciary Net Position - Fiduciary Funds.....	22	Exhibit A-10
Notes to the Financial Statements .....	23	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	47	Exhibit B-1
Schedule of Funding Progress for Other Post Employment Benefits Plan.....	48	
Notes to Required Supplementary Information.....	49	
 <u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	50	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	51	Exhibit C-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	52	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	54	Exhibit C-4

San Dieguito Union High School District  
 Audit Report  
 For The Year Ended June 30, 2014

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
Debt Service Funds:		
Combining Balance Sheet - Nonmajor Debt Service Funds.....	56	Exhibit C-5
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds.....	57	Exhibit C-6
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	58	Exhibit C-7
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds.....	60	Exhibit C-8
 OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure.....	62	
Schedule of Average Daily Attendance.....	63	Table D-1
Schedule of Instructional Time.....	64	Table D-2
Schedule of Financial Trends and Analysis.....	65	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	66	Table D-4
Schedule of Charter Schools.....	67	Table D-5
Schedule of Expenditures of Federal Awards .....	68	Table D-6
Notes to the Schedule of Expenditures of Federal Awards.....	69	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	70	
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	72	
Independent Auditor's Report on State Compliance.....	74	
Schedule of Findings and Questioned Costs .....	77	
Summary Schedule of Prior Audit Findings.....	81	

This page is left blank intentionally.

Financial Section



## **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, 2014, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principles*

As described in Note A to the financial statements, in 2014, San Dieguito Union High School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and schedule of funding progress for OPEB benefits 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 2013-14*, 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 12, 2014 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 12, 2014

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2014  
(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, 2014. 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 2014 are as follows:

- Total governmental fund net position is \$113,421,870
- The state wide average for the cost of living adjustment was 1.565%

### **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 \$113.4 million at the close of the most recent fiscal year.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**2013-14 NET POSITION**  
*(In Millions of Dollars)*

	<b>Governmental Activities</b>		<b>2013-14 % of Total</b>	<b>Total % Change over 12-13</b>
	2012-2013	2013-2014		
Current and Other Assets	199.5	166.8	42%	-16.4%
Capital Assets	193.3	228.1	58%	18.0%
<b>Total Assets</b>	<b>\$ 392.8</b>	<b>\$ 394.9</b>		0.5%
Long Term Debt Outstanding	269.8	255.3	91%	-5.4%
Other Liabilities	13.3	26.2	9%	97.0%
<b>Total Liabilities</b>	<b>\$ 283.1</b>	<b>\$ 281.5</b>		-0.6%
<u>Net Position</u>				
Net Investment in Capital Assets	92.5	80.4	71%	-13.1%
Restricted	17.2	33.0	29%	91.9%
<b>Total Net Position</b>	<b>\$ 109.7</b>	<b>\$ 113.4</b>		3.4%

- The resources in capital assets, less related debt, are 58% 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 (29%) is reserved for capital projects, debt service and educational programs. The majority of the restricted balance consists of bond proceeds through the 2012 Proposition AA Bond and Community Facilities District (CFD) or Mello-Roos.

**Governmental activities.** The key elements of the District’s net position for the year ended June 30, 2014 are as follows:

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

	<u>Governmental Activities</u>		<u>% of Total</u>	<u>% change</u>
	<u>2012-2013</u>	<u>2013-2014</u>	<u>2013-2014</u>	<u>over 12-13</u>
<b><u>Revenues</u></b>				
Program revenues				
Charges for services	2,820,522	2,367,582	1.78%	-16.1%
Operating grants and contributions	11,397,758	14,483,210	10.88%	27.1%
Capital grants and contributions	3,849	3,682	0.00%	-4.3%
General revenues				
Property taxes	87,067,667	102,010,359	76.60%	17.2%
Federal and state aid not restricted to specific purposes	7,603,117	7,833,799	5.88%	3.0%
Interest and investment earnings	486,710	747,368	0.56%	53.6%
Interagency revenues	218,892	188,693	0.14%	-13.8%
Miscellaneous	4,668,112	5,532,347	4.15%	18.5%
Total Revenues	<u>\$ 114,266,627</u>	<u>\$ 133,167,040</u>	100.00%	16.5%
<b><u>Expenditures by Function</u></b>				
Governmental activities				
Instruction	64,100,015	66,000,192	51.47%	3.0%
Instruction-related services	10,112,419	10,239,715	7.98%	1.3%
Pupil Services	14,202,393	13,875,753	10.82%	-2.3%
General Administration	5,423,481	5,449,242	4.25%	0.5%
Plant Services	16,084,886	17,027,133	13.28%	5.9%
Ancillary Services	2,404,291	2,385,480	1.86%	-0.8%
Enterprise Activities	1,130,155	978,083	0.76%	-13.5%
Interest on long-term debt	6,641,943	10,630,652	8.29%	60.1%
Other outgo	1,178,274	1,654,678	1.29%	40.4%
Depreciation (unallocated)	-	-	-	-
Total Expenditures	<u>\$ 121,277,857</u>	<u>\$ 128,240,928</u>	100.00%	5.7%
Increase (decrease) in net position	<u>\$ (7,011,230)</u>	<u>\$ 4,926,112</u>		
Net position - beginning (restated due to accounting regulation changes - Note L)	<u>\$ 116,663,263</u>	<u>\$ 108,495,758</u>		
Net position - ending	<u>\$ 109,652,033</u>	<u>\$ 113,421,870</u>		

- **Operating Grants & Contributions:** Increase of \$3.1 Mil (27.1%) – due to an increase in Federal and State grants, including one-time Common Core funding.
- **Property Tax:** Increase of \$14.9 Mil (17.2%) – due to an increase in property taxes as well as the collection of taxes for debt service on the 2012 voter-approved General Obligation Bond.
- **Interest and Investment Earnings:** Increase of \$261K (53.6%) – increase in interest earned on bond proceeds.

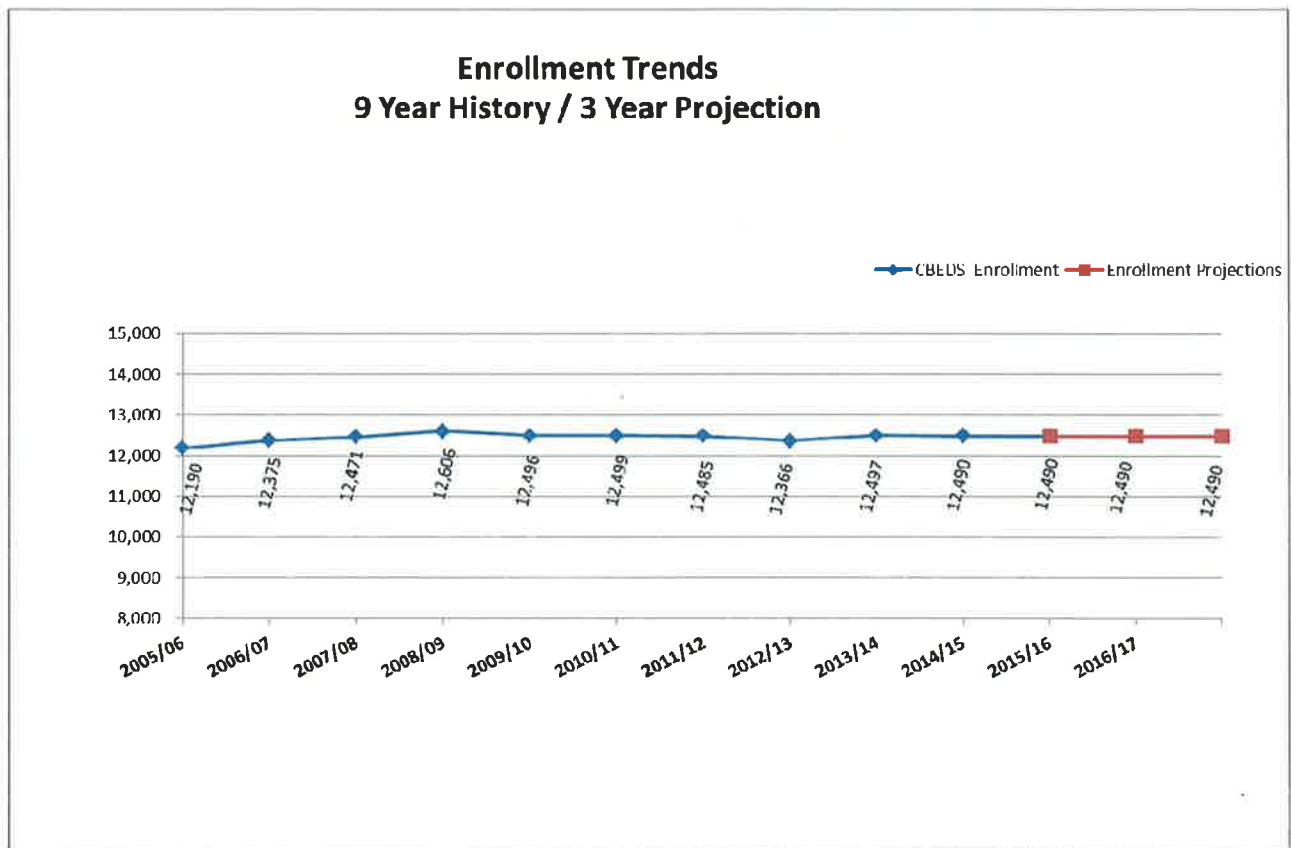
- Miscellaneous: Increase of \$864K (18.5%) – due to an increase in Developer Fees collected.
- Interest on Long-term Debt: Increase of \$4.0 Mil (+60.1%) – due to debt service costs associated with the first issuance of a voter-approved General Obligation bond.
- Other Outgo: Increase \$476K (40.4%) – increase in Debt Services Expenses.
- The District is currently classified as a “Basic Aid” district. This means the local property taxes collected exceed the funded Local Control Funding Formula (LCFF) entitlement provided by the state. The District became a Basic Aid district in 2008/09 following state funding cuts to the revenue limit. In 2013/14, the state funded approximately 76.5% of the LCFF Target.
- 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 funded LCFF it will make up the difference with state funding.

**Enrollment, Enrollment Projections, and ADA**

School Year	CBEDS Enrollment	Enrollment Projections	P2 ADA
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	12,497		12,034
2014/15*		12,490	
2015/16*		12,490	
2016/17*		12,490	

\*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 \$157.9 million; a decrease of \$32.4 million over the previous year due primarily to scheduled construction project expenditures of voter-approved general obligation bond proceeds. The general fund had a fund balance increase of approximately \$5.4 million due to additional property tax, other revenue received at the end of the fiscal year and unspent grants that will carry-over to 2014-15. In addition, the following expenditures should be noted:

- General fund salaries totaled \$66.3 million while the associated employee benefits of retirement, social security, Medicare, insurance (medical, dental, life, and accident), workers' compensation, and unemployment added \$20.6 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 \$19.6 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. As of June 2014, the \$16.7 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, 2014 was \$60,033.

## **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 \$1.6 million or 1.5% 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 \$11.1 million, or 11.4%, 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 approximately \$685,000 above final budgeted amounts and expenditures were \$4.7 million below final budgeted amounts. The revenue variance was due to a final increase in property tax and revenue that will be deferred to 2014-15. The significant variance in expenditures was a positive \$3.0 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 2013-2014 included the following projects: Temporary classroom relocation at San Dieguito High School Academy, network infrastructure improvements, HVAC improvements at Diegueno Middle School, Torrey Pines High School improvements for Seaside Prep facilities, 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 2013-2014, included: Network infrastructure improvements, HVAC improvements, field improvements, and other building improvements at several sites throughout the district, as well as the on-going work on many large projects, at all school sites, to take place in the next several years, including land purchase for Middle School #5, Pacific Trails Middle School. The district website provides ongoing updates on Proposition AA Bond projects.

Capital assets at June 30, 2013 and 2014 are outlined below:

	June 30, 2013	June 30, 2014	Total Change
Land	\$ 54,522,725	\$ 54,522,725	\$ -
Improvement of Sites	34,939,979	42,747,614	7,807,635
Buildings	166,296,923	174,683,754	8,386,831
Equipment	12,649,700	15,152,252	2,502,552
Work in Progress	5,867,665	31,119,274	25,251,609
Accumulated depreciation	(80,947,667)	(90,075,236)	(9,127,569)
Total Capital Assets	<u>\$ 193,329,325</u>	<u>\$ 228,150,383</u>	<u>\$ 34,821,058</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. These bonds were fully paid by June 30, 2014.

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 \$167.3 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, 2014

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash	\$ 161,415,738
Receivables	4,935,794
Stores	60,033
Prepaid Expenses	359,495
Capital Assets:	
Land	54,522,725
Improvements	42,747,614
Buildings	174,683,754
Equipment	15,152,252
Work in Progress	31,119,274
Less Accumulated Depreciation	(90,075,236)
Total Assets	<u>394,921,443</u>
<b>LIABILITIES:</b>	
Accounts Payable	12,328,954
Unearned Revenue	106,577
Long-Term Liabilities:	
Due Within One Year	13,726,562
Due in More Than One Year	255,337,480
Total Liabilities	<u>281,499,573</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	80,409,837
Restricted for:	
Capital Projects	10,710,702
Debt Service	12,570,000
Educational Programs	2,721,000
Unrestricted	7,010,331
Total Net Position	<u>\$ 113,421,870</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, 2014

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:					Governmental Activities
Instruction	\$ 66,000,192	\$ 128,451	\$ 10,442,645	\$ 3,682	\$ (55,425,414)
Instruction-Related Services:					
Instructional Supervision and Administration	2,257,834	3,502	1,635,579	-	(618,753)
Instructional Library, Media and Technology	1,067,016	-	-	-	(1,067,016)
School Site Administration	6,914,865	613	261,911	-	(6,652,341)
Pupil Services:					
Home-to-School Transportation	3,907,200	-	3,884	-	(3,903,316)
Food Services	2,600,963	2,117,067	399,490	-	(84,406)
All Other Pupil Services	7,367,590	2,878	862,612	-	(6,502,100)
General Administration:					
Centralized Data Processing	906,240	-	-	-	(906,240)
All Other General Administration	4,543,002	110,466	427,126	-	(4,005,410)
Plant Services	17,027,133	6	181,720	-	(16,845,407)
Ancillary Services	2,385,480	-	-	-	(2,385,480)
Enterprise Activities	978,083	-	-	-	(978,083)
Interest on Long-Term Debt	10,630,652	-	-	-	(10,630,652)
Other Outgo	1,654,678	4,599	268,243	-	(1,381,836)
Total Expenses	\$ 128,240,928	\$ 2,367,582	\$ 14,483,210	\$ 3,682	\$ (111,386,454)

## General Revenues:

## Taxes and Subventions:

Taxes Levied for General Purposes	83,353,039
Taxes Levied for Debt Service	11,674,069
Taxes Levied for Other Specific Purposes	6,983,251
Federal and State Aid Not Restricted to Specific Programs	7,833,799
Interest and Investment Earnings	747,368
Interagency Revenues	188,693
Miscellaneous	5,532,347

## Total General Revenues

\$ 116,312,566

## Change in Net Position

4,926,112

## Net Position Beginning-Restated (Note L)

108,495,758

## Net Position Ending

\$ 113,421,870

The accompanying notes are an integral part of this statement.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2014

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash in County Treasury	\$ 19,935,626	\$ 113,034,040	\$ 17,364,442	\$ 150,334,108
Cash on Hand and in Banks	2,269	-	5,314,513	5,316,782
Cash in Revolving Fund	175,225	-	-	175,225
Cash with a Fiscal Agent/Trustee	-	787,405	4,221,593	5,008,998
Accounts Receivable	4,135,390	214,260	564,997	4,914,647
Due from Other Funds	217,792	-	13,510	231,302
Stores Inventories	438	-	59,595	60,033
Prepaid Expenditures	15,379	-	344,116	359,495
Total Assets	<u>24,482,119</u>	<u>114,035,705</u>	<u>27,882,766</u>	<u>166,400,590</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 2,380,857	\$ 5,672,922	\$ 66,561	\$ 8,120,340
Due to Other Funds	13,510	-	217,792	231,302
Unearned Revenue	28,527	-	78,050	106,577
Total Liabilities	<u>2,422,894</u>	<u>5,672,922</u>	<u>362,403</u>	<u>8,458,219</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	175,225	-	-	175,225
Stores Inventories	438	-	59,595	60,033
Prepaid Items	15,379	-	344,116	359,495
Restricted Fund Balances	2,721,000	-	1,677,470	4,398,470
Committed Fund Balances	-	-	3,148	3,148
Assigned Fund Balances	6,931,623	108,362,783	25,436,034	140,730,440
Unassigned:				
Reserve for Economic Uncertainty	12,215,560	-	-	12,215,560
Total Fund Balance	<u>22,059,225</u>	<u>108,362,783</u>	<u>27,520,363</u>	<u>157,942,371</u>
Total Liabilities and Fund Balances	<u>\$ 24,482,119</u>	<u>\$ 114,035,705</u>	<u>\$ 27,882,766</u>	<u>\$ 166,400,590</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, 2014

Fund balances, governmental funds \$ 157,942,371

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

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

Capital assets relating to governmental activities, at historical cost:	318,225,619	
Accumulated depreciation:	<u>(90,075,236)</u>	
Net:		228,150,383

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 unmaturred interest owing at the end of the period was: (4,208,614)

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	167,300,689	
State school building loans payable	2,100,000	
Compensated absences payable	1,156,562	
Lease revenue bonds payable	12,402,054	
Other general long-term debt	<u>78,019,824</u>	
Total:		(260,979,129)

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: (7,483,141)

Total net position, governmental activities \$ 113,421,870

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, 2014

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 373,165	\$ -	\$ -	\$ 373,165
Education Protection Account Funds	2,409,140	-	-	2,409,140
Local Sources	83,353,086	-	-	83,353,086
Federal Revenue	4,218,722	-	589,476	4,808,198
Other State Revenue	10,935,047	-	88,885	11,023,932
Other Local Revenue	10,346,093	453,521	22,749,329	33,548,943
Total Revenues	<u>111,635,253</u>	<u>453,521</u>	<u>23,427,690</u>	<u>135,516,464</u>
Expenditures:				
Instruction	66,750,271	-	333,624	67,083,895
Instruction - Related Services	9,922,164	-	304,798	10,226,962
Pupil Services	11,073,502	-	2,641,372	13,714,874
Ancillary Services	2,386,394	-	-	2,386,394
General Administration	5,065,890	-	216,433	5,282,323
Plant Services	9,950,136	43,448,616	846,572	54,245,324
Other Outgo	724,984	-	-	724,984
Debt Service:				
Principal	765,588	-	3,013,833	3,779,421
Interest	822,185	-	8,892,820	9,715,005
Total Expenditures	<u>107,461,114</u>	<u>43,448,616</u>	<u>16,249,452</u>	<u>167,159,182</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,174,139</u>	<u>(42,995,095)</u>	<u>7,178,238</u>	<u>(31,642,718)</u>
Other Financing Sources (Uses):				
Transfers In	1,304,997	-	6,598,689	7,903,686
Transfers Out	(64,664)	(765,588)	(6,598,689)	(7,428,941)
Other Sources	-	300	7,875,690	7,875,990
Other Uses	-	(9,134,986)	-	(9,134,986)
Total Other Financing Sources (Uses)	<u>1,240,333</u>	<u>(9,900,274)</u>	<u>7,875,690</u>	<u>(784,251)</u>
Net Change in Fund Balance	5,414,472	(52,895,369)	15,053,928	(32,426,969)
Fund Balance, July 1	16,644,753	161,258,152	12,466,435	190,369,340
Fund Balance, June 30	<u>\$ 22,059,225</u>	<u>\$ 108,362,783</u>	<u>\$ 27,520,363</u>	<u>\$ 157,942,371</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, 2014

Total change in fund balances, governmental funds \$ (32,426,969)

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:

	43,948,627	
Expenditures for capital outlay:		
Depreciation expense:	<u>(9,127,569)</u>	
Net:		34,821,058

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: 3,779,421

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: 1,258,996

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: (1,197,730)

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: (137,919)

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: 282,083

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: (1,452,828)

Change in net position of governmental activities \$ 4,926,112

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, 2014

	Nonmajor Internal Service Fund
	Self-Insurance Fund
<b>ASSETS:</b>	
Current Assets:	
Cash in County Treasury	\$ 580,624
Accounts Receivable	21,148
Total Current Assets	<u>601,772</u>
Total Assets	<u>601,772</u>
<b>LIABILITIES:</b>	
Noncurrent Liabilities:	
Other Postemployment Benefits	\$ 8,084,913
Total Noncurrent Liabilities	<u>8,084,913</u>
Total Liabilities	<u>8,084,913</u>
<b>NET POSITION:</b>	
Unrestricted (Deficit)	(7,483,141)
Total Net Position	<u>\$ (7,483,141)</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, 2014

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	\$ 869,791
Total Revenues	<u>869,791</u>
Operating Expenses:	
Services and Other Operating Expenses	1,847,874
Total Expenses	<u>1,847,874</u>
Income (Loss) before Contributions and Transfers	(978,083)
Other Financing Sources (Uses):	
Interfund Transfers In	64,664
Interfund Transfers Out	(539,409)
Total Other Financing Sources (Uses)	<u>(474,745)</u>
Change in Net Position	(1,452,828)
Total Net Position - Beginning	(6,030,313)
Total Net Position - Ending	<u>\$ (7,483,141)</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, 2014

	Nonmajor Internal Service Fund
	Self-Insurance Fund
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 866,609
Cash Payments to Other Suppliers for Goods and Services	(1,173,259)
Net Cash Provided (Used) by Operating Activities	<u>(306,650)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest and Dividends on Investments	3,182
Net Cash Provided (Used) for Investing Activities	<u>3,182</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(303,468)
Cash and Cash Equivalents at Beginning of Year	884,092
Cash and Cash Equivalents at End of Year	<u>\$ 580,624</u>
<b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (1,452,828)
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(1,384)
Increase (Decrease) in Due To Other Funds	(10,000)
Increase (Decrease) in Net OPEB Obligation	1,160,744
Total Adjustments	<u>1,149,360</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (303,468)</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, 2014

	Agency Fund
	Student Body Fund
<b>ASSETS:</b>	
Cash on Hand and in Banks	\$ 1,461,983
Equipment	4,588
Total Assets	<u>1,466,571</u>
<b>LIABILITIES:</b>	
Due to Student Groups	\$ 1,466,571
Total Liabilities	<u>1,466,571</u>
<b>NET POSITION:</b>	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

# SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

### 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, 2014

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, 2014

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. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

b. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide financial statements.

6. 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, 2014

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 during the benefiting period.

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. Unearned Revenue

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

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

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, 2014

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.

7. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65. At June 30, 2014 the District did not have any Deferred Inflows or Deferred Outflows of Resources.

8. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement #54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) is merged with the General Fund for purposes of presentation in the audit report.

9. 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.

10. Changes in Accounting Policies

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

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

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

**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 Position of Individual Funds

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

<u>Fund Name</u>	<u>Deficit Amount</u>
Self-Insurance Fund	\$ 7,483,141

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.

**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 (\$150,914,733 as of June 30, 2014). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$151,109,038. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investments in the pool is reported in the accounting financial statements as amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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

Cash balances on hand and in banks (\$6,778,765 as of June 30, 2014) and in the revolving fund (\$175,225) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

3. Investments

The District's investments at June 30, 2014 are shown below.

Investment or Investment Type	Average Days to Maturity *	Amount Reported	Fair Value
San Diego County Pooled Investment Funds	366 Days	\$ 150,914,733	\$ 151,109,038
Federated Treasury Obligations	44 Days	29,819	29,819
Money Market Funds	<30 Days	3,467,093	3,467,093
US Treasury Notes	<30 Days	1,512,086	1,512,086
Total Investments		\$ 155,923,731	\$ 156,118,036

\* Represents an average of the days to maturity

4. General Authorizations

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

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

5. 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 AAAf/S1 by Standard & Poors. The District's US Treasury Notes have a Moody's rating of AAA and the District's Federated Treasury Obligations are rated AAAM by Standard and Poors.



**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

b. Custodial Credit Risk - Deposits

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.

California Government Code requires that a financial institution secure deposits made by State or Local Governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having value of 105% of the secured deposits.

As of June 30, 2014, the District's bank balances (including revolving cash) of \$6,953,990 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.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

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 pool.

e. Foreign Currency Risks

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.

6. 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.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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, 2014 consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds	Self Insurance Fund
	General Fund	Building Fund			
Federal Government:					
Federal programs	\$ 587,061	\$ -	\$ 134,467	\$ 721,528	\$ -
State Government:					
LCFF state aid	84,178	-	-	84,178	-
Lottery	965,101	-	-	965,101	-
Other state programs	523,424	-	3,193	526,617	-
Local Sources:					
ROP funding	334,959	-	-	334,959	-
Interest	26,573	116,810	3,575	146,958	830
Special education	1,005,299	-	-	1,005,299	-
Other local sources	608,795	97,450	423,762	1,130,007	20,318
Totals	\$ 4,135,390	\$ 214,260	\$ 564,997	\$ 4,914,647	\$ 21,148

All accounts are considered to be collectible. As such, no allowance for doubtful accounts has been established.

**E. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 54,522,725	\$ -	\$ -	\$ 54,522,725
Work in progress	5,867,665	29,566,326	4,314,717	31,119,274
Total capital assets not being depreciated	60,390,390	29,566,326	4,314,717	85,641,999
Capital assets being depreciated:				
Buildings	166,296,923	8,386,831	-	174,683,754
Improvements	34,939,979	7,807,635	-	42,747,614
Equipment	12,649,700	2,502,552	-	15,152,252
Total capital assets being depreciated	213,886,602	18,697,018	-	232,583,620
Less accumulated depreciation for:				
Buildings	(55,564,843)	(6,751,196)	-	(62,316,039)
Improvements	(14,796,182)	(1,703,408)	-	(16,499,590)
Equipment	(10,586,642)	(672,965)	-	(11,259,607)
Total accumulated depreciation	(80,947,667)	(9,127,569)	-	(90,075,236)
Total capital assets being depreciated, net	132,938,935	9,569,449	-	142,508,384
Governmental activities capital assets, net	\$ 193,329,325	\$ 39,135,775	\$ 4,314,717	\$ 228,150,383

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2014

Depreciation was charged to functions as follows:

Instruction	\$ 1,994,193
Instruction-Related Services	3,817
Pupil Services	251,529
Ancillary Services	1,455
General Administration	130,457
Plant Services	6,746,118
	<u>\$ 9,127,569</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2014 consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Adult Education Fund	\$ 82,415	Indirect cost reimbursement
General Fund	Cafeteria Fund	135,377	Indirect cost reimbursement
Adult Education Fund	General Fund	9,722	Expense reimbursement
Cafeteria Fund	General Fund	3,788	Expense reimbursement
	Total	<u>\$ 231,302</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2014 consisted of the following:

Transfers From	Transfers To	Amount	Purpose
General Fund	Self Insurance Fund	\$ 64,664	Insurance reimbursement
Self Insurance Fund	General Fund	539,409	Temporary loan
Building Fund	General Fund	765,588	Prop 39 debt service
Component Units Fund (49)	Component Units Fund (52)	6,598,689	Debt service
	Total	<u>\$ 7,968,350</u>	

G. Accounts Payable

Accounts payable at June 30, 2014 consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Vendor payables	\$ 1,269,870	\$ 5,653,377	\$ 25,009	\$ 6,948,256
Payroll and related benefits	1,110,987	19,545	41,552	1,172,084
Totals	<u>\$ 2,380,857</u>	<u>\$ 5,672,922</u>	<u>\$ 66,561</u>	<u>\$ 8,120,340</u>

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

H. Unearned Revenue

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:			
Categorical programs	\$ 28,527	\$ -	\$ 28,527
Local Sources			
Other local revenues	-	78,050	78,050
Totals	<u>\$ 28,527</u>	<u>\$ 78,050</u>	<u>\$ 106,577</u>

I. 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 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 matured on April 30, 2014 and bore an interest rate of 2.00%. The notes were sold to supplement the District's cash flows.

<u>Description</u>	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes	\$ -	\$ 13,250,000	\$ 13,250,000	\$ -

J. 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, 2014 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 160,000,000	\$ -	\$ -	\$ 160,000,000	\$ 10,245,000
Unamortized discount	(744,000)	-	(28,615)	(715,385)	-
Unamortized premium	8,336,717	-	320,643	8,016,074	-
Special tax bonds	81,220,000	-	1,925,000	79,295,000	2,025,000
Unamortized discount	(1,320,718)	-	(45,542)	(1,275,176)	-
Lease revenue bonds	15,515,000	-	2,785,000	12,730,000	-
Unamortized discount	(355,275)	-	(27,329)	(327,946)	-
Unamortized premium	91,343	-	91,343	-	-
Net OPEB Obligation	6,924,169	1,757,009	596,265	8,084,913	-
Compensated absences *	1,018,643	137,919	-	1,156,562	1,156,562
State loan payable	2,400,000	-	300,000	2,100,000	300,000
Total governmental activities	<u>\$ 273,085,879</u>	<u>\$ 1,894,928</u>	<u>\$ 5,916,765</u>	<u>\$ 269,064,042</u>	<u>\$ 13,726,562</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

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

2. Debt Service Requirements

Debt service requirements on long-term debt, net of unamortized discount, unamortized premium, and Net OPEB obligation, at June 30, 2014, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 13,726,562	\$ 10,712,923	\$ 24,439,485
2016	7,970,000	10,555,962	18,525,962
2017	2,515,000	10,439,787	12,954,787
2018	2,605,000	10,347,887	12,952,887
2019	3,630,000	10,232,514	13,862,514
2020-2024	25,315,000	48,268,567	73,583,567
2025-2029	54,185,000	38,664,816	92,849,816
2030-2034	61,395,000	24,744,975	86,139,975
2035-2039	81,005,000	9,419,900	90,424,900
2040-2044	2,935,000	178,125	3,113,125
Totals	<u>\$ 255,281,562</u>	<u>\$ 173,565,456</u>	<u>\$ 428,847,018</u>

3. General Obligation Bonds

General obligation bonds at June 30, 2014 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				<u>\$ 160,000,000</u>

	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)	-	(28,615)	(772,615)
Unamortized Premium	8,336,717	-	320,643	8,657,360
Total GO Bonds	<u>\$ 167,592,717</u>	<u>\$ -</u>	<u>\$ 292,028</u>	<u>\$ 167,300,689</u>

The annual requirements to amortize the bonds outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	935,000	5,996,350	6,931,350
2020-2024	11,185,000	28,904,850	40,089,850
2025-2029	24,595,000	24,561,125	49,156,125
2030-2034	40,540,000	17,799,600	58,339,600
2035-2039	66,965,000	7,194,900	74,159,900
Totals	<u>\$ 160,000,000</u>	<u>\$ 108,645,011</u>	<u>\$ 268,645,011</u>

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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.

5. Special Tax Bonds

Special tax bonds at June 30, 2014 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	\$ 81,220,000	\$ -	\$ 1,925,000	\$ 79,295,000
Unamortized Discount	(1,320,718)	-	(45,542)	(1,275,176)
Total Special Tax Bonds	<u>\$ 79,899,282</u>	<u>\$ -</u>	<u>\$ 1,879,458</u>	<u>\$ 78,019,824</u>

The annual requirements to amortize the bonds outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	2,395,000	3,369,951	5,764,951
2020-2024	13,530,000	15,164,600	28,694,600
2025-2029	16,860,000	11,637,000	28,497,000
2030-2034	20,855,000	6,945,375	27,800,375
2035-2039	14,040,000	2,225,000	16,265,000
2040-2044	2,935,000	178,125	3,113,125
Totals	<u>\$ 79,295,000</u>	<u>\$ 53,923,572</u>	<u>\$ 133,218,572</u>

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

6. Lease Revenue Bonds

Lease revenue bonds at June 30, 2014 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				<u>15,515,000</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Lease revenue series 2010A	\$ 13,015,000	\$ -	\$ 285,000	\$ 12,730,000
Unamortized discount	(355,275)	-	(27,329)	(327,946)
Lease revenue series 2012A	2,500,000	-	2,500,000	-
Unamortized premium	91,343	-	91,343	-
Total Lease Revenue Bonds	<u>\$ 15,251,068</u>	<u>\$ -</u>	<u>\$ 2,849,014</u>	<u>\$ 12,402,054</u>

The annual requirements to amortize the bonds outstanding at June 30, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ -	\$ 822,231	\$ 822,231
2016	-	822,231	822,231
2017	-	822,231	822,231
2018	-	822,231	822,231
2019	-	822,231	822,231
2020-2024	-	4,111,153	4,111,153
2025-2029	12,730,000	2,466,691	15,196,691
Totals	<u>\$ 12,730,000</u>	<u>\$ 10,688,999</u>	<u>\$ 23,418,999</u>

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 remaining principal balance of \$12,730,000 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. The entire balance of \$2,500,000 was redeemed in August 2013 from remaining escrow funds available.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2014

7. Bond Premium

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond.

The following bonds were issued at a premium resulting in effective interest as follows:

	2013 Series A
Total Interest Payments on Bond	\$ 113,607,493
Less Bond Premium	<u>(8,336,717)</u>
Net Interest Payments	<u>105,270,776</u>
Par amount of Bonds	\$ 160,000,000
Periods	25
Effective Interest Rate	2.630%

8. Bond Discount

Bond discount arises when the market rate of interest is lower than the stated interest rate on the debt. Generally Accepted Accounting Principles (GAAP) require that the discount decrease the face value of the debt and then amortize the discount over the life of the debt.

Discounts issued on the debt resulted in an effective interest rate as follows:

	2013 Series A Bonds	2010 Series A Bonds	2006 Refunding Bonds
Total Interest Payments on Bond	\$ 113,607,493	\$ 14,269,845	\$ 76,647,411
Add Discount	744,000	437,262	1,548,428
Net Interest Payments	<u>114,351,493</u>	<u>14,707,107</u>	<u>78,195,839</u>
Par amount of Bonds	\$ 160,000,000	\$ 13,015,000	\$ 89,130,000
Periods	25	17	34
Effective Interest Rate	2.850%	6.640%	2.580%

9. 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
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	300,000	43,982	343,982
2020-2024	600,000	87,964	687,964
Totals	<u>\$ 2,100,000</u>	<u>\$ 307,874</u>	<u>\$ 2,407,874</u>



**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

**K. Components of Ending Fund Balance**

As of June 30, 2014 ending fund balance consisted of the following:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds	Self Insurance Fund
	General Fund	Building Fund			
<b>Nonspendable Fund Balances</b>					
Revolving Cash	\$ 175,225	\$ -	\$ -	\$ 175,225	\$ -
Stores Inventories	438	-	59,595	60,033	-
Prepaid Items	15,379	-	344,116	359,495	-
<b>Restricted Fund Balances</b>					
Capital Projects	-	-	1,069,424	1,069,424	-
Child Nutrition Program	-	-	608,046	608,046	-
Educational Programs	2,721,000	-	-	2,721,000	-
<b>Committed Fund Balances</b>					
Deferred Maintenance	-	-	3,148	3,148	-
<b>Assigned Fund Balances</b>					
Capital Projects	-	108,362,783	11,532,997	119,895,780	-
Adult Education Program	-	-	18,617	18,617	-
Pupil Transportation Equipment	-	-	49,051	49,051	-
Debt Service	-	-	13,835,369	13,835,369	-
Educational Programs	6,931,623	-	-	6,931,623	-
<b>Unassigned Fund Balances</b>					
For Economic Uncertainty	12,215,560	-	-	12,215,560	-
Unappropriated	-	-	-	-	(7,483,141)
<b>Total Fund Balance</b>	<u>\$ 22,059,225</u>	<u>\$ 108,362,783</u>	<u>\$ 27,520,363</u>	<u>\$ 157,942,371</u>	<u>\$ (7,483,141)</u>

**L. Adjustments to Beginning Net Position**

The District implemented GASB Statement No. 65 during the current fiscal year which resulted in an accounting change in the treatment of the majority of debt issue costs. Under previous standards, debt issue costs were recorded as prepaid expenses and amortized over the life of the debt. Under newly implemented standards prepaid insurance is recorded as a deferred outflow of resources and all remaining debt issue costs are expensed in the period the debt is issued. The resulting accounting change required a restatement of beginning net position as follows:

Net Position, Beginning (As Originally Stated)	\$ 109,672,033
Change in accounting policy	<u>(1,176,275)</u>
Net Assets, Beginning (As Restated)	<u>\$ 108,495,758</u>

**M. Joint Ventures (Joint Powers Agreements)**

The District participates in one joint powers agreement (JPA) entity, the San Diego County Schools Risk Management (SDCSRМ). 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.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

Combined condensed audited financial information of the District's share of the JPA for the year ended June 30, 2014 is as follows:

Total Assets	\$	3,422,804
Total Liabilities		2,872,272
Total Fund Balance		550,532
Total Cash Receipts		2,164,656
Total Cash Disbursements		2,196,147
Net Change in Fund Balance		(31,491)

**N. 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).

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 2013-14 was 11.442% 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, 2014, 2013 and 2012 were \$1,773,135, \$1,768,694 and \$1,721,302, 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.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

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 2013-14 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, 2014, 2013 and 2012 were \$4,674,817, \$4,464,266 and \$4,416,291, respectively, and equal 100% of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to STRS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$2,940,777 (5.204002% of salaries subject to STRS). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule.

O. 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 818 eligible active employees and 99 eligible retirees.

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 2013-14, the District contributed \$775,938 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	\$ 2,404,081
Interest on net OPEB obligation	23,888
Adjustment to annual required contribution	<u>(491,287)</u>
Annual OPEB cost (expense)	1,936,682
Contribution made	<u>(775,938)</u>
Increase in net OPEB obligation	1,160,744
Net OPEB obligation, beginning of year	6,924,169
Net OPEB obligation, end of year	<u><u>\$ 8,084,913</u></u>

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2014

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
2012	\$ 1,937,676	33.32%	\$ 5,556,131
2013	1,995,956	31.45%	6,924,169
2014	1,936,682	40.06%	8,084,913

**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.

In the June 30, 2013 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 7.5% reduced to a rate of 5.0% after six years. The UAAL is being amortized at a level dollar method with the remaining amortization period at June 30, 2014 of 24 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.

**P. 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.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

**Q. Construction Commitments**

As of June 30, 2014 the District had the following commitments with respect to unfinished capital projects:

	Commitment	*Expected Date of Final Completion	Percentage Complete
<b>Construction in Process:</b>			
Carmel Valley Middle School-Media Center Imp.	\$ 153,670	08/15/2014	12%
Canyon Crest Academy Stadium & Fields Phase 2	15,528,955	04/07/2015	16%
Diegueno Middle School Front Entry/Media Center Imp.	3,094,776	08/15/2014	12%
Diegueno Middle School Technology Infrastructure	554,032	08/15/2014	62%
Earl Warren Middle School Data Center Phase 1	3,094,776	04/16/2015	13%
La Costa Canyon High School Media Center/800 Bldgs Imp.	4,732,259	08/15/2014	29%
Pacific Trails Middle School (formerly Middle School #5)	46,427,499	02/05/2016	27%
Oak Crest Middle School Art/C-Smart, ADA Pathway & Field	3,576,919	08/15/2014	10%
San Dieguito Academy Stadium Phase 1B & Interim Housing	6,240,350	08/15/2015	42%
TPHS Stadium Lighting/Science Classroom/Weight Room	9,323,767	09/01/2015	12%

\* Expected date of final completion subject to change

**R. Subsequent Events**

Tax Revenue Anticipation Notes

In August 2014, the District entered into the County of San Diego and San Diego County School Districts 2014 Pooled Tax and Revenue Anticipation Notes (TRANS) in the amount of \$8,875,000. The notes mature on June 30, 2015 and bear an interest rate of 2.00%. The notes were sold to supplement the District's cash flows.

New Accounting Pronouncements

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

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

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

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

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

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

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

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

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

This Statement is effective for the 2014-15 fiscal year.

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

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

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

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

GASB Statement No. 71 amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this statement are required to be applied with the provisions of Statement No. 68 which is effective for the 2014-15 fiscal year.

## 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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ (39,236)	\$ 280,857	\$ 373,165	\$ 92,308
Education Protection Account Funds	-	2,499,852	2,409,140	(90,712)
Local Sources	80,852,521	82,760,871	83,353,086	592,215
Federal Revenue	4,093,584	4,785,682	4,218,722	(566,960)
Other State Revenue	4,644,931	7,992,473	7,994,270	1,797
Other Local Revenue	8,055,834	9,681,467	10,337,640	656,173
Total Revenues	<u>97,607,634</u>	<u>108,001,202</u>	<u>108,686,023</u>	<u>684,821</u>
Expenditures:				
Current:				
Certificated Salaries	49,071,438	50,540,924	50,280,236	260,688
Classified Salaries	15,621,001	16,323,903	16,038,204	285,699
Employee Benefits	20,384,519	20,919,495	20,670,363	249,132
Books And Supplies	2,940,347	6,722,496	3,726,480	2,996,016
Services And Other Operating Expenditures	12,665,974	12,166,365	11,403,272	763,093
Other Outgo	802,310	855,894	724,984	130,910
Direct Support/Indirect Costs	(170,154)	(130,154)	(159,648)	29,494
Capital Outlay	44,000	250,267	248,673	1,594
Debt Service:				
Principal	765,588	765,588	765,588	-
Interest	840,936	840,936	822,185	18,751
Total Expenditures	<u>102,965,959</u>	<u>109,255,714</u>	<u>104,520,337</u>	<u>4,735,377</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,358,325)</u>	<u>(1,254,512)</u>	<u>4,165,686</u>	<u>5,420,198</u>
Other Financing Sources (Uses):				
Transfers In	765,588	1,304,997	1,304,997	-
Transfers Out	(20,000)	(64,664)	(64,664)	-
Total Other Financing Sources (Uses)	<u>745,588</u>	<u>1,240,333</u>	<u>1,240,333</u>	<u>-</u>
Net Change in Fund Balance	<u>(4,612,737)</u>	<u>(14,179)</u>	<u>5,406,019</u>	<u>5,420,198</u>
Fund Balance, July 1	<u>14,197,770</u>	<u>14,197,770</u>	<u>14,197,770</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 9,585,033</u>	<u>\$ 14,183,591</u>	<u>\$ 19,603,789</u>	<u>\$ 5,420,198</u>

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS-OTHER POST EMPLOYMENT BENEFITS

YEAR ENDED JUNE 30, 2014

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
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%
6/30/13	-	16,153,467	16,153,467	-	51,334,000	31.5%

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2014

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. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

General Fund - Fund Financial Statements Ending Fund Balance	\$ 22,059,225
Less Fund 17 Fund Balance	<u>(2,455,436)</u>
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u>\$ 19,603,789</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$ 5,414,472
Change in Fund Balance attributed to Fund 17	<u>(8,453)</u>
General Fund - Budgetary Comparison Schedule Change in Fund Balance	<u>\$ 5,406,019</u>

In addition, the budgetary comparison schedule does not include revenue and expenses associated with on behalf payments made by the state for the fiscal year as follows:

General Fund - Fund Financial Statements Revenues and Other Financing Sources (Excluding Fund 17)	\$ 112,931,797
Less On Behalf Payments for year ended June 30, 2014	<u>(2,940,777)</u>
General Fund - Budgetary Comparison Schedule Revenues and Other Financing Sources	<u>\$ 109,991,020</u>
General Fund - Fund Financial Statements Expenditures and Other Financing Uses (Excluding Fund 17)	\$ 107,525,778
Less On Behalf Payments for year ended June 30, 2014	<u>(2,940,777)</u>
General Fund - Budgetary Comparison Schedule Expenditures and Other Financing Uses	<u>\$ 104,585,001</u>

## 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, 2014

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS:</b>				
Cash in County Treasury	\$ 843,468	\$ 13,835,369	\$ 2,685,605	\$ 17,364,442
Cash on Hand and in Banks	20,413	-	5,294,100	5,314,513
Cash with a Fiscal Agent/Trustee	-	-	4,221,593	4,221,593
Accounts Receivable	139,271	-	425,726	564,997
Due from Other Funds	13,510	-	-	13,510
Stores Inventories	59,595	-	-	59,595
Prepaid Expenditures	134	-	343,982	344,116
Total Assets	<u>1,076,391</u>	<u>13,835,369</u>	<u>12,971,006</u>	<u>27,882,766</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 41,958	\$ -	\$ 24,603	\$ 66,561
Due to Other Funds	217,792	-	-	217,792
Unearned Revenue	78,050	-	-	78,050
Total Liabilities	<u>337,800</u>	<u>-</u>	<u>24,603</u>	<u>362,403</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	59,595	-	-	59,595
Prepaid Items	134	-	343,982	344,116
Restricted Fund Balances	608,046	-	1,069,424	1,677,470
Committed Fund Balances	3,148	-	-	3,148
Assigned Fund Balances	67,668	13,835,369	11,532,997	25,436,034
Total Fund Balance	<u>738,591</u>	<u>13,835,369</u>	<u>12,946,403</u>	<u>27,520,363</u>
Total Liabilities and Fund Balances	<u>\$ 1,076,391</u>	<u>\$ 13,835,369</u>	<u>\$ 12,971,006</u>	<u>\$ 27,882,766</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, 2014

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 589,476	\$ -	\$ -	\$ 589,476
Other State Revenue	25,544	63,341	-	88,885
Other Local Revenue	2,794,006	11,625,863	8,329,460	22,749,329
Total Revenues	<u>3,409,026</u>	<u>11,689,204</u>	<u>8,329,460</u>	<u>23,427,690</u>
Expenditures:				
Instruction	333,624	-	-	333,624
Instruction - Related Services	304,798	-	-	304,798
Pupil Services	2,641,372	-	-	2,641,372
General Administration	159,648	-	56,785	216,433
Plant Services	-	-	846,572	846,572
Debt Service:				
Principal	-	2,733,005	280,828	3,013,833
Interest	-	8,829,666	63,154	8,892,820
Total Expenditures	<u>3,439,442</u>	<u>11,562,671</u>	<u>1,247,339</u>	<u>16,249,452</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(30,416)</u>	<u>126,533</u>	<u>7,082,121</u>	<u>7,178,238</u>
Other Financing Sources (Uses):				
Transfers In	-	6,598,689	-	6,598,689
Transfers Out	-	-	(6,598,689)	(6,598,689)
Other Sources	-	7,110,147	765,543	7,875,690
Total Other Financing Sources (Uses)	<u>-</u>	<u>13,708,836</u>	<u>(5,833,146)</u>	<u>7,875,690</u>
Net Change in Fund Balance	(30,416)	13,835,369	1,248,975	15,053,928
Fund Balance, July 1	769,007	-	11,697,428	12,466,435
Fund Balance, June 30	<u>\$ 738,591</u>	<u>\$ 13,835,369</u>	<u>\$ 12,946,403</u>	<u>\$ 27,520,363</u>

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2014

	Adult Education Fund	Cafeteria Fund
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
Cash in County Treasury	\$ 41,960	\$ 749,360
Cash on Hand and in Banks	2,426	17,987
Accounts Receivable	77,109	62,111
Due from Other Funds	9,722	3,788
Stores Inventories	-	59,595
Prepaid Expenditures	-	134
Total Assets	<u>131,217</u>	<u>892,975</u>
<b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
Accounts Payable	\$ 30,185	\$ 11,773
Due to Other Funds	82,415	135,377
Unearned Revenue	-	78,050
Total Liabilities	<u>112,600</u>	<u>225,200</u>
Fund Balance:		
Nonspendable Fund Balances:		
Stores Inventories	-	59,595
Prepaid Items	-	134
Restricted Fund Balances	-	608,046
Committed Fund Balances	-	-
Assigned Fund Balances	18,617	-
Total Fund Balance	<u>18,617</u>	<u>667,775</u>
Total Liabilities and Fund Balances	<u>\$ 131,217</u>	<u>\$ 892,975</u>

Deferred Maintenance Fund	Pupil Transportation Equipment	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 3,145	\$ 49,003	\$ 843,468
-	-	20,413
3	48	139,271
-	-	13,510
-	-	59,595
-	-	134
<u>3,148</u>	<u>49,051</u>	<u>1,076,391</u>
\$ -	\$ -	\$ 41,958
-	-	217,792
-	-	78,050
<u>-</u>	<u>-</u>	<u>337,800</u>
-	-	59,595
-	-	134
-	-	608,046
3,148	-	3,148
-	49,051	67,668
<u>3,148</u>	<u>49,051</u>	<u>738,591</u>
<u>\$ 3,148</u>	<u>\$ 49,051</u>	<u>\$ 1,076,391</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, 2014

	Adult Education Fund	Cafeteria Fund
Revenues:		
Federal Revenue	\$ 140,011	\$ 449,465
Other State Revenue	-	25,544
Other Local Revenue	543,095	2,250,731
Total Revenues	<u>683,106</u>	<u>2,725,740</u>
Expenditures:		
Instruction	333,624	-
Instruction - Related Services	304,798	-
Pupil Services	-	2,641,372
General Administration	26,067	133,581
Total Expenditures	<u>664,489</u>	<u>2,774,953</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>18,617</u>	<u>(49,213)</u>
Net Change in Fund Balance	18,617	(49,213)
Fund Balance, July 1	-	716,988
Fund Balance, June 30	<u>\$ 18,617</u>	<u>\$ 667,775</u>

**EXHIBIT C-4**

Deferred Maintenance Fund	Pupil Transportation Equipment	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ 589,476
-	-	25,544
11	169	2,794,006
<u>11</u>	<u>169</u>	<u>3,409,026</u>
-	-	333,624
-	-	304,798
-	-	2,641,372
-	-	159,648
<u>-</u>	<u>-</u>	<u>3,439,442</u>
11	169	(30,416)
11	169	(30,416)
3,137	48,882	769,007
<u>\$ 3,148</u>	<u>\$ 49,051</u>	<u>\$ 738,591</u>

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 JUNE 30, 2014

	Bond Interest & Redemption	Total Nonmajor Debt Service Funds (See Exhibit C-1)
<b>ASSETS:</b>		
Cash in County Treasury	\$ 13,835,369	\$ 13,835,369
Total Assets	<u>13,835,369</u>	<u>13,835,369</u>
<b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance:		
Assigned Fund Balances	\$ 13,835,369	\$ 13,835,369
Total Fund Balance	<u>13,835,369</u>	<u>13,835,369</u>
Total Liabilities and Fund Balances	<u>\$ 13,835,369</u>	<u>\$ 13,835,369</u>

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014

	Bond Interest & Redemption	Blended Component Unit	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:			
Other State Revenue	\$ 63,341	\$ -	\$ 63,341
Other Local Revenue	11,625,863	-	11,625,863
Total Revenues	<u>11,689,204</u>	<u>-</u>	<u>11,689,204</u>
Expenditures:			
Debt Service:			
Principal	-	2,733,005	2,733,005
Interest	4,963,982	3,865,684	8,829,666
Total Expenditures	<u>4,963,982</u>	<u>6,598,689</u>	<u>11,562,671</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,725,222</u>	<u>(6,598,689)</u>	<u>126,533</u>
Other Financing Sources (Uses):			
Transfers In	-	6,598,689	6,598,689
Other Sources	7,110,147	-	7,110,147
Total Other Financing Sources (Uses)	<u>7,110,147</u>	<u>6,598,689</u>	<u>13,708,836</u>
Net Change in Fund Balance	13,835,369	-	13,835,369
Fund Balance, July 1	-	-	-
Fund Balance, June 30	<u>\$ 13,835,369</u>	<u>\$ -</u>	<u>\$ 13,835,369</u>

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2014

	Capital Facilities Fund	County School Facilities Fund
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
Cash in County Treasury	\$ 1,590,376	\$ 1,068,373
Cash on Hand and in Banks	-	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	325,946	1,051
Prepaid Expenditures	343,982	-
Total Assets	<u>2,260,304</u>	<u>1,069,424</u>
 <b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
Accounts Payable	\$ 24,603	\$ -
Total Liabilities	<u>24,603</u>	<u>-</u>
 Fund Balance:		
Nonspendable Fund Balances:		
Prepaid Items	343,982	-
Restricted Fund Balances	-	1,069,424
Assigned Fund Balances	1,891,719	-
Total Fund Balance	<u>2,235,701</u>	<u>1,069,424</u>
 Total Liabilities and Fund Balances	<u>\$ 2,260,304</u>	<u>\$ 1,069,424</u>

Special Reserve for Capital Outlay Fund	Capital Projects For Blended Component Units	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 26,856	\$ -	\$ 2,685,605
-	5,294,100	5,294,100
-	4,221,593	4,221,593
26	98,703	425,726
-	-	343,982
<u>26,882</u>	<u>9,614,396</u>	<u>12,971,006</u>
\$ -	\$ -	\$ 24,603
<u>-</u>	<u>-</u>	<u>24,603</u>
-	-	343,982
-	-	1,069,424
26,882	9,614,396	11,532,997
<u>26,882</u>	<u>9,614,396</u>	<u>12,946,403</u>
\$ 26,882	\$ 9,614,396	\$ 12,971,006
<u>26,882</u>	<u>9,614,396</u>	<u>12,971,006</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, 2014

	Capital Facilities Fund	County School Facilities Fund
	<u>                    </u>	<u>                    </u>
Revenues:		
Other Local Revenue	\$ 1,315,396	\$ 3,682
Total Revenues	<u>1,315,396</u>	<u>3,682</u>
Expenditures:		
General Administration	56,785	-
Plant Services	510,204	-
Debt Service:		
Principal	280,828	-
Interest	63,154	-
Total Expenditures	<u>910,971</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>404,425</u>	<u>3,682</u>
Other Financing Sources (Uses):		
Transfers Out	-	-
Other Sources	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balance	404,425	3,682
Fund Balance, July 1	1,831,276	1,065,742
Fund Balance, June 30	<u>\$ 2,235,701</u>	<u>\$ 1,069,424</u>

Special Reserve for Capital Outlay Fund	Capital Projects For Blended Component Units	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 92	\$ 7,010,290	\$ 8,329,460
<u>92</u>	<u>7,010,290</u>	<u>8,329,460</u>
-	-	56,785
-	336,368	846,572
-	-	280,828
-	-	63,154
<u>-</u>	<u>336,368</u>	<u>1,247,339</u>
92	6,673,922	7,082,121
-	(6,598,689)	(6,598,689)
-	765,543	765,543
<u>-</u>	<u>(5,833,146)</u>	<u>(5,833,146)</u>
92	840,776	1,248,975
26,790	8,773,620	11,697,428
<u>\$ 26,882</u>	<u>\$ 9,614,396</u>	<u>\$ 12,946,403</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, 2014

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>
Joyce Dalessandro	President	Four Year Term Expires December 2016
Amy Herman	Vice President	Four Year Term Expires December 2014
Beth Hergesheimer	Clerk	Four Year Term Expires December 2016
Barbara Groth	Trustee	Four Year Term Expires December 2014
John Salazar	Trustee	Four Year Term Expires December 2014

<u>Administration</u>
Rick Schmitt Superintendent
Torrie Norton Associate Superintendent Human Resources
Michael Grove, Ed. D. Associate Superintendent Educational Services
Eric Dill Associate Superintendent Business Services

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

**TABLE D-1**

SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 YEAR ENDED JUNE 30, 2014

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Grades 7 and 8:				
Regular ADA	3,894.90	3,894.89	3,892.30	N/A
Extended Year Special Education	4.24	4.24	4.24	N/A
Nonpublic, Nonsectarian Schools	6.48	9.32	9.05	N/A
Extended Year - Nonpublic	0.53	0.53	0.53	N/A
Grades 7 and 8 Totals	<u>3,906.15</u>	<u>3,908.98</u>	<u>3,906.12</u>	<u>N/A</u>
Grades 9-12:				
Regular ADA	8,076.81	8,064.49	8,001.90	N/A
Extended Year Special Education	8.34	8.34	8.34	N/A
Nonpublic, Nonsectarian Schools	33.44	46.00	43.96	N/A
Extended Year - Nonpublic	5.75	5.75	5.75	N/A
Grades 9-12 Totals	<u>8,124.34</u>	<u>8,124.58</u>	<u>8,059.95</u>	<u>N/A</u>
ADA Totals	<u>12,030.49</u>	<u>12,033.56</u>	<u>11,966.07</u>	<u>N/A</u>

N/A - There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. 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 and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

## SCHEDULE OF INSTRUCTIONAL TIME

YEAR ENDED JUNE 30, 2014

TABLE D-2

Grade Level	Ed. Code 46207 Minutes Requirement	Ed. Code 46207 Adjusted & Reduced	2013-14 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 7	54,000	52,500	58,635	178	-	Complied
Grade 8	54,000	52,500	58,635	178	-	Complied
Grade 9	64,800	63,000	64,312	178	-	Complied
Grade 10	64,800	63,000	64,312	178	-	Complied
Grade 11	64,800	63,000	64,312	178	-	Complied
Grade 12	64,800	63,000	64,312	178	-	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. 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. The District neither met nor exceeded its target funding.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
 YEAR ENDED JUNE 30, 2014

**TABLE D-3**

General Fund	Budget 2015 (See Note 1)	2014	2013	2012
Revenues and other financial sources	\$ 104,610,274	\$ 112,931,797	\$ 105,984,906	\$ 103,162,644
Expenditures, other uses and transfers out	106,220,850	107,525,778	105,514,612	104,746,354
Change in fund balance (deficit)	(1,610,576)	5,406,019	470,294	(1,583,710)
Ending fund balance	\$ 17,993,213	\$ 19,603,789	\$ 14,197,770	\$ 13,727,476
Available reserves (See Note 2)	\$ 16,472,213	\$ 16,691,747	\$ 13,091,097	\$ 12,949,745
Available reserves as a percentage of total outgo (See Note 3)	15.5%	15.5%	12.7%	12.7%
Total long-term debt	\$ 255,337,480	\$ 269,064,042	\$ 273,085,879	\$ 106,397,147
Average daily attendance at P-2	12,040	12,034	11,832	12,019

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 increased by \$4,292,604 over the past three years. The fiscal year 2014-15 budget projects a decrease of \$1,610,576. 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 \$164,696,162 over the past three years.

Average daily attendance has increased by 70 over the past three years.

Notes:

- 1 Budget 2015 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.
- 4 On behalf payments of \$2,940,777, \$2,794,084, and \$2,593,454, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2014, 2013 and 2012.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

**TABLE D-4**

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET  
REPORT WITH AUDITED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

	General Fund	Special Reserve Fund for Other Than Capital Outlay (Fund 17)
	<u>                    </u>	<u>                    </u>
June 30, 2014, annual financial and budget report fund balances	\$ 19,603,789	\$ 2,455,436
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Inclusion for reporting purposes under GASB 54	<u>2,455,436</u>	<u>(2,455,436)</u>
Net adjustments and reclassifications	<u>2,455,436</u>	<u>(2,455,436)</u>
June 30, 2014, audited financial statement fund balances	<u>\$ 22,059,225</u>	<u>\$ -</u>

	Schedule of Long-Term Debt
	<u>                    </u>
June 30, 2014 annual financial and budget report total liabilities	\$ 272,219,364
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Bond premium overstatement	(370,322)
Lease revenue bonds overstatement	<u>(2,785,000)</u>
Net adjustments and reclassifications	<u>(3,155,322)</u>
June 30, 2014 audited financial statement total liabilities	<u>\$ 269,064,042</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, 2014

**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, 2014

**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	-	\$ 672,674
Total U. S. Department of Treasury			<u>672,674</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
Adult Education	84.002	13977	140,011
Title I Cluster			
Title I Part A	84.010	14109	807,027
Title I Part A Program Improvement	84.010	14957	50,000
Total Title I Cluster			<u>857,027</u>
Special Education Cluster			
Special Education	84.027	13379	1,511,609
Special Education Early Intervention	84.027	10119	342,622
Special Education Private Schools	84.027	10115	158,306
Special Education Mental Health	84.027A	14468	138,215
Total Special Education Cluster			<u>2,150,752</u>
Vocational Education	84.048	13924	119,736
Workability	84.158	10006	173,163
Advanced Placement Testing	84.330	14363	23,535
Title III Cluster			
Title III Limited English Proficiency	84.365	10084	31,200
Title III Immigrant Education	84.365	14346	22,637
Total Title III Cluster			<u>53,837</u>
Title II Teacher Quality	84.367	14341	167,997
Total Passed Through State Department of Education			<u>3,686,058</u>
Total U. S. Department of Education			<u>3,686,058</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	13526	27,808
National School Lunch Section 4	10.555	13391	60,974
National School Lunch Section 11	10.555	13396	275,114
Commodities *	10.555	13396	85,568
Total Child Nutrition Cluster			<u>449,464</u>
Total Passed Through State Department of Education			<u>449,464</u>
Total U. S. Department of Agriculture			<u>449,464</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>4,808,196</u></b>

\* Indicates noncash expenditures

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, 2014

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

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, 2014, 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 12, 2014.

### 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. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-1 and 2014-2.

## **San Dieguito Union High School District's Response to Findings**

San Dieguito Union High School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. San Dieguito Union High School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Wilkinson Hadley King & Co., LLP*

El Cajon, California  
December 12, 2014

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, 2014. 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, 2014.

## 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 12, 2014

**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 2013-14*, 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, 2014.

**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 2013-14* 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 2013-14* 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 occurred. 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:

Description	Procedures In Audit Guide	Procedures Performed
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 for School Districts	10	Yes
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	N/A



GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	N/A
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	N/A
After School	5	N/A
Before School	6	N/A
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
For Charter Schools:		
Contemporaneous Records of Attendance	8	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
Facility Grant Program	1	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 that which 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, 2014.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel and which is described in the accompanying schedule of findings and questioned costs as item 2014-2.

### **San Dieguito Union High School District's Response to Findings**

San Dieguito Union High School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. San Dieguito Union High School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of 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 2013-14, 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 12, 2014

## Findings and Recommendations Section

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**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>
21.XXX	Federal Interest Subsidy
84.027, 84.027A	Special Education Cluster
84.002	Adult 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, 2014

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?

X  Yes           No

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

Unmodified

**B. Financial Statement Findings**

Finding 2014-1 (30000)  
Student Body Funds

Criteria or Specific Requirement

Determine if internal controls are in place over the student body funds that will ensure all student body receipts collected are properly documented and deposited timely and all disbursements are properly authorized and have adequate support.

Condition

In our review of the disbursements at Earl Warren Middle School, we noted that three check requests in our sample selected for testing did not have proper authorization signatures. There was no evidence of the principal or vice principal approval on the check request; therefore, the disbursements lacked proper authorization for payment. In addition, one deposit at La Costa Canyon High School was not timely as cash was being accumulated by a parent running a concession stand for over one month.

Questioned Costs

None

Effect

Student body disbursements lacked proper approval and authorization for payment at Earl Warren Middle School and one deposit was not processed timely at La Costa Canyon High School.

Cause

Student body clerks were not aware and did not comprehend the proper internal controls over student body receipts and disbursements.

Recommendation

Require all check request forms utilized for disbursements at Earl Warren Middle School be properly authorized as an approval for subsequent payment. All check requests should be approved by the principal or vice principal prior to issuance of payment as proof of proper approval over the expense. In addition, all cash collected from concession stands and sporting events should be deposited immediately after the date of the activity. Cash sales should not be accumulated in a cash box over an extended length of time and should be receipted and deposited to the bank on a timely basis with no exceptions as a method of maintaining proper internal controls over cash receipts and collections within the student body funds.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

LEA's Response

The District regularly meets with the ASB Finance Secretaries in addition to frequent e-mail contact with tips and suggestions for best Student Body practices. Past meetings have discussed proper authorization for payment as well as appropriate cash handling procedures, including timely deposits. The District continues to monitor activities and procedures with site visits and regular audits from the internal business staff. In past years, the district has added district-wide accounting software to aid with District-level oversight.

**C. Federal Award Findings and Questioned Costs**

None

**D. State Award Findings and Questioned Costs**

Finding 2014-2 (10000)  
Attendance

Criteria or Specific Requirement

Determine that daily attendance at each school site is being accurately recorded and all absences are being marked correctly on a daily basis based on the guidelines and provisions under Education Code Sections 46000 and 46303.

Condition

In review of daily attendance at La Costa Canyon High School for month six, we noted period attendance reports for the selected students tested did not have a full day absence code marked within the the system for various days throughout the school year. Due to the lack of a permanent attendance clerk throughout the year, there were several instances where the all-day attendance box was not checked for some students during various intervals throughout the fiscal year which resulted in the daily attendance to be overstated. District management was instructed to review and revise all attendance data and absence posting within their attendance system to ensure that all students absent for the entire day are being coded properly with the all-day absence code. The District subsequently revised their attendance records and reports to adjust the overstated attendance on the second period report. In addition, there were some instances where student attendance in various study periods under the supervision of vice principals was not being captured.

Questioned Costs

Overstatement of 10.24 ADA for grades nine through twelve at the second reporting period, which results in approximately \$88,453 overstatement of calculated state aid.

Effect

Overstated attendance for La Costa Canyon High School at the second reporting period due to the all-day absence box not being marked consistently for all students that were absent for the entire day in addition to understated attendance for student study periods not being counted.

Cause

Substitute attendance clerks during the school year were not properly instructed on the proper procedures for recording student absences within the attendance system which caused attendance data to be overstated and vice principals were not instructed to take daily attendance for all study periods.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Recommendation

Implement procedures to ensure a permanent attendance clerk or qualified substitute is trained to mark the all-day absence code for all students that are absent the entire day. Attendance input and reports should be reviewed and monitored daily to ensure that all absences are being recorded properly and that attendance is accurately stated. Vice principals in charge of study periods should take attendance on a daily basis to ensure proper student period attendance is being recorded.

LEA's Response

A permanent attendance clerk was hired at La Costa Canyon High School in May 2014. She received two full day training sessions at the district office when she was hired. Ongoing training includes periodic site based sessions. In addition, the district implemented an annual training for district substitutes in daily, weekly, and monthly attendance procedures to ensure a qualified sub pool for daily staff absences and long-term assignments in a school site attendance office. The district attendance procedure manual was updated for the 2014-15 school year. This was reviewed in August with school site attendance staff prior to the beginning of the school year. Processes and procedures will be reinforced with three annual staff training sessions. Central to these trainings are the importance of working with teachers and site administrators to ensure accurate daily period attendance is being recorded for each student.

District office staff is monitoring school site attendance office procedures with monthly site audits to review daily procedures including missing teacher attendance reports and daily period absence reviews to be sure attendance is accurately stated and day codes are properly posted.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no findings in the 2012-13 audit report.		