

# San Dieguito Union High School District

## INFORMATION REGARDING BOARD AGENDA ITEM

**TO:** BOARD OF TRUSTEES

**DATE OF REPORT:** January 4, 2016

**BOARD MEETING DATE:** January 14, 2016

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

**SUBMITTED BY:** Rick Schmitt  
Superintendent

**SUBJECT:** ACCEPTANCE OF THE 2014-15 ANNUAL  
AUDIT REPORT

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### EXECUTIVE SUMMARY

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

Findings and recommendations are noted on pages 87 through 90 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 exception was noted:

Page 88, Finding 2015-001 (10000)

The auditors noted some class attendance rosters were not signed and dated in a timely manner. This was due to site personnel not understanding the requirement that teachers must verify attendance within a week after the attendance period. Additional training has been provided to ensure attendance staff, teachers and administrators are following proper procedures. District staff will also conduct monthly compliance audits at each site.

This finding had no financial impact on the General Fund. Although the rosters were not signed within the proper timeframe, the attendance reported was correct. There was no change to average daily attendance (ADA) due to this finding. 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 Oversight Committee.

**RECOMMENDATION:**

It is recommended that the Board accept the 2014-15 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, 2015**

**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, 2015

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San Dieguito Union High School District  
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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 the San Dieguito Union High School District ("the District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principles*

As described in Note A to the financial statements, in 2015, San Dieguito Union High School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for contributions Made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. 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, schedule of funding progress for OPEB benefits, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions 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 2014-15*, 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 14, 2015 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 14, 2015

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2015  
(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, 2015. 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 2015 are as follows:

- Total governmental fund net position is \$8,495,466, after the total net pension liability of \$90,409,519
- The state wide average for the cost of living adjustment was .85%

#### **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 \$8.5 million at the close of the most recent fiscal year, after the net pension liability of \$90.4 million.

### SAN DIEGUITO UNION HIGH SCHOOL DISTRICT 2014-15 NET POSITION (In Millions of Dollars)

	Governmental Activities		2014-15 % of Total	Total % Change over 13-14
	2013-14	2014-15		
Current and Other Assets	166.8	221.7	43%	32.9%
Capital Assets	228.1	290.3	57%	27.3%
<b>Total Assets</b>	<b>\$ 394.9</b>	<b>\$ 512.0</b>		<b>29.7%</b>
<b>Deferred Outflows of Resources</b>	-	6.7	1%	
Long Term Debt Outstanding	255.3	462.0	95%	81.0%
Other Liabilities	26.2	24.3	5%	-7.3%
<b>Total Liabilities</b>	<b>\$ 281.5</b>	<b>\$ 486.3</b>		<b>72.8%</b>
<b>Deferred Inflows of Resources</b>	-	23.9	5%	
<u>Net Position</u>				
Net Investment in Capital Assets	80.4	48.1	566%	-40.2%
Restricted	33	-39.6	-466%	-220.0%
<b>Total Net Position</b>	<b>\$ 113.4</b>	<b>\$ 8.5</b>		<b>-92.5%</b>

**Governmental activities.** The key elements of the District’s net position for the year ended June 30, 2015 are as follows:

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

<u>Revenues</u>	<u>Governmental Activities</u>		<u>% of Total</u> <u>2013-2014</u>	<u>% change</u> <u>over 13-14</u>
	<u>2013-2014</u>	<u>2014-2015</u>		
Program revenues				
Charges for services	2,367,582	2,059,334	1.47%	-13.0%
Operating grants and contributions	14,483,210	15,433,697	11.04%	6.6%
Capital grants and contributions	3,682	4,301	0.00%	16.8%
General revenues				
Property taxes	102,010,359	108,377,344	77.51%	6.2%
Federal and state aid not restricted to specific purposes	7,833,799	7,555,995	5.40%	-3.5%
Interest and investment earnings	747,368	703,330	0.50%	-5.9%
Interagency revenues	188,693	105,420	0.08%	-44.1%
Miscellaneous	5,532,347	5,589,858	4.00%	1.0%
Total revenues	<u>\$ 133,167,040</u>	<u>\$ 139,829,279</u>	<u>100.00%</u>	<u>5.0%</u>
<u>Expenditures by Function</u>				
Governmental activities				
Instruction	66,000,192	73,977,840	52.11%	12.1%
Instruction-related services	10,239,715	12,493,371	8.80%	22.0%
Pupil Services	13,875,753	15,358,696	10.82%	10.7%
General Administration	5,449,242	6,205,054	4.37%	13.9%
Plant Services	17,027,133	18,903,350	13.32%	11.0%
Ancillary Services	2,385,480	2,552,148	1.80%	7.0%
Enterprise Activities	978,083	753,610	0.53%	-23.0%
Interest on long-term debt	10,630,652	11,033,016	7.77%	3.8%
Other outgo	1,654,678	690,648	0.49%	-58.3%
Depreciation (unallocated)	-	-	-	-
	<u>\$ 128,240,928</u>	<u>\$ 141,967,733</u>	<u>100.00%</u>	<u>10.7%</u>
Increase (decrease) in net position	<u>\$ 4,926,112</u>	<u>\$ (2,138,454)</u>		
Net position - beginning (restated due to accounting regulation changes - Note Q, Net Pension Liability)	<u>\$ 108,495,758</u>	<u>\$ 10,633,920</u>		
Net position - ending	<u>\$ 113,421,870</u>	<u>\$ 8,495,466</u>		

- Charges for Services: Decrease of \$308K (13.0%) – due to a decrease in sales for the Child Nutrition Program.
- Property Tax: Increase of \$6.4 Mil (+6.2%) – 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.
- Other Outgo: Decrease \$964K (58.3%) – decrease in Debt Services Expenses.

- The District is currently classified as a “Basic Aid” district. This means the local property taxes collected exceed the funded 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 2014/15, the state funded approximately 81.9% of the LCFF Target.
- Due to the increase in LCFF gap funding for 2015/16, the District has transitioned back to the Local Control Funding Formula (LCFF) for the 2015/16 year. LCFF entitlements are 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.

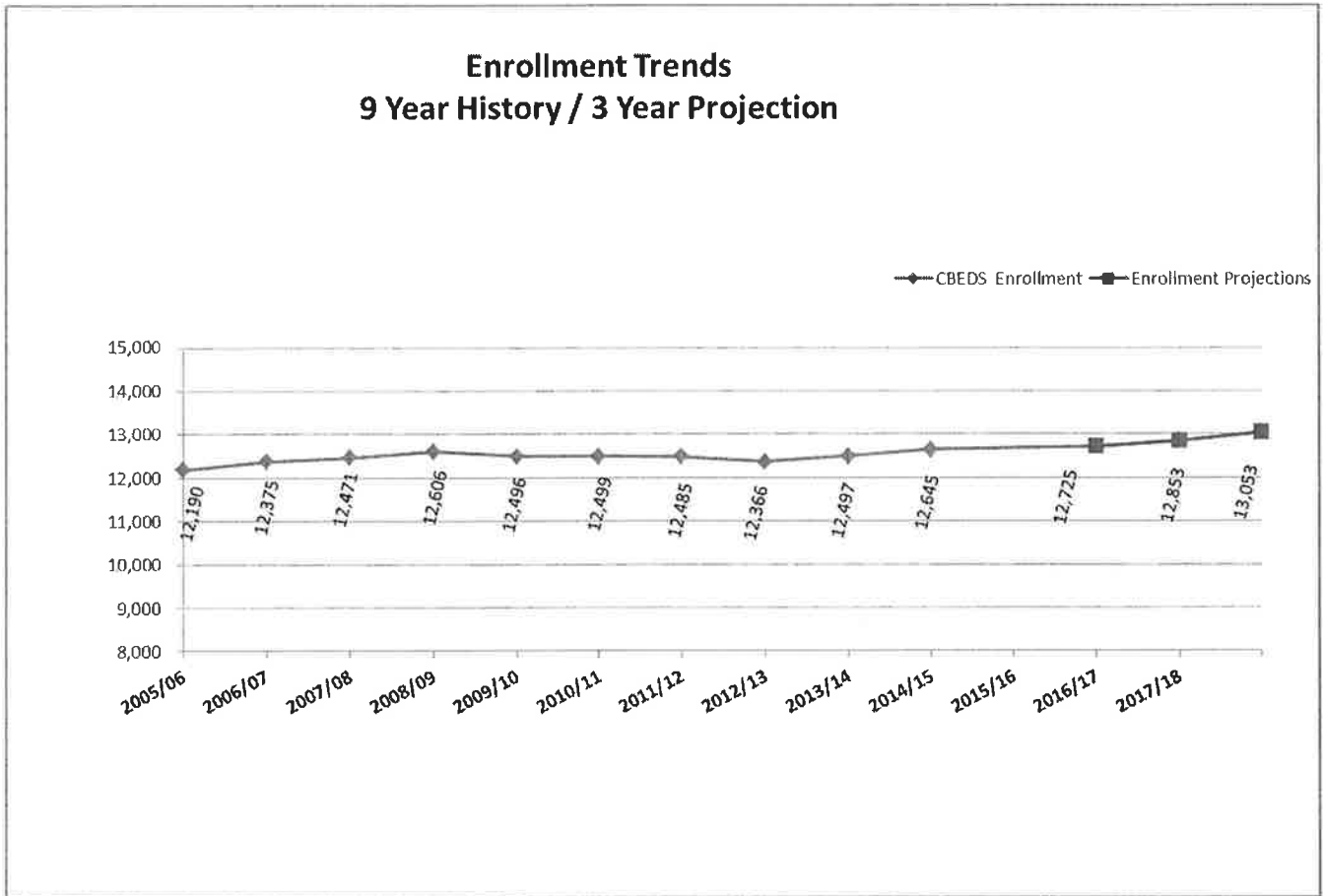
**Enrollment, Enrollment Projections, and ADA**

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	12,645		12,119
2015/16*		12,725	
2016/17*		12,853	
2017/18*		13,053	

\*estimated



### Enrollment Trends 9 Year History / 3 Year Projection



### 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 \$209.9 million; an increase of \$52.2 million over the previous year due primarily to the second issuance of general obligation bonds authorized by voters in 2012. The general fund had a fund balance increase of approximately \$1.8 million due to additional property tax, other revenue received at the end of the fiscal year, and unspent grants that will carry-over to 2015-16. In addition, the following expenditures should be noted:

- General fund salaries totaled \$67.7 million while the associated employee benefits of retirement, social security, Medicare, insurance (medical, dental, life, and accident), workers' compensation, and unemployment added \$25.3 million to arrive at 82% 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 \$21.4 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 2015, the \$15.3 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, 2015 was \$56,586.

## **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 \$7.0 million or 6.7% in total general fund expenditures. This increase was in all categories, but over half of the increase was in salaries and benefits due to additional staff needed for higher enrollment.
- During the year, actual revenue received exceeded original budgetary estimates by \$10.6 million, or 10.2%, to account for carryover balances, increases in property taxes, as well as increases in federal and state revenues and local donations.
- 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 2014-2015 included the following: Media Centers for La Costa Canyon High School, Diegueno Middle School, and Carmel Valley Middle School, network infrastructure improvements throughout the District, temporary classrooms at Earl Warren Middle School, field improvements at San Dieguito High School Academy and Canyon Crest Academy 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 second series of those bonds were issued in April 2015, in the amount of \$117 million. The projects in 2014-2015, included: Network infrastructure 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 continued work on Pacific Trails Middle School for Fall of 2015 opening. The district website provides ongoing updates on Proposition AA Bond projects.

Capital assets at June 30, 2014 and 2015 are outlined below:

	June 30, 2014	June 30, 2015	Total Change
Land	\$ 54,522,725	\$ 54,522,725	\$ -
Improvement of Sites	42,747,614	42,898,945	151,331
Buildings	174,683,754	187,663,812	12,980,058
Equipment	15,152,252	18,007,395	2,855,143
Work in Progress	31,119,274	87,336,486	56,217,212
Accumulated depreciation	(90,075,236)	(100,114,281)	(10,039,045)
Total Capital Assets	<u>\$ 228,150,383</u>	<u>\$ 290,315,082</u>	<u>\$ 62,164,699</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.

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 second series of those bonds were issued in April 2015, in the amount of \$117 million. The District currently has \$280.1 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, 2015

	Governmental Activities
<b>ASSETS:</b>	
Cash	\$ 214,777,021
Receivables	6,530,699
Stores	56,586
Prepaid Expenses	346,533
Capital Assets:	
Land	54,522,725
Improvements	42,898,945
Buildings	187,663,812
Equipment	18,007,395
Work in Progress	87,336,486
Less Accumulated Depreciation	(100,114,281)
Total Assets	<u>512,025,921</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	6,679,233
<b>LIABILITIES:</b>	
Accounts Payable	14,970,536
Unearned Revenue	121,035
Long-Term Liabilities:	
Due Within One Year	9,228,027
Due in More Than One Year	461,993,273
Total Liabilities	<u>486,312,871</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	23,896,817
<b>NET POSITION</b>	
Net Investment in Capital Assets	48,051,187
Restricted for:	
Capital Projects	169,638,742
Debt Service	15,408,142
Educational Programs	1,498,647
Other Purposes (expendable)	579,048
Other Purposes (nonexpendable)	578,388
Unrestricted	(227,258,688)
Total Net Position	<u>\$ 8,495,466</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, 2015

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	\$ 73,977,840	\$ 90,616	\$ 12,134,899	\$ 4,301	\$ (61,748,024)
Instruction-Related Services:					
Instructional Supervision and Administration	3,867,537	4,507	755,403	-	(3,107,627)
Instructional Library, Media and Technology	1,076,064	-	8,302	-	(1,067,762)
School Site Administration	7,549,770	431	379,011	-	(7,170,328)
Pupil Services:					
Home-to-School Transportation	4,513,459	-	5,650	-	(4,507,809)
Food Services	2,648,655	1,872,405	521,225	-	(255,025)
All Other Pupil Services	8,196,582	2,346	1,018,127	-	(7,176,109)
General Administration:					
Centralized Data Processing	1,250,839	-	-	-	(1,250,839)
All Other General Administration	4,954,215	86,362	295,033	-	(4,572,820)
Plant Services	18,903,350	-	22,738	-	(18,880,612)
Ancillary Services	2,552,148	-	19,906	-	(2,532,242)
Enterprise Activities	753,610	-	-	-	(753,610)
Interest on Long-Term Debt	11,033,016	-	-	-	(11,033,016)
Other Outgo	690,648	2,667	273,403	-	(414,578)
Total Expenses	\$ 141,967,733	\$ 2,059,334	\$ 15,433,697	\$ 4,301	\$ (124,470,401)

## General Revenues:

## Taxes and Subventions:

Taxes Levied for General Purposes	88,015,322
Taxes Levied for Debt Service	11,737,323
Taxes Levied for Other Specific Purposes	8,624,699
Federal and State Aid Not Restricted to Specific Programs	7,555,995
Interest and Investment Earnings	703,330
Interagency Revenues	105,420
Miscellaneous	5,589,858

## Total General Revenues

\$ 122,331,947

## Change in Net Position

(2,138,454)

## Net Position Beginning-Restated (Note Q)

10,633,920

## Net Position Ending

\$ 8,495,466

The accompanying notes are an integral part of this statement.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash in County Treasury	\$ 19,834,346	\$ 161,055,147	\$ 19,196,589	\$ 200,086,082
Cash on Hand and in Banks	2,269	-	7,423,400	7,425,669
Cash in Revolving Fund	175,270	-	-	175,270
Cash with a Fiscal Agent/Trustee	-	843,325	5,515,113	6,358,438
Accounts Receivable	5,820,370	130,709	557,762	6,508,841
Due from Other Funds	1,246,042	76	91,134	1,337,252
Stores Inventories	280	-	56,306	56,586
Prepaid Expenditures	2,551	-	343,982	346,533
Total Assets	<u>27,081,128</u>	<u>162,029,257</u>	<u>33,184,286</u>	<u>222,294,671</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 2,937,508	\$ 7,044,823	\$ 784,137	\$ 10,766,468
Due to Other Funds	265,068	776,113	474,129	1,515,310
Unearned Revenue	12,913	-	108,122	121,035
Total Liabilities	<u>3,215,489</u>	<u>7,820,936</u>	<u>1,366,388</u>	<u>12,402,813</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	175,270	-	-	175,270
Stores Inventories	280	-	56,306	56,586
Prepaid Items	2,551	-	343,982	346,533
Restricted Fund Balances	1,498,647	-	1,493,557	2,992,204
Assigned Fund Balances	10,174,238	154,208,321	29,924,053	194,306,612
Unassigned:				
Reserve for Economic Uncertainty	12,014,653	-	-	12,014,653
Total Fund Balance	<u>23,865,639</u>	<u>154,208,321</u>	<u>31,817,898</u>	<u>209,891,858</u>
Total Liabilities and Fund Balances	<u>\$ 27,081,128</u>	<u>\$ 162,029,257</u>	<u>\$ 33,184,286</u>	<u>\$ 222,294,671</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, 2015

Fund balances, governmental funds \$ 209,891,858

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:	390,429,363	
Accumulated depreciation:	(100,114,281)	
	Net:	290,315,082

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 unmaturing interest owing at the end of the period was: (4,204,067)

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	280,119,253	
State school building loans payable	1,811,960	
Compensated absences payable	1,262,590	
Lease revenue bonds payable	12,429,383	
Net pension liability	90,409,519	
Other general long-term debt	76,040,366	
	Total:	(462,073,071)

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions		6,679,233
Deferred inflows of resources relating to pensions		(23,896,817)

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: (8,216,752)

Total net position, governmental activities \$ 8,495,466

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, 2015

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
LCFF Sources:				
State Apportionment or State Aid	\$ 353,318	\$ -	\$ -	\$ 353,318
Education Protection Account Funds	2,424,260	-	-	2,424,260
Local Sources	88,015,324	-	-	88,015,324
Federal Revenue	4,393,472	-	569,581	4,963,053
Other State Revenue	8,694,268	7,408	99,415	8,801,091
Other Local Revenue	10,531,381	391,807	24,349,044	35,272,232
Total Revenues	<u>114,412,023</u>	<u>399,215</u>	<u>25,018,040</u>	<u>139,829,278</u>
<b>Expenditures:</b>				
Instruction	68,507,813	-	275,428	68,783,241
Instruction - Related Services	11,508,477	-	342,659	11,851,136
Pupil Services	11,976,478	-	2,596,314	14,572,792
Ancillary Services	2,510,445	-	-	2,510,445
General Administration	6,389,445	-	150,151	6,539,596
Plant Services	9,902,219	70,618,873	1,649,455	82,170,547
Other Outgo	889,692	416,205	-	1,305,897
Debt Service:				
Principal	765,589	-	12,533,040	13,298,629
Interest	822,121	-	9,905,027	10,727,148
Total Expenditures	<u>113,272,279</u>	<u>71,035,078</u>	<u>27,452,074</u>	<u>211,759,431</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,139,744</u>	<u>(70,635,863)</u>	<u>(2,434,034)</u>	<u>(71,930,153)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	765,589	-	5,811,143	6,576,732
Transfers Out	(98,919)	(765,589)	(5,732,224)	(6,596,732)
Proceeds From Sale of Bonds	-	117,040,000	-	117,040,000
Other Sources	-	206,990	6,934,869	7,141,859
Total Other Financing Sources (Uses)	<u>666,670</u>	<u>116,481,401</u>	<u>7,013,788</u>	<u>124,161,859</u>
Net Change in Fund Balance	1,806,414	45,845,538	4,579,754	52,231,706
Fund Balance, July 1	22,059,225	108,362,783	27,238,144	157,660,152
Fund Balance, June 30	<u>\$ 23,865,639</u>	<u>\$ 154,208,321</u>	<u>\$ 31,817,898</u>	<u>\$ 209,891,858</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, 2015

Total change in fund balances, governmental funds \$ 52,231,706

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:

	72,203,743	
Expenditures for capital outlay:	(10,039,045)	
Depreciation expense:	<u>                    </u>	
Net:		62,164,698

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: 13,298,629

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: (123,566,610)

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: 4,546

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: (106,028)

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (5,121,371)

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: (310,414)

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:                       
(733,610)

Change in net position of governmental activities \$ (2,138,454)

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, 2015

	Nonmajor Internal Service Fund
	Self-Insurance Fund
<b>ASSETS:</b>	
Current Assets:	
Cash in County Treasury	\$ 731,560
Accounts Receivable	21,859
Due from Other Funds	178,058
Total Current Assets	<u>931,477</u>
Total Assets	<u>931,477</u>
<b>LIABILITIES:</b>	
Noncurrent Liabilities:	
Other Postemployment Benefits	\$ 9,148,229
Total Noncurrent Liabilities	<u>9,148,229</u>
Total Liabilities	<u>9,148,229</u>
<b>NET POSITION:</b>	
Unrestricted (Deficit)	(8,216,752)
Total Net Position	<u>\$ (8,216,752)</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, 2015

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	\$ 937,336
Total Revenues	<u>937,336</u>
Operating Expenses:	
Services and Other Operating Expenses	1,690,947
Total Expenses	<u>1,690,947</u>
Income (Loss) before Contributions and Transfers	(753,611)
Interfund Transfers In	20,000
Change in Net Position	<u>(733,611)</u>
Total Net Position - Beginning	(7,483,141)
Total Net Position - Ending	<u>\$ (8,216,752)</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, 2015

	Nonmajor Internal Service Fund
	Self-Insurance Fund
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 1,839,156
Cash Payments to Other Suppliers for Goods and Services	(1,690,947)
Net Cash Provided (Used) by Operating Activities	<u>148,209</u>
<b>Cash Flows from Investing Activities:</b>	
Interest and Dividends on Investments	2,727
Net Cash Provided (Used) for Investing Activities	<u>2,727</u>
Net Increase (Decrease) in Cash and Cash Equivalents	150,936
Cash and Cash Equivalents at Beginning of Year	580,624
Cash and Cash Equivalents at End of Year	<u>\$ 731,560</u>
<b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (733,610)
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(712)
Decrease (Increase) in Due From Other Funds	(178,058)
Increase (Decrease) in Net OPEB Obligation	1,063,316
Total Adjustments	<u>884,546</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 150,936</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, 2015

Agency Fund
Student Body Fund
\$ 1,604,760
<u>1,604,760</u>
\$ 1,604,760
<u>1,604,760</u>
\$ -
<u><u>-</u></u>

**ASSETS:**

Cash on Hand and in Banks

Total Assets

\$ 1,604,760

1,604,760**LIABILITIES:**

Due to Student Groups

Total Liabilities

\$ 1,604,760

1,604,760**NET POSITION:**

Total Net Position

\$ -

-

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, 2015

### 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, 2015

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, 2015

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.

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. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code.

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.

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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.

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.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
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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 balance sheet and revenue is recognized.

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.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
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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

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.

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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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan), and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	July 1, 2013 to June 30, 2014

10. 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.

11. Change in Accounting Policies

In June, 2012 the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions -- an Amendment of GASB No. 27," which is effective for fiscal years beginning after June 15, 2014. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

The Statement requires numerous new pension disclosures in the notes to the financial statements and two new 10-year schedules as required supplementary information. Also, for the first time the District is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions, a net pension liability for its proportionate shares of the collective pension expense, collective deferred outflows of resources and deferred inflows of resources related to pensions, and collective net pension liability. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position, if any, will also affect the District's government-wide net position.

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". This Statement amends paragraph 137 of Statement 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 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The District has implemented the provisions of this Statement for the year ended June 30, 2015.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
 NOTES TO THE FINANCIAL STATEMENTS  
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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	\$ 8,216,752

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. Excess of Expenditures Over Appropriations

As of June 30, 2015, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Employee benefits	\$ 2,637,254
Direct support/indirect costs	46,672

General Fund: The District did not initially budget for payments made by the state of California on behalf of district employees for contributions to CalSTRS. In accordance with GASB Statement No. 24 these amounts have been included as both revenue and expenses.

D. 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 (\$200,817,642 as of June 30, 2015). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$200,817,642. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
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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 (\$9,030,429 as of June 30, 2015) and in the revolving fund (\$175,270) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2015 are shown below.

<u>Investment or Investment Type</u>	<u>Amount Reported</u>	<u>Fair Value</u>
Money Market Funds	\$ 4,835,345	\$ 4,835,345
US Treasury Notes	1,523,093	1,523,093
Total Investments	<u>\$ 6,358,438</u>	<u>\$ 6,358,438</u>

4. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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



**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
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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. At year end the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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.

As of June 30, 2015, the District's bank balances (including revolving cash) of \$9,205,699 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.

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e. Foreign Currency Risk

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

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.

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.

E. Accounts Receivable

Accounts receivable at June 30, 2015 consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds	Self Insurance Fund
	General Fund	Building Fund			
Federal Government:					
Federal programs	\$ 2,453,389	\$ -	\$ 96,010	\$ 2,549,399	\$ -
State Government:					
Special education	305,871	-	-	305,871	-
Lottery	1,121,525	-	-	1,121,525	-
Other state programs	112,729	-	1,903	114,632	-
Local Sources:					
ROP funding	883,401	-	-	883,401	-
Interest	29,709	130,703	4,020	164,432	765
Special education	143,281	-	-	143,281	-
Other local sources	770,465	6	455,829	1,226,300	21,094
Totals	\$ 5,820,370	\$ 130,709	\$ 557,762	\$ 6,508,841	\$ 21,859

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

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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F. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 54,522,725	\$ -	\$ -	\$ 54,522,725
Work in progress	31,119,274	56,217,212	-	87,336,486
Total capital assets not being depreciated	<u>85,641,999</u>	<u>56,217,212</u>	<u>-</u>	<u>141,859,211</u>
Capital assets being depreciated:				
Buildings	174,683,754	12,980,058	-	187,663,812
Improvements	42,747,614	151,331	-	42,898,945
Equipment	15,152,252	2,855,143	-	18,007,395
Total capital assets being depreciated	<u>232,583,620</u>	<u>15,986,532</u>	<u>-</u>	<u>248,570,152</u>
Less accumulated depreciation for:				
Buildings	(62,316,039)	(7,095,456)	-	(69,411,495)
Improvements	(16,499,590)	(2,119,568)	-	(18,619,158)
Equipment	(11,259,607)	(824,021)	-	(12,083,628)
Total accumulated depreciation	<u>(90,075,236)</u>	<u>(10,039,045)</u>	<u>-</u>	<u>(100,114,281)</u>
Total capital assets being depreciated, net	<u>142,508,384</u>	<u>5,947,487</u>	<u>-</u>	<u>148,455,871</u>
Governmental activities capital assets, net	<u>\$ 228,150,383</u>	<u>\$ 62,164,699</u>	<u>\$ -</u>	<u>\$ 290,315,082</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,956,013
Instruction-Related Services	2,799
Pupil Services	250,710
Ancillary Services	1,455
General Administration	175,010
Plant Services	7,653,058
	<u>\$ 10,039,045</u>

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2015, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Building Fund	\$ 775,282	Solar debt payments
General Fund	Cafeteria Fund	258,952	Indirect cost reimbursement
General Fund	Adult Education Fund	211,606	Indirect cost reimbursement
General Fund	Capital Facilities Fund	202	Health and welfare benefits
Adult Education Fund	General Fund	90,450	2014-15 contribution
Cafeteria Fund	General Fund	684	Expense reimbursement
Building Fund	General Fund	76	Expense reimbursement
Self Insurance Fund	General Fund	173,858	OPEB contribution
Self Insurance Fund	Adult Education Fund	430	OPEB contribution
Self Insurance Fund	Cafeteria Fund	2,562	OPEB contribution
Self Insurance Fund	Capital Facilities Fund	377	OPEB contribution
Self Insurance Fund	Building Fund	831	OPEB contribution
	Total	<u>\$ 1,515,310</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, 2015, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Self Insurance Fund	\$ 20,000	Insurance reimbursement
General Fund	Adult Education Fund	78,919	Contribution
Building Fund	General Fund	765,589	Prop 39 debt service
Component Units Fund (49)	Component Units Fund (52)	5,732,224	Debt service
	Total	<u>\$ 6,596,732</u>	

H. Short-Term Debt Activity

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

In 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 matured on June 30, 2015 and bore an interest rate of 2.00%. The notes were sold to supplement the District's cash flows.

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax anticipation notes	\$ -	\$ 8,875,000	\$ 8,875,000	\$ -

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

I. Accounts Payable

Accounts payable at June 30, 2015 consisted of:

	Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Building Fund		
Vendor payables	\$ 1,836,643	\$ 7,031,287	\$ 95,683	\$ 8,963,613
Payroll	501,061	7,866	338,318	847,245
PERS	124,618	4,738	9,573	138,929
STRS	475,186	932	603	476,721
Transfer of revenues	-	-	339,960	339,960
Totals	<u>\$ 2,937,508</u>	<u>\$ 7,044,823</u>	<u>\$ 784,137</u>	<u>\$ 10,766,468</u>

J. Unearned Revenue

Unearned revenue as of June 30, 2015 consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:			
Categorical programs	\$ 12,913	\$ -	\$ 12,913
Local Sources			
Other local revenues	-	108,122	108,122
Totals	<u>\$ 12,913</u>	<u>\$ 108,122</u>	<u>\$ 121,035</u>

K. Deferred Outflows of Resources

In accordance with GASB Statement No. 68 & 71, payments made subsequent to the net pension liability measurement date are recorded as deferred outflows of resources.

A summary of the deferred outflows of resources as of June 30, 2015 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2014	Additions	Current Year Amortization	Balance June 30, 2015
Pension related	06/30/2015	1 Year	\$ -	\$ 6,679,233	\$ -	\$ 6,679,233
Total Deferred Outflows of Resources			<u>\$ -</u>	<u>\$ 6,679,233</u>	<u>\$ -</u>	<u>\$ 6,679,233</u>

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Pension Related
2016	\$ 6,679,233
Total	<u>\$ 6,679,233</u>

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
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L. Deferred Inflows of Resources

In accordance with GASB Statement No. 68 & 71, payments received subsequent to the net pension liability measurement date are recorded as deferred inflows of resources.

A summary of the deferred inflows of resources as of June 30, 2015 is as follows:

<u>Description</u>	<u>Issue Date</u>	<u>Amortization Term</u>	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Current Year Amortization</u>	<u>Balance June 30, 2015</u>
Pension related	06/30/2015	1 Year	\$ -	\$ 23,896,817	\$ -	\$ 23,896,817
<b>Total Deferred Inflows of Resources</b>			<b>\$ -</b>	<b>\$ 23,896,817</b>	<b>\$ -</b>	<b>\$ 23,896,817</b>

Future amortization of deferred inflows of resources is as follows:

<u>Year Ending June 30</u>	<u>Pension Related</u>
2016	\$ 23,896,817
<b>Total</b>	<b>\$ 23,896,817</b>

M. 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, 2015, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 160,000,000	\$ 117,040,000	\$ 10,245,000	\$ 266,795,000	\$ 5,535,000
Unamortized discount	(715,385)	-	(28,615)	(686,770)	-
Unamortized premium	8,016,074	6,379,386	384,437	14,011,023	-
Special tax bonds	79,295,000	-	2,025,000	77,270,000	2,135,000
Unamortized discount	(1,275,176)	-	(45,542)	(1,229,634)	-
Lease revenue bonds	12,730,000	-	-	12,730,000	-
Unamortized discount	(327,946)	-	(27,329)	(300,617)	-
Net pension liability	112,841,774	-	22,432,255	90,409,519	-
Net OPEB obligation	8,084,913	1,802,625	739,309	9,148,229	-
Compensated absences	1,156,562	106,028	-	1,262,590	1,262,590
State loan payable	2,100,000	-	288,040	1,811,960	295,437
<b>Total governmental activities</b>	<b>\$ 381,905,816</b>	<b>\$ 125,328,039</b>	<b>\$ 36,012,555</b>	<b>\$ 471,221,300</b>	<b>\$ 9,228,027</b>

\* 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

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2. Debt Service Requirements

Debt service requirements on long-term debt, net of unamortized discount, unamortized premium, net pension liability, and net OPEB obligation at June 30, 2015 are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 9,228,027	\$ 13,892,873	\$ 23,120,900
2017	9,528,023	14,826,194	24,354,217
2018	6,115,805	14,652,982	20,768,787
2019	5,748,786	14,435,127	20,183,913
2020	4,136,973	14,236,419	18,373,392
2021-2025	28,081,936	67,886,223	95,968,159
2026-2030	67,500,000	56,146,798	123,646,798
2031-2035	91,350,000	38,518,800	129,868,800
2036-2040	136,600,000	16,367,225	152,967,225
2041-2045	1,580,000	65,250	1,645,250
Totals	<u>\$ 359,869,550</u>	<u>\$ 251,027,891</u>	<u>\$ 610,897,441</u>

3. General Obligation Bonds

General obligation bonds at June 30, 2015 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
2012 Series B-1 Taxable	4/15/2015	0.60%	8/1/2016	\$ 7,010,000
2012 Series B-2 Tax-Exempt	4/15/2015	3.00-4.50%	8/1/2040	110,030,000
Total GO Bonds				<u>\$ 277,040,000</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	-	7,925,000	149,755,000
2012 Series B-1 Taxable	-	7,010,000	-	7,010,000
2012 Series B-2 Tax-Exempt	-	110,030,000	-	110,030,000
Unamortized Discount	(715,385)	-	(28,615)	(686,770)
Unamortized Premium	8,016,074	6,379,386	384,437	14,011,023
Total GO Bonds	<u>\$ 167,300,689</u>	<u>\$ 123,419,386</u>	<u>\$ 10,600,822</u>	<u>\$ 280,119,253</u>

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The annual requirements to amortize the bonds outstanding at June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 5,535,000	\$ 9,375,073	\$ 14,910,073
2017	7,010,000	10,404,480	17,414,480
2018	3,500,000	10,330,950	13,830,950
2019	3,035,000	10,217,750	13,252,750
2020	1,320,000	10,130,650	11,450,650
2021-2025	13,715,000	49,225,300	62,940,300
2026-2030	37,110,000	43,705,125	80,815,125
2031-2035	70,450,000	32,621,800	103,071,800
2036-2040	125,120,000	14,784,275	139,904,275
Totals	<u>\$ 266,795,000</u>	<u>\$ 190,795,403</u>	<u>\$ 457,590,403</u>

4. 2015 General Obligation Bonds

In April 2015, the District issued \$7,010,000 taxable, 2012 Election, Series B-1, General Obligation Bonds and \$110,030,000 tax-exempt, 2012 Election, Series B-2, General Obligation Bonds. The issue consisted of \$61,050,000 of current interest bonds with interest rates ranging from .60% to 4.50% with annual maturities from August 2016 through August 2036 and \$55,990,000 in a term bond with an interest rate of 4.00% with an annual maturity date of February 1, 2040. 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, 2016. 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, 2015 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
2008 Special Tax Bonds	05/13/2008	4.00-5.00%	08/01/2041	\$ 89,130,000
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2008 Special Tax Bonds	\$ 79,295,000	\$ -	\$ 2,025,000	\$ 77,270,000
Unamortized Discount	(1,275,176)	-	(45,542)	(1,229,634)
Total Special Tax Bonds	<u>\$ 78,019,824</u>	<u>\$ -</u>	<u>\$ 1,979,458</u>	<u>\$ 76,040,366</u>



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The annual requirements to amortize the bonds outstanding at June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,490,000	3,266,529	5,756,529
2021-2025	14,110,000	14,541,158	28,651,158
2026-2030	17,660,000	10,797,213	28,457,213
2031-2035	20,900,000	5,897,000	26,797,000
2036-2040	11,480,000	1,582,950	13,062,950
2041-2045	1,580,000	65,250	1,645,250
Totals	<u>\$ 77,270,000</u>	<u>\$ 50,192,223</u>	<u>\$ 127,462,223</u>

6. Lease Revenue Bonds

Lease revenue bonds at June 30, 2015 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
Lease Revenue Series 2010A	05/10/2010	6.46%	05/01/2027	<u>\$ 13,015,000</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Lease Revenue Series 2010A	\$ 12,730,000	\$ -	\$ -	\$ 12,730,000
Unamortized Discount	(327,946)	-	(27,329)	(300,617)
Total Lease Revenue Bonds	<u>\$ 12,402,054</u>	<u>\$ -</u>	<u>\$ (27,329)</u>	<u>\$ 12,429,383</u>

The annual requirements to amortize the bonds outstanding at June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ -	\$ 822,231	\$ 822,231
2017	-	822,231	822,231
2018	-	822,231	822,231
2019	-	822,231	822,231
2020	-	822,231	822,231
2021-2025	-	4,111,153	4,111,153
2026-2030	12,730,000	1,644,460	14,374,460
Totals	<u>\$ 12,730,000</u>	<u>\$ 9,866,768</u>	<u>\$ 22,596,768</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.

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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 an effective interest rate as follows:

	2013 Series A	2015 Series A
Total Interest Payments on Bond	\$ 113,607,493	\$ 88,265,753
Less Bond Premium	<u>(8,336,717)</u>	<u>(6,379,386)</u>
Net Interest Payments	<u>105,270,776</u>	<u>81,886,367</u>
Par amount of Bonds	\$ 160,000,000	\$ 117,040,000
Periods	25	25
Effective Interest Rate	2.630%	2.790%

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	2008 Special Tax 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
2016	\$ 295,437	\$ 48,545	\$ 343,982
2017	303,023	40,959	343,982
2018	310,805	33,177	343,982
2019	318,786	25,196	343,982
2020	326,973	17,009	343,982
2021-2025	256,936	8,611	265,547
Totals	<u>\$ 1,811,960</u>	<u>\$ 173,497</u>	<u>\$ 1,985,457</u>

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

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

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

Combined condensed audited financial information of the District's share of the JPA for the year ended June 30, 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)

Financial information on the District's share of the SDCSRM JPA for the year ended June 30, 2015 was not available at the time this report was issued. The information can be obtained by contacting the JPA directly.

**O. Pension Plans**

**1. General Information About the Pension Plans**

**a. Plan Descriptions**

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 California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

**b. Benefits Provided**

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

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The Plans' provisions and benefits in effect at June 30, 2014 are summarized as follows:

	CalSTRS		CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date				
Benefit Formula	2% at 60	2% at 62	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*	1.1 - 2.5%	1.0 - 2.5%
Required employee contribution rates (Average)	8.000%	8.000%	6.974.%	6.974.%
Required employer contribution rates	8.250%	8.250%	11.442%	11.442%

\*Amounts are limited to 120% of Social Security Wage Base.

c. Contributions - CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.442% of annual payroll.

d. Contributions - CalSTRS

For the measurement period ended June 30, 2014 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 8% of the creditable compensation upon which members' contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 8.25% of creditable compensation. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

e. On Behalf Payments.

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2014 (measurement date) the State contributed 5.204002% of salaries creditable to CalSTRS. 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.

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f. Contributions Recognized

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each plan were as follows:

	CalSTRS	CalPERS
Contributions - Employer	\$ 2,852,640	\$ 1,778,139
Contributions - Employee	2,862,720	1,099,963
Contributions - State On Behalf Payments	1,742,580	-
Total Contributions	<u>\$ 7,457,940</u>	<u>\$ 2,878,102</u>

Pension expense for each plan were as follows:

	CalSTRS	CalPERS
Change in Net Pension Liability	\$ (16,380,000)	\$ (6,052,254)
Net difference between projected and actual earnings on plan investments	18,131,711	5,765,417
Total Employer and State Contributions	7,457,940	2,878,102
Total Pension Expense	<u>\$ 9,209,651</u>	<u>\$ 2,591,265</u>

2. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 73,630,620
CalPERS	16,778,899
Total Net Pension Liability	<u>\$ 90,409,519</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. Although a valid comparison of the District's proportion at June 30, 2014 to its proportion at June 30, 2013 is not available in the first year of implementation of GASB Statement No. 68, that disclosure will be available in subsequent years.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	CalSTRS	CalPERS
Proportion - June 30, 2013	0.1260%	0.1478%
Proportion - June 30, 2014	0.1260%	0.1478%
Change - Increase (Decrease)	<u>-</u>	<u>-</u>

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
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For the year ended June 30, 2015, the District recognized pension expense of \$11,800,916. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,679,233	\$ -
Differences between actual and expected experience	-	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	-
Net difference between projected and actual earnings on plan investments	-	(23,896,817)
<b>Total</b>	<b>\$ 6,679,233</b>	<b>\$ (23,896,817)</b>

\$6,679,233 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2016	\$ (5,974,204)
2017	(5,974,204)
2018	(5,974,204)
2019	(5,974,205)
Total	<u>\$ (23,896,817)</u>

a. Actuarial Assumptions

The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age - Normal Cost Method for both CalSTRS & CalPERS	
Actuarial Assumptions:		
Discount Rate	7.6%	7.5%
Inflation	3.0%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05%-5.6% (1)	3.20%-10.80% (1)
Investment Rate of Return	7.6% (2)	7.5% (2)
Mortality	.013%-0.435% (3)	0.00125-0.45905 (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) Depending on age, gender, and type of job

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
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b. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.50% for CalPERS. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Strategic Allocation	Real Return (Years 1-10)(1)	Real Return (Years 11+)(2)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

c. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.50%
Net Pension Liability	\$ 129,164,915	\$ 29,434,018
Current Discount Rate	7.60%	7.50%
Net Pension Liability	\$ 73,630,620	\$ 16,778,899
1% Increase	8.60%	8.50%
Net Pension Liability	\$ 27,226,118	\$ 5,289,161

d. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 299,610,360	\$ 209,599,740	\$ 90,010,620
Changes for the year:			
Service cost	6,725,880	-	6,725,880
Interest	22,455,720	-	22,455,720
Differences between expected and actual experience			
Contributions - Employer	-	2,852,640	(2,852,640)
Contributions - Employee	-	2,862,720	(2,862,720)
Contributions - State On Behalf	-	1,742,580	(1,742,580)
Net investment income	-	38,306,520	(38,306,520)
Other income	-	2,520	(2,520)
Benefit payments, including refunds of employee contributions	(15,164,100)	(15,164,100)	-
Administrative expenses	-	(194,040)	194,040
Other expenses	-	(11,340)	11,340
Net Changes	14,017,500	30,397,500	(16,380,000)
Balance at June 30, 2015	<u>\$ 313,627,860</u>	<u>\$ 239,997,240</u>	<u>\$ 73,630,620</u>



**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

CalPERS

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 96,123,410	\$ 73,292,257	\$ 22,831,153
Changes for the year:			
Service cost	2,329,367	-	2,329,367
Interest	7,122,657	-	7,122,657
Differences between expected and actual experience			
Contributions - Employer	-	1,778,139	(1,778,139)
Contributions - Employee	-	1,099,963	(1,099,963)
Net investment income	-	12,626,176	(12,626,176)
Benefit payments, including refunds of employee contributions	(4,638,676)	(4,638,676)	-
Administrative expenses	-	-	-
Other expenses	-	-	-
Net Changes	<u>4,813,348</u>	<u>10,865,602</u>	<u>(6,052,254)</u>
Balance at June 30, 2015	<u>\$ 100,936,758</u>	<u>\$ 84,157,859</u>	<u>\$ 16,778,899</u>

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

P. 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 2014-15, the District contributed \$739,309 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:

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

Annual required contribution	\$ 2,466,978
Interest on net OPEB obligation	32,582
Adjustment to annual required contribution	<u>(696,935)</u>
Annual OPEB cost (expense)	1,802,625
Contribution made	<u>(739,309)</u>
Increase in net OPEB obligation	1,063,316
Net OPEB obligation, beginning of year	8,084,913
Net OPEB obligation, end of year	<u>\$ 9,148,229</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the years ended June 30, 2013, 2014 and 2015 are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2013	\$ 1,995,956	31.45%	\$ 6,924,169
2014	1,936,682	40.06%	8,084,913
2015	1,802,625	41.01%	9,148,229

**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, 2015 of 23 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.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**Q. Adjustments to Beginning Net Position**

The District implemented GASB Statement No. 68 & 71 during the current fiscal year which resulted in accounting changes for net pension liability. Under previous standards, net pension liability was not recorded on the statement of net position. Under newly implemented standards the net pension liability is recorded as a liability on the statement of net position. In addition, resulting from a difference in the measurement date for the net pension liability any contributions to pensions subsequent to the measurement date are now recorded as deferred outflows of resources. In addition, the District failed to record an accounts payable for reimbursement of salaries and benefits in the Capital Projects Fund for Blended Component Units in the prior year. The combination of changes due to accounting policies and the unrecorded accounts payable resulted in an adjustment to beginning net position as follows:

Net Position, Beginning (As Originally Stated)	\$ 113,421,870
Adjustments for:	
Change in Accounting Policy - Net Pension Liability	(112,841,774)
Change in Accounting Policy - Deferred Outflows Pension Related	10,336,042
Unrecorded Accounts Payable	<u>(282,218)</u>
Net Position, Beginning (As Restated)	<u>\$ 10,633,920</u>

**R. Components of Ending Fund Balance**

As of June 30, 2015 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	\$ 175,270	\$ -	\$ -	\$ 175,270	\$ -
Stores Inventories	280	-	56,306	56,586	-
Prepaid Items	2,551	-	343,982	346,533	-
<b>Restricted Fund Balances</b>					
Capital Projects	-	-	1,038,559	1,038,559	-
Child Nutrition Program	-	-	454,999	454,999	-
Educational Programs	1,498,647	-	-	1,498,647	-
<b>Committed Fund Balances</b>					
Deferred Maintenance	-	-	3,160	3,160	-
<b>Assigned Fund Balances</b>					
Capital Projects	-	154,208,321	14,391,862	168,600,183	-
Pupil Transportation Equipment	-	-	120,888	120,888	-
Debt Service	-	-	15,408,142	15,408,142	-
Educational Programs	10,174,238	-	-	10,174,238	-
<b>Unassigned Fund Balances</b>					
For Economic Uncertainty	12,014,653	-	-	12,014,653	-
Unappropriated	-	-	-	-	(8,216,752)
<b>Total Fund Balance</b>	<u>\$ 23,865,639</u>	<u>\$ 154,208,321</u>	<u>\$ 31,817,898</u>	<u>\$ 209,891,858</u>	<u>\$ (8,216,752)</u>

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

S. 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.

T. Construction Commitments

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

Construction in Process:	Commitment	*Expected Date of Final Completion	Percentage Complete
Canyon Crest Academy Stadium and Fields Phase 2	\$ 15,969,359	08/21/2015	94%
Earl Warren Middle School Data Center Phase 1	4,406,062	08/21/2015	70%
Earl Warren Middle School Interim Housing Phase 2	4,748,539	08/21/2015	31%
La Costa Canyon High School 800/900 Renovations	192,940	08/21/2015	78%
La Costa Valley Field Improvements	10,842,264	02/05/2016	23%
Oak Crest Middle School Drainage and Media Center Improvements	1,113,347	12/18/2016	11%
Pacific Trails Middle School	48,376,773	02/05/2016	78%
San Dieguito Academy Stadium Phase 1B and Interim Housing	6,240,350	10/06/2015	67%
TPHS Stadium Lighting/Science Classroom/Weight Room	10,913,064	09/01/2015	92%
TPHS Building B - Phase1	6,502,132	09/01/2015	12%

\* Expected date of final completion subject to change

U. Subsequent Events

Tax Revenue Anticipation Notes

In September 2015, the District entered into the County of San Diego and San Diego County School Districts 2015 Pooled Tax and Revenue Anticipation Notes (TRANS) in the amount of \$11,875,000. The notes mature on June 30, 2016 and bear an interest rate of 2.00%. The notes were sold to supplement the District's cash flows.

New Accounting Pronouncements

GASB Statement No. 72

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, Fair Value Measurement and Application. The primary objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches:

# **SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2015**

The Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The Cost Approach: This approach reflects the amount that would be required to replace the present service capacity of the asset.

The Income Approach: This approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

In addition to establishing fair value techniques the Statement establishes a hierarchy of inputs to valuation techniques and requires additional note disclosures about fair value in the financial statements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

The Statement is effective for years beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 fiscal year.

### **GASB Statement No. 76**

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles For State and Local Governments. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55 and is effective for financial statement periods beginning after June 15, 2015 and as such the District is implementing effective for the 2015-16 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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 280,857	\$ 353,318	\$ 353,318	\$ -
Education Protection Account Funds	2,420,592	2,424,260	2,424,260	-
Local Sources	84,850,048	88,015,324	88,015,324	-
Federal Revenue	4,132,730	4,762,807	4,393,472	(369,335)
Other State Revenue	4,386,743	5,453,717	8,694,268	3,240,551
Other Local Revenue	7,773,716	8,915,992	10,521,465	1,605,473
Total Revenues	<u>103,844,686</u>	<u>109,925,418</u>	<u>114,402,107</u>	<u>4,476,689</u>
Expenditures:				
Current:				
Certificated Salaries	50,191,171	51,663,058	51,376,048	287,010
Classified Salaries	16,231,403	16,496,867	16,323,392	173,475
Employee Benefits	22,674,305	22,726,689	25,363,943	(2,637,254)
Books And Supplies	2,993,680	5,704,679	3,952,111	1,752,568
Services And Other Operating Expenditures	11,958,679	13,944,702	13,298,462	646,240
Other Outgo	721,988	721,988	690,648	31,340
Direct Support/Indirect Costs	(188,000)	(188,000)	(141,328)	(46,672)
Capital Outlay	11,100	837,858	821,293	16,565
Debt Service:				
Principal	765,588	765,589	765,589	-
Interest	840,936	840,936	822,121	18,815
Total Expenditures	<u>106,200,850</u>	<u>113,514,366</u>	<u>113,272,279</u>	<u>242,087</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,356,164)</u>	<u>(3,588,948)</u>	<u>1,129,828</u>	<u>4,718,776</u>
Other Financing Sources (Uses):				
Transfers In	765,588	765,589	765,589	-
Transfers Out	(20,000)	(25,000)	(98,919)	(73,919)
Total Other Financing Sources (Uses)	<u>745,588</u>	<u>740,589</u>	<u>666,670</u>	<u>(73,919)</u>
Net Change in Fund Balance	<u>(1,610,576)</u>	<u>(2,848,359)</u>	<u>1,796,498</u>	<u>4,644,857</u>
Fund Balance, July 1	<u>19,603,789</u>	<u>19,603,789</u>	<u>19,603,789</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 17,993,213</u>	<u>\$ 16,755,430</u>	<u>\$ 21,400,287</u>	<u>\$ 4,644,857</u>

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS-OTHER POST EMPLOYMENT BENEFITS

YEAR ENDED JUNE 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/09	\$ -	\$ 13,005,147	\$ 13,005,147	-	\$ 71,991,005	18.1%
6/30/11	-	15,210,567	15,210,567	-	60,639,000	25.1%
6/30/13	-	16,153,467	16,153,467	-	51,334,000	31.5%



**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM (CALSTRS)  
 LAST TEN FISCAL YEARS \*

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.1260%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 73,630,620	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 34,632,360	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	212.61%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first implementation year and as such, no information is being presented for years prior to implementation.

Notes to Schedule:

- 1) Benefit Changes: In 2015 there were no changes to benefits.
- 2) Changes in Assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM (CALSTRS)  
 LAST TEN FISCAL YEARS \*

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 5,715,360	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(5,715,360)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 34,632,360	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	16.50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

Notes to Schedule:

Actuarial methods and assumptions

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

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

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

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CALPERS)  
 LAST TEN FISCAL YEARS \*

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.1478%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 16,778,899	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 15,496,726	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	108.27%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first year of implementation and as such, years previous to implementation are not presented in this schedule.

Notes to Schedule:

- 1) Benefit changes: In 2015 there were no changes to the benefits.
- 2) Changes in assumptions: In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CALPERS)  
 LAST TEN FISCAL YEARS \*

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 2,878,102	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(2,878,102)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 15,496,726	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	18.57%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 fiscal year was the first year of implementation and as such, years previous to implementation are not presented in this schedule.

Notes to Schedule

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table	Derived using CalPERS Membership Data for all funds
Post Retirement Increase	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2015

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	\$ 23,865,639
Less Fund 17 Fund Balance	<u>(2,465,352)</u>
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u>\$ 21,400,287</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$ 1,806,414
Change in Fund Balance attributed to Fund 17	<u>(9,916)</u>
General Fund - Budgetary Comparison Schedule Change in Fund Balance	<u>\$ 1,796,498</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, 2015

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS:</b>				
Cash in County Treasury	\$ 1,005,114	\$ 15,408,142	\$ 2,783,333	\$ 19,196,589
Cash on Hand and in Banks	12,189	-	7,411,211	7,423,400
Cash with a Fiscal Agent/Trustee	-	-	5,515,113	5,515,113
Accounts Receivable	110,980	-	446,782	557,762
Due from Other Funds	91,134	-	-	91,134
Stores Inventories	56,306	-	-	56,306
Prepaid Expenditures	-	-	343,982	343,982
Total Assets	<u>1,275,723</u>	<u>15,408,142</u>	<u>16,500,421</u>	<u>33,184,286</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
Liabilities:				
Accounts Payable	\$ 58,698	\$ -	\$ 725,439	\$ 784,137
Due to Other Funds	473,549	-	580	474,129
Unearned Revenue	108,122	-	-	108,122
Total Liabilities	<u>640,369</u>	<u>-</u>	<u>726,019</u>	<u>1,366,388</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	56,306	-	-	56,306
Prepaid Items	-	-	343,982	343,982
Restricted Fund Balances	454,999	-	1,038,558	1,493,557
Assigned Fund Balances	124,049	15,408,142	14,391,862	29,924,053
Total Fund Balance	<u>635,354</u>	<u>15,408,142</u>	<u>15,774,402</u>	<u>31,817,898</u>
Total Liabilities and Fund Balances	<u>\$ 1,275,723</u>	<u>\$ 15,408,142</u>	<u>\$ 16,500,421</u>	<u>\$ 33,184,286</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, 2015

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 569,581	\$ -	\$ -	\$ 569,581
Other State Revenue	40,892	58,293	230	99,415
Other Local Revenue	2,563,100	11,706,945	10,078,999	24,349,044
Total Revenues	<u>3,173,573</u>	<u>11,765,238</u>	<u>10,079,229</u>	<u>25,018,040</u>
Expenditures:				
Instruction	275,428	-	-	275,428
Instruction - Related Services	342,659	-	-	342,659
Pupil Services	2,596,314	-	-	2,596,314
General Administration	141,328	-	8,823	150,151
Plant Services	-	-	1,649,455	1,649,455
Debt Service:				
Principal	-	12,245,000	288,040	12,533,040
Interest	-	9,849,085	55,942	9,905,027
Total Expenditures	<u>3,355,729</u>	<u>22,094,085</u>	<u>2,002,260</u>	<u>27,452,074</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(182,156)</u>	<u>(10,328,847)</u>	<u>8,076,969</u>	<u>(2,434,034)</u>
Other Financing Sources (Uses):				
Transfers In	78,919	5,732,224	-	5,811,143
Transfers Out	-	-	(5,732,224)	(5,732,224)
Other Sources	-	6,169,396	765,473	6,934,869
Total Other Financing Sources (Uses)	<u>78,919</u>	<u>11,901,620</u>	<u>(4,966,751)</u>	<u>7,013,788</u>
Net Change in Fund Balance	(103,237)	1,572,773	3,110,218	4,579,754
Fund Balance, July 1	738,591	13,835,369	12,664,184	27,238,144
Fund Balance, June 30	<u>\$ 635,354</u>	<u>\$ 15,408,142</u>	<u>\$ 15,774,402</u>	<u>\$ 31,817,898</u>



**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2015

	Adult Education Fund	Cafeteria Fund
	<u>          </u>	<u>          </u>
<b>ASSETS:</b>		
Cash in County Treasury	\$ 85,024	\$ 796,163
Cash on Hand and in Banks	5,410	6,779
Accounts Receivable	72,241	38,617
Due from Other Funds	90,450	684
Stores Inventories	-	56,306
Total Assets	<u>253,125</u>	<u>898,549</u>
<b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
Accounts Payable	\$ 23,589	\$ 35,109
Due to Other Funds	212,035	261,514
Unearned Revenue	17,501	90,621
Total Liabilities	<u>253,125</u>	<u>387,244</u>
Fund Balance:		
Nonspendable Fund Balances:		
Stores Inventories	-	56,306
Restricted Fund Balances	-	454,999
Assigned Fund Balances	-	-
Total Fund Balance	<u>-</u>	<u>511,305</u>
Total Liabilities and Fund Balances	<u>\$ 253,125</u>	<u>\$ 898,549</u>

Deferred Maintenance Fund	Pupil Transportation Equipment	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 3,158	\$ 120,769	\$ 1,005,114
-	-	12,189
3	119	110,980
-	-	91,134
-	-	56,306
<u>3,161</u>	<u>120,888</u>	<u>1,275,723</u>
\$ -	\$ -	\$ 58,698
-	-	473,549
-	-	108,122
<u>-</u>	<u>-</u>	<u>640,369</u>
-	-	56,306
-	-	454,999
3,161	120,888	124,049
<u>3,161</u>	<u>120,888</u>	<u>635,354</u>
\$ 3,161	\$ 120,888	\$ 1,275,723

**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, 2015

	Adult Education Fund	Cafeteria Fund
	<u>                    </u>	<u>                    </u>
Revenues:		
Federal Revenue	\$ 126,542	\$ 443,039
Other State Revenue	4,204	36,688
Other Local Revenue	413,831	2,024,307
Total Revenues	<u>544,577</u>	<u>2,504,034</u>
Expenditures:		
Instruction	275,428	-
Instruction - Related Services	342,659	-
Pupil Services	-	2,543,202
General Administration	24,026	117,302
Total Expenditures	<u>642,113</u>	<u>2,660,504</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(97,536)</u>	<u>(156,470)</u>
Other Financing Sources (Uses):		
Transfers In	78,919	-
Total Other Financing Sources (Uses)	<u>78,919</u>	<u>-</u>
Net Change in Fund Balance	(18,617)	(156,470)
Fund Balance, July 1	18,617	667,775
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 511,305</u>

**EXHIBIT C-4**

Deferred Maintenance Fund	Pupil Transportation Equipment	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -	\$ -	\$ 569,581
-	-	40,892
13	124,949	2,563,100
<u>13</u>	<u>124,949</u>	<u>3,173,573</u>
-	-	275,428
-	-	342,659
-	53,112	2,596,314
-	-	141,328
<u>-</u>	<u>53,112</u>	<u>3,355,729</u>
13	71,837	(182,156)
<u>-</u>	<u>-</u>	<u>78,919</u>
<u>-</u>	<u>-</u>	<u>78,919</u>
13	71,837	(103,237)
3,148	49,051	738,591
<u>\$ 3,161</u>	<u>\$ 120,888</u>	<u>\$ 635,354</u>

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 JUNE 30, 2015

	Bond Interest & Redemption	Total Nonmajor Debt Service Funds (See Exhibit C-1)
<b>ASSETS:</b>		
Cash in County Treasury	\$ 15,408,142	\$ 15,408,142
Total Assets	<u>15,408,142</u>	<u>15,408,142</u>
<b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance:		
Assigned Fund Balances	\$ 15,408,142	\$ 15,408,142
Total Fund Balance	<u>15,408,142</u>	<u>15,408,142</u>
Total Liabilities and Fund Balances	<u>\$ 15,408,142</u>	<u>\$ 15,408,142</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, 2015

	Bond Interest & Redemption	Blended Component Unit	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:			
Other State Revenue	\$ 58,293	\$ -	\$ 58,293
Other Local Revenue	11,706,945	-	11,706,945
Total Revenues	<u>11,765,238</u>	<u>-</u>	<u>11,765,238</u>
Expenditures:			
Debt Service:			
Principal	10,245,000	2,000,000	12,245,000
Interest	6,116,861	3,732,224	9,849,085
Total Expenditures	<u>16,361,861</u>	<u>5,732,224</u>	<u>22,094,085</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,596,623)</u>	<u>(5,732,224)</u>	<u>(10,328,847)</u>
Other Financing Sources (Uses):			
Transfers In	-	5,732,224	5,732,224
Other Sources	6,169,396	-	6,169,396
Total Other Financing Sources (Uses)	<u>6,169,396</u>	<u>5,732,224</u>	<u>11,901,620</u>
Net Change in Fund Balance	1,572,773	-	1,572,773
Fund Balance, July 1	13,835,369	-	13,835,369
Fund Balance, June 30	<u>\$ 15,408,142</u>	<u>\$ -</u>	<u>\$ 15,408,142</u>

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2015

	Capital Facilities Fund	County School Facilities Fund
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
Cash in County Treasury	\$ 1,714,781	\$ 1,041,587
Cash on Hand and in Banks	-	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	374,070	1,031
Prepaid Expenditures	343,982	-
Total Assets	<u>2,432,833</u>	<u>1,042,618</u>
<b>LIABILITIES AND FUND BALANCE:</b>		
Liabilities:		
Accounts Payable	\$ 82,170	\$ 4,060
Due to Other Funds	580	-
Total Liabilities	<u>82,750</u>	<u>4,060</u>
Fund Balance:		
Nonspendable Fund Balances:		
Prepaid Items	343,982	-
Restricted Fund Balances	-	1,038,558
Assigned Fund Balances	2,006,101	-
Total Fund Balance	<u>2,350,083</u>	<u>1,038,558</u>
Total Liabilities and Fund Balances	<u>\$ 2,432,833</u>	<u>\$ 1,042,618</u>

Special Reserve for Capital Outlay Fund	Capital Projects Fund For Blended Component Units	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 26,965	\$ -	\$ 2,783,333
-	7,411,211	7,411,211
-	5,515,113	5,515,113
26	71,655	446,782
-	-	343,982
<u>26,991</u>	<u>12,997,979</u>	<u>16,500,421</u>
\$ -	\$ 639,209	\$ 725,439
-	-	580
<u>-</u>	<u>639,209</u>	<u>726,019</u>
-	-	343,982
-	-	1,038,558
26,991	12,358,770	14,391,862
<u>26,991</u>	<u>12,358,770</u>	<u>15,774,402</u>
\$ 26,991	\$ 12,997,979	\$ 16,500,421



**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, 2015

	Capital Facilities Fund	County School Facilities Fund
	<u>                    </u>	<u>                    </u>
Revenues:		
Other State Revenue	\$ 230	\$ -
Other Local Revenue	1,460,405	4,300
Total Revenues	<u>1,460,635</u>	<u>4,300</u>
Expenditures:		
General Administration	8,823	-
Plant Services	993,447	35,166
Debt Service:		
Principal	288,040	-
Interest	55,942	-
Total Expenditures	<u>1,346,252</u>	<u>35,166</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>114,383</u>	<u>(30,866)</u>
Other Financing Sources (Uses):		
Transfers Out	-	-
Other Sources	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balance	114,383	(30,866)
Fund Balance, July 1	2,235,700	1,069,424
Fund Balance, June 30	<u>\$ 2,350,083</u>	<u>\$ 1,038,558</u>

Specialo Reserve for Capital Outlay Fund	Capital Projects Fund For Blended Component Units	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ -	\$ -	\$ 230
<u>109</u>	<u>8,614,185</u>	<u>10,078,999</u>
<u>109</u>	<u>8,614,185</u>	<u>10,079,229</u>
-	-	8,823
-	620,842	1,649,455
-	-	288,040
-	-	55,942
<u>-</u>	<u>620,842</u>	<u>2,002,260</u>
109	7,993,343	8,076,969
-	(5,732,224)	(5,732,224)
<u>-</u>	<u>765,473</u>	<u>765,473</u>
<u>-</u>	<u>(4,966,751)</u>	<u>(4,966,751)</u>
109	3,026,592	3,110,218
26,882	9,332,178	12,664,184
<u>\$ 26,991</u>	<u>\$ 12,358,770</u>	<u>\$ 15,774,402</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, 2015

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>
Beth Hergesheimer	President	Four Year Term Expires December 2016
Amy Herman	Vice President	Four Year Term Expires December 2018
John Salazar	Clerk	Four Year Term Expires December 2018
Joyce Dalessandro	Trustee	Four Year Term Expires December 2016
Maureen "Mo" Muir	Trustee	Four Year Term Expires December 2018

<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, 2015

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Grades 7 and 8:				
Regular ADA	3,912.67	N/A	3,903.95	N/A
Extended Year Special Education	4.93	N/A	4.93	N/A
Nonpublic, Nonsectarian Schools	16.06	N/A	14.06	N/A
Extended Year - Nonpublic	1.53	N/A	1.53	N/A
Grades 7 and 8 Totals	<u>3,935.19</u>	<u>N/A</u>	<u>3,924.47</u>	<u>N/A</u>
Grades 9-12:				
Regular ADA	8,118.20	N/A	8,063.66	N/A
Extended Year Special Education	9.43	N/A	9.43	N/A
Nonpublic, Nonsectarian Schools	48.40	N/A	45.82	N/A
Extended Year - Nonpublic	7.32	N/A	7.32	N/A
Grades 9-12 Totals	<u>8,183.35</u>	<u>N/A</u>	<u>8,126.23</u>	<u>N/A</u>
ADA Totals	<u>12,118.54</u>	<u>N/A</u>	<u>12,050.70</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, 2015**TABLE D-2**

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>Ed. Code 46207 Adjusted &amp; Reduced</u>	<u>2014-15 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Grade 7	54,000	52,500	63,245	180	-	Complied
Grade 8	54,000	52,500	63,245	180	-	Complied
Grade 9	64,800	63,000	65,052	180	-	Complied
Grade 10	64,800	63,000	65,052	180	-	Complied
Grade 11	64,800	63,000	65,052	180	-	Complied
Grade 12	64,800	63,000	65,052	180	-	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 met or exceeded its target funding.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
 YEAR ENDED JUNE 30, 2015

**TABLE D-3**

General Fund	Budget 2016 (See Note 1)	2015	2014	2013
Revenues and other financial sources	\$ 119,431,703	\$ 115,167,696	\$ 112,931,797	\$ 105,984,906
Expenditures, other uses and transfers out	113,773,495	113,371,198	107,525,778	105,514,612
Change in fund balance (deficit)	5,658,208	1,796,498	5,406,019	470,294
Ending fund balance	\$ <u>27,058,495</u>	\$ <u>21,400,287</u>	\$ <u>19,603,789</u>	\$ <u>14,197,770</u>
Available reserves (See Note 2)	\$ <u>25,559,847</u>	\$ <u>19,723,539</u>	\$ <u>16,691,747</u>	\$ <u>13,091,097</u>
Available reserves as a percentage of total outgo (See Note 3)	<u>22.5%</u>	<u>17.9%</u>	<u>15.5%</u>	<u>12.7%</u>
Total long-term debt (See Note 5)	\$ <u>461,993,273</u>	\$ <u>471,221,300</u>	\$ <u>269,064,042</u>	\$ <u>273,085,879</u>
Average daily attendance at P-2	<u>12,051</u>	<u>12,119</u>	<u>12,034</u>	<u>11,832</u>

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 \$7,672,810 over the past three years. The fiscal year 2015-16 budget projects an increase of \$5,658,208. 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 \$364,824,153 over the past three years.

Average daily attendance has increased by 100 over the past three years.

**Notes:**

- 1 Budget 2016 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 \$3,063,998, \$2,940,777, and \$2,794,084, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, 2014, and 2013.
- 5 As a result of implementation of GASB Statement No. 68, long term liabilities for the year ended June 30, 2015 include net pension liabilities which were not previously accounted for. As such, total long term debt for the year ended June 30, 2015 is not comparable to previous years represented in this table.



**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

**TABLE D-4**

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

	General Fund	Special Reserve Fund for Other Than Capital Outlay (Fund 17)
	<u>                    </u>	<u>                    </u>
June 30, 2015, annual financial and budget report fund balances	\$ 21,400,287	\$ 2,465,352
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Inclusion for reporting purposes under GASB 54	<u>2,465,352</u>	<u>(2,465,352)</u>
Net adjustments and reclassifications	<u>2,465,352</u>	<u>(2,465,352)</u>
June 30, 2015, audited financial statement fund balances	<u>\$ 23,865,639</u>	<u>\$ -</u>

	Schedule of Long-Term Debt
	<u>                    </u>
June 30, 2015 annual financial and budget report total liabilities	\$ 381,097,985
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
State school building loan understatement	11,960
Net pension liability understatement	90,409,519
General obligation bonds overstatement	(352,822)
Lease revenue bonds understatement	<u>54,658</u>
Net adjustments and reclassifications	<u>90,123,315</u>
June 30, 2015 audited financial statement total liabilities	<u>\$ 471,221,300</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, 2015

**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, 2015

**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	-	\$ 667,920
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
Adult Education	84.002	13977	126,542
Title I Part A	84.010	14109	944,745
Special Education Cluster			
Special Education	84.027	13379	1,534,001
Special Education Early Intervention	84.027	10119	369,717
Special Education Private Schools	84.027	10115	159,135
Special Education Mental Health	84.027A	14468	138,418
Total Special Education Cluster			<u>2,201,271</u>
Vocational Education	84.048	13924	138,517
Workability	84.158	10006	180,451
Advanced Placement Testing	84.330	14363	21,127
Title III Limited English Proficiency	84.365	10084	58,615
Title II Cluster			
Title II Teacher Quality	84.367	14341	178,233
Title II Administrator	84.367	14344	2,592
Total Title II Cluster			<u>180,825</u>
Total Passed Through State Department of Education			<u>3,852,093</u>
Total U. S. Department of Education			<u>3,852,093</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	13526	103,941
National School Lunch Section 4	10.555	13391	95,735
National School Lunch Section 11	10.555	13396	243,362
Commodities *	10.555	13396	90,815
Total Child Nutrition Cluster			<u>533,853</u>
Total Passed Through State Department of Education			<u>533,853</u>
Total U. S. Department of Agriculture			<u>533,853</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 5,053,866</u></u>

\* 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, 2015

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, 2015, 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 14, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the San Dieguito Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 item 2015-001.

## **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 14, 2015

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 the 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 the San Dieguito Union High School District's major federal programs for the year ended June 30, 2015. 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 the 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 the San Dieguito Union High School District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the 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, 2015.



## Report on Internal Control Over Compliance

Management of the 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 the 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 the 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 14, 2015

**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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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, 2015.

**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, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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:

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
--------------------------------	---

**LOCAL EDUCATION AGENCIES  
OTHER THAN CHARTER SCHOOLS:**

Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	N/A
Independent Study	No
Continuation Education	Yes

Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	N/A
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes

**SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:**

California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	N/A
Before School	N/A
General Requirements	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes

**CHARTER SCHOOLS:**

Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	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, 2015.

**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, *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001. We did not modify our opinion with respect to this matter.

## **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 the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 14, 2015

## Findings and Recommendations Section

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**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>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.027A	Special Education Cluster
84.158	Workability

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, 2015**

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**

NONE

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

NONE

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

Finding 2015-001 (10000)  
Attendance

Criteria or Specific Requirement

Determine that class attendance rosters are being signed, dated, and retained in a timely manner as proper verification of pupil attendance based on the guidelines and provisions under Education Code Sections 46000 and 46303.

Condition

In review of the electronic attendance at Canyon Crest Academy for the seventh month of attendance, we noted that a number of teachers were listed on the daily missing attendance recap sheets. Upon further investigation, we noted that these teachers did not take attendance timely for the days reviewed. Manual class rosters were attached to the daily missing attendance recaps as verification of the daily attendance; however, these manual rosters were not being printed and verified on a timely basis. Printing, signing, and date verification of class rosters were in excess of two weeks and up to three months after the weekly attendance period. In addition, a few manual rosters could not be located for some isolated teachers on the missing attendance recap sheets.

Questioned Costs

None. The District has established procedures that the teachers enter attendance on a daily basis and although the verification of class rosters for missing daily attendance was not completed within state guidelines, the attendance was entered timely by individuals with first hand knowledge. Based upon our review, we determined there are no questioned costs or loss of attendance to be identified or justified as all period attendance was subsequently entered and approved prior to the end of the fiscal year.

Effect

The school site was not consistent with the state requirement that attendance must be approved and verified by the teachers within one week after the end of each attendance period.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Context:

California Education Code Sections 46000 and 46303 require that attendance be taken for each class period and verified by the teachers within one week after the end of each weekly attendance period.

Cause

School site personnel and teachers did not understand the purpose and requirement that teachers must verify attendance within one week after the end of the attendance period.

Recommendation

Implement procedures to ensure that daily period attendance not entered electronically on a daily basis by individual teachers has signed and dated manual class rosters or other support as documentation that all period attendance is entered and approved timely within one week after the end of each weekly attendance period. All teachers and attendance staff need to be instructed and held accountable that all period attendance is to reported and verified on a timely basis within one week after the end of each weekly attendance period without exception.

LEA's Response

At the initial staff meeting of the 2015-16 school year Canyon Crest Academy administration stressed the importance of taking accurate and timely period attendance and outlined the concerns discovered in the 2014-15 audit. As an ongoing agenda item for staff meetings, they review the teachers' obligation to take timely attendance as well as student safety issues relating to accurate reporting. Additionally, the site has initiated a process of sending e-mail reminders every afternoon to encourage teachers to make sure their attendance is accurate before they leave for the day.

The district office is conducting monthly compliance audits at each school site. At Canyon Crest, district staff have provided additional training to a new attendance clerk to reinforce daily and weekly district procedures to follow when teachers don't take their attendance electronically. These include specific instruction regarding the requirement to have every teacher's attendance verified weekly.

The administration at Canyon Crest Academy is holding teachers accountable for missing attendance. Each morning the clerk runs a report of missing attendance for the previous day. If any teachers appear on the report it is forwarded to the administrator in charge of attendance along with rosters for each teacher. Each teacher on the report is required to come to the assistant principal's office to review/correct/approve and sign the rosters before the end of the week. Reports and signed rosters are kept on file in the attendance office for verification.



**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p>Finding 2014-001 Student Body Funds</p> <p>Three check requests at Earl Warren Middle School did not have proper authorization signatures and one batch of receipt collections at La Costa Canyon High School was not deposited timely.</p> <p>Require all check request forms at Earl Warren Middle School be properly authorized as an approval for subsequent payment and ensure all cash collections at La Costa Canyon High School for concession stands and sporting events be deposited timely.</p>	Implemented	
<p>Finding 2014-002 Attendance</p> <p>In review of daily attendance at La Costa Canyon High School, period attendance reports for selected students did not have a full day absence code marked. District management was instructed to review and revise all attendance data for the site to ensure all students absent for the entire day were coded properly with an all-day absence code.</p> <p>Amend the P2 attendance reports after revision of the school site attendance at La Costa Canyon High School. In future periods, ensure that attendance reports are reviewed and monitored in order that students absent the entire day properly reflect an all-day absence code.</p>	Implemented	