# San Dieguito Union High School District

Measure AA Building Fund General Obligation Bond

Financial Statements & Performance Audit

June 30, 2023

WILKINSON HADLEY KING & CO. LLP

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### San Dieguito Union High School District Measure AA Building Fund (Fund 21-39) Introduction & Citizens' Oversight Committee Member Listing

On November 6, 2012, the San Dieguito Union High School District was successful under Proposition AA in obtaining District voters to issue up to \$449,000,000 in General Obligation Bonds pursuant to a 55% vote in a bond election. The General Obligation Bonds are considered Proposition 39 bonds. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability measures. Specifically, the District must conduct an annual, independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent audit of the proceeds from the sale of the bonds until all of the proceeds have been expended.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Independent Citizens' Oversight Committee, and authorization for injunctive relief against improper expenditure of bond revenues.

The San Dieguito Union High School District Citizens' Oversight Committee consisted of the following members as of June 30, 2023:

Name      Representative		Term Expiration
Diane Chau	At-Large Member	April 2025
Kevin Dehaan	At-Large Member	April 2025
Stewart Ginn	At-Large Member	April 2025
Laurel Graziano	Taxpayer Association Member	April 2025
Lindsey Mack	At-Large Member	April 2025
Todd Mitchell	Parent of SDUHSD Student	April 2025
Lane Macy Kiefaber	Business Organization Member	April 2025
Lucienne McCauley	Senior Organization Member	April 2025
Stella Stung	Parent Active in Teacher-Parent Organization	April 2025



### Independent Auditor's Report

To the Citizens' Oversight Committee San Dieguito Union High School District Measure AA Building Fund (Fund 21-39) Encinitas, California

#### **Report on the Audit of the Financial Statements**

#### Opinion

We have audited the accompanying financial statements of the San Dieguito Union High School District's Measure AA Building Fund (Fund 21-39), which comprise the balance sheet as of June 30, 2023, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance of the Bond Fund as of June 30, 2023, and the revenues it received and expenditures it paid for the year then ended, in accordance with the financial reporting provisions of Proposition 39 described in Note A.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the San Dieguito Union High School District, including the Measure AA Citizens' Oversight Committee, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter – Basis of Accounting**

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared by the San Dieguito Union High School District using the modified accrual basis of accounting for the fund, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements under Proposition 39. Additionally, the financial statements present only the Bond Fund which is specific to Measure AA and is not intended to present fairly the financial position and results of operations of the San Dieguito Union High School District as a whole. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

#### **Emphasis of Matter – Going Concern**

The accompanying financial statements have been prepared assuming that the Bond Fund will continue as a going concern. As discussed in Note A to the financial statements, the purpose of the Bond Fund is to issue general obligation bonds authorized under Measure AA and to complete capital projects utilizing the funds authorized. The final issuance of bond funds occurred during the year ended June 30, 2021, with no remaining authorizations available for issue. If the Bond Fund expends the remaining funds within 12 months of the financial statement date, the Bond Fund will close down and no longer continue. Given that the intent of the Bond Fund is to fulfill this purpose, management plans to discontinue operations of the Bond Fund once the funds have been fully expended.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions for fund accounting under the modified accrual basis of accounting, as described in Note A. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bond Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bond Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bond Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 inquires, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2024, on our consideration of the Bond Fund'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 solely 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 the effectiveness of the Bond Fund's 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 the Bond Fund's internal control over financial reporting and compliance.

#### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated February 26, 2024, on our consideration of the Bond Fund's compliance with the requirements of Proposition 39 with regards to the Measure AA Building Fund (Fund 21-39). That report is an integral part of our audit of the Measure AA Building Fund (Fund 21-39) for the fiscal year ended June 30, 2023, and should be considered in assessing the results of our financial audit.

#### **Other Information**

Management is responsible for the other information included in the introductory and other information sections of this report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### **Restriction on Use**

This report is intended solely for the information and use of management, the Citizens' Oversight Committee, the Board of Education, and others within the San Dieguito Union High School District, and is not intended to be and should not be used by anyone other than these specified parties.

Hadley King & Co. UP

El Cajon, California February 26, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023 (Unaudited)

This section of San Dieguito Union High School District's (SDUHSD) annual financial report presents management's discussion and analysis of the SDUHSD's Measure AA bond performance during the year ending June 30, 2023. The management's discussion and analysis are required as a new element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. The district's financial statements follow this section.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's Proposition AA Building Fund basic financial statements. The Fund's financial statements comprise three components: 1) management's discussion and analysis; 2) the Proposition AA Building Fund's financial statements; and 3) the performance audit required by law.

The District accounts for Proposition AA General Obligation Bond activity in the District's Building Fund. The Building Fund is a governmental fund type accounted for on a modified accrual basis of accounting that does not include fixed assets or long-term liabilities.

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 third series of those bonds were issued in July 2016, in the amount of \$62 million. The fourth series of bonds were issued in May 2018, in the amount of \$25.0 million. The latest series were issued in June 2021, in the amount of \$85.0 million, completing the Proposition AA bond issuance of \$449 million. The District currently has \$429.5 million outstanding in general obligation bonds, as of June 30, 2023.

### FINANCIAL HIGHLIGHTS

- The fund balance for Proposition AA Building Fund is \$71.6 million, as of June 30, 2023, which is \$12.6 million less than June 30, 2022, as the final Prop AA bond series issuance was completed, and projects continue.
- Revenues consisted of other state income, interest earned, fair market value adjustment (discussed later in this report in the Notes to Financial Statements, Note C and Note D), and other local income (including reimbursements). Revenue totaled (\$2.2 million) as of June 30, 2023.
- Expenditures and other outgo as of June 30, 2023, totaled \$14.8 million, as compared to \$5.3 million on June 30, 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2023

(Unaudited)

The District's Proposition AA Building Fund balance as of June 30, 2023, was \$72.9 million (see Table A-1 below).

Table A-1 Massure AA Building Fund							
Measure AA Building Fund Balance Sheet							
		Jun	e 30,				Percentage
		2023		2022		Change	Change
Assets							
Cash	\$	72,315,664	\$	85,042,388	\$	(12,726,724)	-15%
Accounts receivable		659,969		196,318		463,651	236%
Due from other funds		-		2,221		(2,221)	-100%
Total Assets	\$	72,975,633	\$	85,240,927	\$	(12,265,294)	-14%
Liabilities							
Accounts payable	\$	1,316,356	\$	1,029,002	\$	287,354	28%
Due to other funds		25,782		-		25,782	100%
Total Liabilities		1,342,138		1,029,002		313,136	30%
Fund Balance							
Restricted for capital projects		71,633,495		84,211,925		(12,578,430)	-15%
Total Fund Balance		71,633,495		84,211,925		(12,578,430)	-15%
Total Liabilities & Fund Balance	\$	72,975,633	\$	85,240,927	\$	(12,265,294)	-14%

#### Fund Balance (or Change in Fund Balance)

The interest income reported represents funds earned on the cash held by the San Diego County Treasurer. The total expenditures of \$14 million are only for Proposition AA voter authorized expenses (see Table A-2 below).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2023

(Unaudited)

The District's total Measure AA Building Bond revenue from revenue and other sources increased by \$4.1 million. The total expenditures and other uses increased by \$9.4 million.

Table A-2 Measure AA Building Fund Changes in Fund Balance						
	Year En	ded June 30,		Percentage		
	2023	2022	Change	Change		
Revenues & Other Sources						
Other state income	\$ 13,389	\$ 16,403	\$ (3,014)	-18%		
Interest and investment income	2,101,176	641,900	1,459,276	227%		
Fair market value adjustment	126,755	(2,534,797)	2,661,552	-105%		
Other local income	6,526	13,749	(7,223)	-53%		
Total Revenues & Other Sources	2,247,846	(1,862,745)	4,120,828	-221%		
Expenditures & Other Uses						
Classified salaries	654,242	725,623	(71,381)	-10%		
Employee benefits	269,290	282,112	(12,822)	-5%		
Legal expenses	5,000	615	4,385	713%		
Computer licensing	11,773	11,212	561	5%		
Capital outlay:						
Land improvements	76,610	203,534	(126,924)	-62%		
New construction	8,439,415	1,670,867	6,768,548	405%		
Construction improvements	4,604,357	930,938	3,673,419	395%		
Equipment	-	61,973	(61,973)	-100%		
Technology equipment		734,644	(734,644)	-100%		
Total Expenditures & Other Uses	14,060,687	4,621,518	9,439,169	204%		
Other Financing Sources (Uses)						
Interfund transfer to general fund	(765,589)	(765,589)		0%		
Total Financing Sources (Uses)	(765,589)	(765,589)		0%		
Change in Fund Balance	(12,578,430)	(7,249,852)	(5,318,341)	73%		
Fund Balance - Beginning	84,211,925	91,461,777	(7,249,852)	-8%		
Fund Balance - Ending	\$ 71,633,495	\$ 84,211,925	\$ (12,578,430)	-15%		

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

JUNE 30, 2023

(Unaudited)

#### LONG TERM DEBT

At the end of the year, San Dieguito Union High School District had \$429.5 million in long-term debt outstanding. This is a decrease of \$8.1 million from the prior year.

M	Table A-3 easure AA Build Long Term D	ing Fund		
	Year Ende	ed June 30, 2022	Change	Percentage Change
General Obligation Bonds Payable			8_	8
Due within one year	\$ 8,487,307	\$ 8,052,709	\$ 434,598	5%
Due in more than one year	421,063,728	429,551,035	(8,487,307)	-2%
Total Measure AA GO Bonds Payable	\$ 429,551,035	\$ 437,603,744	\$ (8,052,709)	-2%

### FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the existing circumstances that could affect its financial health in the future:

• Inflation increases in building costs during construction.

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to determine the District's accountability for the money it receives. Additional financial information can be obtained by contacting the following:

Therese Doyle Construction & Facilities Project Coordinator San Dieguito Union High School District 625 N. Vulcan Ave Encinitas, CA 92024 **Financial Statements** 

Balance Sheet June 30, 2023

#### ASSETS

Current Assets	
Cash in county treasury	\$ 72,315,664
Accounts receivable	 659,969
Total Current Assets	 72,975,633
TOTAL ASSETS	\$ 72,975,633
LIABILITIES AND FUND BALANCE	
Current Liabilities	
Accounts payable	\$ 1,316,356
Due to other funds	 25,782
Total Current Liabilities	 1,342,138
Total Liabilities	 1,342,138
Fund Balance	
Restricted for capital projects	 71,633,495
Total Fund Balance	 71,633,495
TOTAL LIABILITIES AND FUND BALANCE	\$ 72,975,633

The accompanying notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balance For the Year Ended June 30, 2023

REVENUES		
Other state income	\$	13,389
Interest income	Ψ	2,101,176
FMV adjustment		126,755
Other local revenue		· · · · · ·
TOTAL REVENUES		6,526
IOTAL REVENUES		2,247,846
EXPENDITURES		
Current operating expenses:		
Classified salaries		654,242
Employee benefits		269,290
Legal expenses		5,000
Computer licensing		11,773
Capital outlay:		
Land improvements		76,610
New construction		8,439,415
Construction improvements		4,604,357
TOTAL EXPENDITURES		14,060,687
EXCESS (DEFICIENCY) OF REVENUES		
<b>OVER (UNDER) EXPENDITURES</b>		(11,812,841)
OTHER SOURCES AND USES		
Interfund transfer to general fund		(765,589)
TOTAL OTHER FINANCING SOURCES		(765,589)
NET CHANGE IN FUND BALANCE		(12,578,430)
FUND BALANCE, BEGINNING OF YEAR		84,211,925
FUND BALANCE, END OF YEAR	\$	71,633,495

The accompanying notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements For the Year Ended June 30, 2023

#### A. Summary of Significant Accounting Policies

San Dieguito Union High School District Measure AA Building Fund (Fund 21-39), hereinafter referred to as the "Bond Fund", accounts for its financial transactions in accordance with the policies and procedures of the California 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 Bond Fund was formed to account for renovation of schools for San Dieguito Union High School District (District), through expenditures of general obligation bonds issued under Measure AA, authorized by registered voters on November 6, 2012.

The Bond Fund operates under a locally selected Citizens' Oversight Committee comprised of seven members formed in accordance with the Local School Construction Bonds Act of 2000, at Section 15264 *et seq.* of the Education Code, Proposition 39. The reporting entity consists only of the Bond Fund of the District. These financial statements are intended to present only the financial position and results of operations of the Bond Fund in conformity with accounting principles generally accepted in the United States of America, and accordingly do not present the financial position and results of operations of the District.

#### 2. <u>Basis of Accounting – Measurement Focus</u>

**Bond Fund.** The Bond Fund is 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 Bond Fund considers all revenues reported in the fund to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of interest earned. 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 earned as earned as other financing sources.

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

Notes to the Financial Statements, Continued June 30, 2023

#### 3. Encumbrances

Encumbrance accounting is used in the Bond Fund 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 or at year end, whichever is sooner.

#### 4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Bond Fund. By state law, the District's governing board must adopt a final budget no later than July 1<sup>st</sup>. A public hearing must be conducted to receive comments prior to adoption. The District's governing board has 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.

#### 5. <u>Revenues and Expenses</u>

#### a. <u>Revenues – Exchange and Non-Exchange</u>

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, property taxes, interest, certain grants, and other local sources.

Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations are 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.

Notes to the Financial Statements, Continued June 30, 2023

#### b. Expenditures

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 bond fund as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the Bond Fund.

#### 6. <u>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net</u> <u>Position</u>

#### a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Bond Fund does not have any cash held in banks or revolving fund. 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 §41001, the Bond Fund 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. 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 §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. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds of the District. 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.

Notes to the Financial Statements, Continued June 30, 2023

#### c. Fund Balances - Governmental Funds

Fund balances of the Bond Fund 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 items) or legally required to remain intact (such as revolving cash accounts or principal of a permanent fund).

*Restricted Fund Balance* represents amounts that are subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations, or may be imposed by law through 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. Committed fund balance amounts are typically done through adoption and amendment of the budget or resolution. 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 convey 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.

Notes to the Financial Statements, Continued June 30, 2023

#### 7. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### 8. Fair Value Measurements

The Bond Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs:	Quoted prices (unadjusted) in active markets for identical assets or liabilities
	that a government can access at the measurement date.
Level 2 Inputs:	Inputs other than quoted prices included within Level 1 that are observable for
	an asset or liability, either directly or indirectly.
Level 3 Inputs:	Unobservable inputs to an asset or liability.

#### 9. New Accounting Pronouncements

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2023. Those newly implemented pronouncements are as follows:

Description	Date Issued
GASB Statement 91, Conduit Debt Obligations	05/2019
GASB Statement 94, Public-Private and Public-Public	03/2020
Partnerships and Availability Payment Arrangements	03/2020
GASB Statement 96, Subscription Based Information	05/2020
Technology Arrangements	03/2020
GASB Statement 99, Omnibus 2022	04/2022
(Portions related to leases, PPPs, and SBITAs)	04/2022
GASB Implementation Guide 2021-1, Implementation	05/2021
Guidance Update - 2021 (Except Question 5.1)	03/2021

The District has implemented the policies necessary to comply with these pronouncements and implementation guides. The implementation of these items did not result in a change to financial presentation for the Measure AA Building Fund (Fund 21-39).

Notes to the Financial Statements, Continued June 30, 2023

#### 10. Going Concern

The financial statements have been prepared on a going concern basis, which assumes the Bond Fund will be able to realize its assets and settle its liabilities in the normal course of business for the foreseeable future.

During the 2020-21 fiscal year, the Bond Fund issued the final authorized issuance under Measure AA. The only additional revenue anticipated in the Bond Fund are small amounts of interest earnings. The Bond Fund may expend in full the remaining fund balance within twelve months of the financial statement date, or shortly thereafter. These conditions raise substantial doubt about the Bond Fund's ability to continue operating as it has in the past.

Due to the nature of the Bond Fund, the District plans to close Measure AA Bond Fund operations upon completion of final expenditures of the remaining funds.

#### **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:

ViolationAction TakenNone ReportedNot Applicable

#### 2. Deficit Fund Balance or Fund Net Position of Individual Funds

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

	Deficit	
Fund Name	Amount	Remarks
None	Not Applicable	Not Applicable

Notes to the Financial Statements, Continued June 30, 2023

#### C. Fair Value Measurements

The Bond Fund's investments at June 30, 2023, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

		Fair Value Measurement Using					
		Significant					
		Quoted Prices in Other Sig			Sig	nificant	
		Active Markets		Active Markets Observable		Unob	servable
		for Io	lentical		Inputs	Iı	nputs
	 Amount	Assets	(Level 1)		(Level 2)	(Le	evel 3)
External investment pools measured at fair value							
San Diego County Treasury	\$ 72,315,664	\$	-	\$	72,315,664	\$	-
Total investments by fair value level	\$ 72,315,664	\$	-	\$	72,315,664	\$	-

The Bond Fund is considered to be an involuntary participant in an external investment pool as the Bond Fund is required to deposit all receipts and collections of monies with their County Treasurer (Education Code §41001). The fair value of the Bond Fund'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.

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

#### **D.** Cash and Investments

As of June 30, 2023 the District held the following cash and investments:

	Building Fund
Cash in County Treasury	\$74,406,958
Fair Market Value Adjustment	(2,091,294)
Total Cash and Cash Equivalents	\$72,315,664

#### 1. Cash in County Treasury

In accordance with Education Code §41001, the Bond Fund maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$74,406,958 as of June 30, 2023). The fair value of the Bond Fund's portion of this pool as of that date, as provided by the pool sponsor, was \$72,315,664. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

Notes to the Financial Statements, Continued June 30, 2023

#### 2. 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 Bond Fund 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 Bond Fund, rather than the general provisions of the California Government Code or the District's investment policy.

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

Notes to the Financial Statements, Continued June 30, 2023

#### 3. <u>Analysis of Specific Deposit and Investment Risks</u>

GASB Statement No. 40 requires a determination as to whether the Bond Fund 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 treasury is restricted by Government Code §53635 pursuant to §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 risk.

At June 30, 2023, credit risk for the Bond Fund's investments was as follows:

Investment Type	Rating	Rating Agency	Amount	
County Treasurer's Investment Pool	Unrated	Not Applicable	\$72,315,664	

#### 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 Bond Fund's name. The California Government Code and the Bond Fund'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 Bond Fund's name.

At June 30, 2023, the Bond Fund was not exposed to custodial credit risk.

Notes to the Financial Statements, Continued June 30, 2023

#### 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 Bond Fund 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 Bond Fund 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 Bond Fund maintains pooled investments with the San Diego County Treasury with a fair value of \$72,315,664. The average weighted maturity for this pool was 538 days at June 30, 2023.

#### e. Foreign Currency Risk

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

#### 4. Investment Accounting Policy

The Bond Fund is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The Bond Fund'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 Bond Fund'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 a 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.

Notes to the Financial Statements, Continued June 30, 2023

#### E. Accounts Receivable

Accounts receivable balances as of June 30, 2023, consisted of:

	Α	Accounts		
	Re	eceivable		
Interest receivable	\$	659,969		
Total Accounts Receivable	\$	659,969		

#### F. Accounts Payable

Accounts payable balances as of June 30, 2023, consisted of:

	Account Payable	
Vendor payables	\$	1,316,356
Total Accounts Payable	\$	1,316,356

#### G. Interfund Balances and Activities

1. Interfund transfers balances as of June 30, 2023, consisted of:

Transfers In	Transfers Out	Amount	Purpose
General Fund	Bond Fund-Measure AA Total	\$ 765,589 \$ 765,589	Cash transfer for solar project

The amount transferred to the General Fund represents the portion of lease principal payment due on the solar facilities project in accordance with the authorized purpose under the facility lease agreement with the San Dieguito Public Facilities Financing Authority in conjunction with the Bond Project List as listed in the full text of the Proposition AA Ballot Measure.

2. Due to and due from other funds as of June 30, 2023, are as follows:

Interfund Receivable	Interfund Payable			
(Due From Other Funds)	(Due To Other Funds)	A	mount	Purpose
General Fund	Bond Fund - Measure AA	\$	25,782	Reimburse expenditures
	Total	\$	25,782	•

The amount due to the General Fund represents a cost reimbursement and the portion of OPEB contribution and transfer attributed to the Bond Fund.

#### H. Short Term Debt Activity

The Bond Fund accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as other financing sources. The Bond Fund did not issue any short-term debt during the fiscal year ended June 30, 2023.

Notes to the Financial Statements, Continued June 30, 2023

#### I. General Obligation Bonds

#### 2013 General Obligation Bonds

In April 2013, the District issued \$2,320,000 taxable, 2012 Election, Series A-1, General Obligation Bonds and \$157,680,000 tax-exempt, 2012 Election, Series A-2 General Obligation Bonds. The issue consisted of \$93,035,000 of current interest bonds with interest rates ranging from 1.00% to 5.00% with annual maturities from August 2014 through August 2033 and \$66,965,000 in a term bond with an interest rate of 4.00% with an annual maturity date of August 1, 2038. Interest on the bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2014. The bonds were authorized at an election of the registered voters held on November 6, 2012 at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of 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.

#### 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 0.60% 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 annuity 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.

#### 2016 General Obligation Bonds

In July 2016, the District issued \$795,000 taxable, 2012 Election, Series C-1, General Obligation Bonds and \$61,205,000 tax-exempt, 2012 Election, Series C-2 General Obligation Bonds. The issue consisted of \$14,000,000 of current interest bonds with interest rates ranging from 0.80% to 4.75% with annual maturities from August 2017 through August 2036 and \$48,000,000 in a term bond with an interest rate of 4.00% with an annuity maturity date of February 1, 2041. Interest on the bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2017. 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.

Notes to the Financial Statements, Continued June 30, 2023

#### 2018 General Obligation Bonds

In May 2018, the District issued \$3,100,000 taxable, 2012 Election, Series D-1, General Obligation Bonds and \$21,900,000 tax-exempt, 2012 Election, Series D-2 General Obligation Bonds. The issue consisted of \$25,000,000 of current interest bonds with interest rates ranging from 2.59% to 4.00% with annual maturities from August 2019 through August 2042. 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, 2019. 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.

#### 2020 General Obligation Bonds

In May 2020, the District issued \$145,285,000 General Obligation Refunding Bonds. The general obligation refunding bonds bear fixed interest rates of 1.07% to 2.85% with annual maturities from August 2020 through August 2038. Interest is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2020. The proceeds of \$145,285,000 were used to partially refund \$128,250,000 of the District's outstanding 2012 Election, Series A-2 Tax Exempt General Obligation Bonds in addition to paying the costs relating to the execution and delivery of the refunding bonds as associated with the refunding plan. The net proceeds of \$144,600,000 (after issuance costs of \$685,000) was deposited into a separate escrow fund for the partial refunding of the 2012 Election, Series A-2 Tax Exempt Bonds. The partial refunding of the 2012 Election, Series A-2 Tax Exempt Bonds. The partial refunding of the 2012 Election, Series A-2 Tax Exempt Bonds.

The maturity value of the old debt amounted to \$128,250,000 with the face value of the new debt at \$145,285,000, which resulted in a loss on refunding of \$17,035,000. The refunding decreased the debt service payments by \$11,356,166 and resulted in a calculated economic gain to the District of \$7,503,342.

#### 2021 General Obligation Bonds

In June 2021, the District issued \$4,345,000 2012 Election, Series E-1, General Obligation Bonds (Taxable) and \$80,615,000 2012 Election, Series E-2, General Obligation Bonds (Tax-Exempt) in order to finance specific construction, acquisition and modernization projects approved by voters, and to pay costs of issuance of the bonds. The issue consisted of \$4,345,000 in serial bonds with interest rates of 0.175-0.275% with annual maturities from August 2022 through August 2023, \$36,790.000 in serial bonds with interest rates of 2.00-4.00% with annual maturities from August 2022 through August 2041, and \$43,825,000 in term bonds with interest rates of 2.25-3.00% with annual maturities from August 1, 2022, while interest is payable semi-annually on February 1 and August 1 of each year through maturity beginning February 1, 2022.

Notes to the Financial Statements, Continued June 30, 2023

Total proceeds of \$84,960,000, with additional premium of \$4,611,191, resulted in \$84,931,285 deposited into the Building Fund after issuance costs of \$491,879 while remaining funds of \$4,148,027 were deposited into the Bond Interest and Redemption Fund to be utilized for subsequent debt service on the bonds.

#### 2021 General Obligation Refunding Bonds

In June 2021, the District issued \$32,600,000 of 2021 General Obligation Refunding Bonds. The general obligation refunding bonds bear fixed interest rates of 0.145% to 2.484% with annual maturities from August 2021 through August 2036. Interest is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2021. The proceeds of \$32,600,000 were used to partially refund \$27,860,000 of the District's outstanding 2012 Election, Series 2015 B-2 Tax Exempt General Obligation Bonds in addition to paying the costs relating to the execution and delivery of the refunding bonds as associated with the refunding plan.

General obligation bonds under Measure AA for the fiscal year ended June 30, 2023, consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Original Issue Amount	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
2012 Election Series A Principal Premium Total General Obligation Bonds	03/27/13	1.00-5.00%	08/01/38	\$ 157,680,000 8,336,717 166,016,717	\$ 9,780,000 517,080 \$ 10,297,080		\$ 2,685,000 141,959 \$ 2,826,959	\$ 7,095,000 375,121 \$ 7,470,121	\$ 3,245,000 171,567 \$ 3,416,567
2012 Election Series B Principal Premium Total General Obligation Bonds	04/15/15	3.00-4.50%	02/01/40	\$ 110,030,000 6,379,386 \$ 116,409,386	\$ 76,570,000 4,439,422 \$ 81,009,422		- 	\$ 76,570,000 4,439,422 \$ 81,009,422	
2012 Election Series C Principal Premium Total General Obligation Bonds	06/28/16	3.00-4.75%	08/01/41	\$ 61,205,000 2,970,848 \$ 64,175,848	\$ 61,205,000 2,970,848 \$ 64,175,848	- 	- 	\$ 61,205,000 \$ 2,970,848 \$ 64,175,848	-
2012 Election Series D Principal Premium Total General Obligation Bonds	05/16/18	3.00-4.00%	08/01/42	\$ 21,900,000 939,590 \$ 22,839,590	\$ 18,185,000 780,203 \$ 18,965,203	- - -	<u>-</u> 	\$ 18,185,000 \$ 780,203 \$ 18,965,203	
Refunding Bonds 2020 Principal Total General Obligation Bonds	05/12/20	1.066-2.852%	08/01/38	\$ 145,285,000 \$ 145,285,000	\$ 141,435,000 \$ 141,435,000		\$ 1,970,000 \$ 1,970,000	\$ 139,465,000 \$ 139,465,000	\$ 1,995,000 \$ 1,995,000
Refunding Bonds 2021 Principal Total General Obligation Bonds	06/09/21	0.145-2.484%	08/01/36	\$ 32,600,000 \$ 32,600,000	\$ 32,150,000 \$ 32,150,000		\$ 425,000 \$ 425,000	\$ 31,725,000 \$ 31,725,000	\$ 425,000 \$ 425,000
2012 Election Series E-1 Taxable Principal Total General Obligation Bonds	06/09/21	0.175-0.275%	08/01/23	\$ 4,345,000 \$ 4,345,000	\$ 4,345,000 \$ 4,345,000		2,170,000 2,170,000	\$ 2,175,000 \$ 2,175,000	\$ 2,175,000 \$ 2,175,000
2012 Election Series E-2 Tax Exempt Principal Premium Total General Obligation Bonds	06/09/21	1.250-4.00%	08/01/43	\$ 80,615,000 4,611,191 \$ 85,226,191	\$ 80,615,000 4,611,191 \$ 85,226,191	- 	625,000 35,750 660,750	\$ 79,990,000 4,575,441 \$ 84,565,441	\$ 450,000 25,740 \$ 475,740
Total General Obligation Bonds Principal Premium Total GO Bonds				\$ 613,660,000 23,237,731 \$ 636,897,731	\$ 424,285,000 13,318,744 \$ 437,603,744		\$ 7,875,000 177,709 \$ 8,052,709	\$ 416,410,000 13,141,035 \$ 429,551,035	\$ 8,290,000 197,307 \$ 8,487,307

Notes to the Financial Statements, Continued June 30, 2023

Year Ended			
June 30,	Principal	Interest	Total
2024	\$ 8,290,000	\$ 12,097,615	\$ 20,387,615
2025	7,650,000	11,847,518	19,497,518
2026	8,605,000	11,609,608	20,214,608
2027	9,650,000	11,400,343	21,050,343
2028	10,780,000	11,148,606	21,928,606
2028-2033	72,535,000	50,588,693	123,123,693
2034-2038	110,390,000	38,667,115	149,057,115
2039-2043	159,010,000	16,202,366	175,212,366
2044-2048	29,500,000	335,906	29,835,906
Total	\$ 416,410,000	\$ 163,897,770	\$ 580,307,770

The annual requirements to amortize the bonds outstanding at June 30, 2023 are as follows:

#### Premium/Discount

Bond premium arises when the market rate of interest is higher than the stated interest rate on the bond. Bond discount arises when the market rate of interest is lower 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 the discount decrease the face value of the bond. The premium and discount are then amortized over the life of the bond using the economic interest method.

Effective interest on general obligation bonds issued at a premium/discount are as follows:

	2012 Election Series A	2012 Election Series B	2012 Election Series C	2012 Election Series D	2012 Election Series E
Total Interest Payments	\$ 113,607,493	\$ 88,265,753	\$ 42,624,776	\$ 18,093,285	\$ 40,309,058
Less Bond Premium	(8,336,717)	(6,379,386)	(2,970,848)	(939,590)	(4,611,191)
Net Interest Payments	105,270,776	81,886,367	39,653,928	17,153,695	35,697,867
Par Amount of Bonds Periods Periods Effective Interest Rate	157,680,000 7 25 2.67%	110,030,000 7 25 2.98%	61,205,000 7 25 2.59%	21,900,000 7 25 3.13%	80,615,000 7 22 2.01%

Notes to the Financial Statements, Continued June 30, 2023

#### J. Commitments and Contingencies

#### 1. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Bond Fund as of June 30, 2023.

#### 2. Construction Commitments

As of June 30, 2023, the Bond Fund had the following construction commitments:

	emaining mmitment	Expected Date of Completion*
Construction in Process:		
Canyon Crest Academy Black Box Modernization/Library Renovation (Design)	\$ 5,675	Fall 2025
Carmel Valley Middle School Audio/Visual Technology Improvements	20,591	Spring 2024
Diegueno Middle School Audio/Visual Technology Improvements	8,823	Fall 2024
Diegueno Middle School Buildings C, D, F, K & Cougar Hall Improvements	1,484,254	Fall 2024
Diegueno Middle School Administration Bldg, Locker Rooms/Lunch Shelter (Design)	27,000	Fall 2025
La Costa Canyon High School Fitness Complex	412,880	Spring 2024
San Dieguito Academy Parking Lot Restoration/Outdoor Play Courts	76,610	Spring 2024
San Dieguito Academy Bldgs. A, B & IV & Mosaic Cafe Modernization (Design)	324,011	Fall 2024
San Dieguito Academy Gym Bldg Roof/HVAC & Locker Room	142,476	Fall 2025
San Dieguito Academy I Building Roof- HVAC - A/C Improvements	197,777	Fall 2023
Torrey Pines High School New Digital Arts Complex/Green/Parking Lot, Phase 3, Pt. 2	8,439,415	Fall 2023
Torrey Pines High School Athletic Facilities: Locker Room (Gym Bldg) Modernization	1,932,150	Fall 2024

#### K. Upcoming Accounting Guidance

The Governmental Accounting Standards Board (GASB) issues pronouncements and additional guidance for governmental agencies to establish consistent accounting across all governments in the United States. The following table represents items that have been issued by GASB that will become effective in future periods:

Description	Date Issued	Fiscal Year Effective
GASB Statement 99, Omnibus 2022 (Portions related to financial guarantees and derivative instruments)	04/2022	2024-25
GASB Statement 100, Accounting Changes for Error Corrections	06/2022	2024-25
GASB Statement 101, Compensated Absences	06/2022	2024-25
GASB Implementation Guide 2021-1, Implementation Guidance Update - 2021 (Question 5.1)	05/2021	2024-25
GASB Implementation Guide 2023-1, Implementation Guidance Update - 2023	06/2023	2024-25

The effects of the upcoming guidance and pronouncements on the Bond Fund's financial statements has not yet been determined.

Other Information

General Obligation Bonds Project List Year Ended June 30, 2023

Bond proceeds are required to be expended to modernize, replace, renovate, construct, acquire, equip, furnish and otherwise improve the facilities of the San Dieguito Union High School District. Bond proceeds will be expended to modernize, replace, renovate, construct, acquire, equip, furnish and otherwise improve the facilities of the District located at the following locations:

Canyon Crest Academy Diegueño Middle School La Costa Canyon High School Pacific Trails Middle School San Dieguito Academy Torrey Pines High School Carmel Valley Middle School Earl Warren Middle School La Costa Valley Site Oak Crest Middle School Sunset High School

Project Name	Location of Project	Status of Project
Black Box Modernization/Library Renovation (Design)	Canyon Crest Academy	In Design
Audio/Visual Technology Improvements	Carmel Valley Middle School	Under Construction
Front Entry Improvements (Gym/Food Service)	Carmel Valley Middle School	Complete
Audio/Visual Technology Improvements	Diegueno Middle School	Under Construction
Buildings C, D, F, K & Cougar Hall Improvements	Diegueno Middle School	Under Construction
Administration Bldg, Locker Rooms/Lunch Shelter (Design)	Diegueno Middle School	In Design
Fitness Complex	La Costa Canyon High School	Under Construction
Parking Lot Restoration/Outdoor Play Courts	San Dieguito Academy	Under Construction
Bldgs. A, B & IV & Mosaic Cafe Modernization (Design)	San Dieguito Academy	In Design
Gym Bldg Roof/HVAC & Locker Room (Design)	San Dieguito Academy	In Design
I Building Roof- HVAC - A/C Improvements	San Dieguito Academy	Under Construction
I Building, Food Service, Makerspace & CAD Lab, Phase 3, Pt. 1	Torrey Pines High School	Complete
New Digital Arts Complex/Green/Parking Lot, Phase 3, Pt. 2	Torrey Pines High School	Under Construction
Athletic Facilities: Locker Room (Gym Bldg) Modernization (Design)	Torrey Pines High School	In Design

Other Independent Auditors' 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*

To the Citizens' Oversight Committee San Dieguito Union High School District Measure AA Building Fund (Fund 21-39) Encinitas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Dieguito Union High School District Measure AA Building Fund (Bond Fund), which comprise the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise San Dieguito Union High School District Measure AA Building Fund's basic financial statements, and have issued our report thereon dated February 26, 2024.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered San Dieguito Union High School District Measure AA Building Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Dieguito Union High School District Measure AA Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of San Dieguito Union High School District Measure AA Building Fund'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 were not identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether San Dieguito Union High School District Measure AA Building Fund'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bond Fund'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 Bond Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

William Hadley King & Co. UP

El Cajon, California February 26, 2024



#### Independent Auditor's Report on Performance

To the Citizens' Oversight Committee San Dieguito Union High School District Measure AA Building Fund (Fund 21-39) Encinitas, California

#### **Performance Results**

We were engaged to conduct a performance audit of the San Dieguito Union High School District Measure AA Building Fund (Fund 21-39), herein after referred to as the Bond Fund, for the year ended June 30, 2023. Our audit was limited to the objectives listed with the report which includes the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIIIA, Section 1(b)(3)(C) of the California Constitution.

The results of our tests, delineated below, showed no instances of noncompliance with the requirements as set forth in Measure AA, approved by voters on November 6, 2012, in accordance with Proposition 39 as outlined in Article XIIIA, Section 1(b)(3)(c) of the California Constitution.

#### **Responsibilities of Management for Performance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Bond Fund.

#### Auditor's Responsibility for the Performance Audit

Our responsibility is to prepare a report that contains (1) the objectives, scope, and methodology of the audit; (2) the audit results, including findings, conclusions, and recommendations as appropriate; (3) summary reviews of responsible officials; and (4) if applicable, the nature of any confidential or sensitive information omitted.

We conducted this performance audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Appendix A of the 2022-23 Guide for Annual Audits of K-12 Local Education Agencies* (the Audit Guide). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives.

In planning and performing our performance audit, we obtained an understanding of the District's internal controls over the Bond Fund and related construction projects in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, but not for the purpose of expressing an opinion on the effectiveness of the Bond Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bond Fund's internal control.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our findings and conclusions based upon the audit objectives.

218 West Douglas Avenue, El Cajon, CA 92020 Phone: 619-447-6700 | Fax: 619-447-6707 | whllp.com Our audit was designed to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above have occurred, whether due to fraud or error, and to express the findings and conclusions based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Audit Guide will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of Measure AA as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over the Bond Fund relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Objectives, Scope, & Methodology of the Audit**

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements set forth in Measure AA as approved by registered voters for the fiscal year ended June 30, 2023. The objective of the audit of compliance applicable to the Bond Fund is to determine with reasonable assurance that:

- The proceeds from the sale of Measure AA General Obligation Bonds were only used for the purposes set forth in the ballot Measure AA and not for any other purpose, such as teacher and administrative salaries.
- The Governing Board of the San Dieguito Union High School District (District), in establishing approved projects set forth in the ballot measure to modernize, replace, renovate, construct, acquire, equip, furnish and otherwise improve facilities of the District as noted in the Bond Project List.

#### Performance Audit Procedures Performed & Results:

#### 1. Internal Control Evaluation

#### Procedure Performed

Inquiries were made of management regarding internal controls to:

- Prevent fraud, waste, or abuse regarding project resources
- Prevent material misstatement in the project funds
- Ensure all expenditures are properly allocated
- Ensure adequate separation of duties exists in the accounting of project funds. All purchase requisitions are reviewed for proper supporting documentation. The Facilities Director or appropriate District employee submits back up information to the business office to initiate a purchase requisition. The Facilities Director, Assistant Superintendent of Business Services, and Finance Director verifies that the requested purchase is an allowable project cost in accordance with the bond language.

#### Results of Procedure Performed

The results of our audit determined the internal control procedures as designed are sufficient to meet the financial and compliance objectives required by generally accepted accounting principles and applicable laws and regulations.

#### Procedure Performed

Tests of controls were performed based on identified controls from procedures above, utilizing samples of expenditures with a sample size sufficient for a high level of assurance, to determine if internal controls as designed are properly implemented and in place over the Bond Fund expenditures.

#### Results of Procedure Performed

The results of our audit determined that the internal controls as designed were properly implemented during the 2022-23 fiscal year.

#### 2. Tests of Expenditures

#### Procedures Performed

We tested expenditures to determine whether Measure AA proceeds were spent solely on voter and board approved school facilities projects as set forth in the Bond Project List and language of the Measure AA ballot measure language. Our testing was performed using a sample size sufficient to meet a high level of assurance.

#### Results of Procedures Performed

Expenditures tested were found to be in compliance with the terms of the Measure AA ballot measure as well as applicable state laws and regulations.

#### 3. Tests of Contracts and Bid Procedures

#### Procedures Performed

We tested expenditures under Measure AA to determine if the expenditures were part of a valid contract, that the contract was properly approved by the District's Governing Board, and that the contract was established in compliance with Public Contract Code provisions, including bid procedures. Our testing was performed using a sample size sufficient to meet a high level of assurance.

#### Results of Procedures Performed

Expenditures tested were found to have valid contracts which were issued through proper approval of the District's Governing Board in compliance with Public Contract Code, including bid procedures.

#### 4. Facilities Site Review

#### Procedures Performed

We reviewed the Independent Citizens' Oversight Committee minutes and agendas along with other pertinent information on Measure AA designated projects to determine whether the funds expended for the year ended June 30, 2023, were for valid facilities acquisition and construction purposes as stated in the Bond Project List. Additionally, we reviewed photographs of significant bond projects to determine projects were being completed as identified in the Bond Project List.

#### Results of Procedures Performed

Based on review of expenditure documentation, review of project photographs, and other pertinent information provided, it appears the construction work performed was consistent with the Bond Project List as well as the allowable projects as identified in Measure AA ballot measures.

#### 5. Review of Citizens' Oversight Committee Compliance

#### Procedures Performed

We reviewed the minutes of the Citizens' Oversight Committee meetings to verify compliance with Education Code Section 15278 which requires the Citizens' Oversight Committee to:

- Actively review and report on the proper expenditure of taxpayers' money for school construction.
- Advise the public as to whether the District is in compliance with paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.
- Ensure that bond revenues are expended only for purposes described in paragraph (3) of subdivision
  (b) of Section 1 of Article XIII A of the California Constitution.
- Ensure that no funds are used for any teacher or administrative salaries or other school operating expenses.

Additionally, Education Code Section 15278 authorizes the Citizens' Oversight Committee to:

- Receive and review copies of the annual, independent performance audit.
- Inspect school facilities and grounds to ensure that bond revenues are expended in compliance with the requirements described in paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution.
- Receive and review copies of any deferred maintenance proposals or plans developed by the District.
- Review efforts by the District to maximize bond revenues by implementing cost saving measures.

#### Results of Procedures Performed

The Citizens' Oversight Committee appears to have complied with the requirements of Education Code Section 15278.

#### Procedure Performed

We reviewed composition of the Citizens' Oversight Committee to verify compliance with Education Code Section 15282 which requires the following:

- The Citizens' Oversight Committee shall consist of at least seven members who shall serve for a minimum term of two years without compensation and for no more than three consecutive terms.
- One member shall be active in a business organization representing the business community located within the school district boundaries.
- One member shall be active in a senior citizens' organization.
- One member shall be active in a bona fide taxpayers' organization.
- One member shall be the parent or guardian of a child enrolled in the school district.
- One member shall be both a parent or guardian of a child enrolled in the school district and active in a parent-teacher organization.
- An employee or official of the school district shall not be appointed to the citizens' oversight committee.
- A vendor, contractor, or consultant of the school district shall not be appointed to the citizens' oversight committee.

#### Results of Procedures Performed

The Citizens' Oversight Committee appears to have complied with the requirements of Education Code Section 15282.

#### Nature of any Confidential or Sensitive Information Omitted

There was no confidential or sensitive information omitted from this report.

#### **Purpose of the Report**

This report is intended solely for the information and use of the District's Governing Board, the Measure AA Citizens' Oversight Committee, management, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

lly King & Co. U.P.

El Cajon, California February 26, 2024

Auditor's Results, Findings & Recommendations

Schedule of Auditor's Results Year Ended June 30, 2023

#### FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
One or more material weakness(es) identified?	Yes	Х	No
One or more significant deficiencies identified that are			_
not considered material weakness(es)?	Yes	Х	No
Noncompliance material to financial statements noted?	Yes	Х	No
PERFORMANCE AUDIT			
Any audit findings disclosed that are reported as a result of performance audit and in accordance with 2022-23 Guide for for Annual Audits of California K-12 Local Education Agencies, Appendix A Local Construction Bond Audits?	Yes	Х	No

Schedule of Findings and Questioned Costs Year Ended June 30, 2023

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements or performance audit that are required to be reported in accordance with *Government Auditing Standards*, or *Appendix A of the 2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

#### **Internal Control Findings**

None

#### **Performance Audit Findings**

None

Summary of the Views of Responsible Officials Year Ended June 30, 2023

The San Dieguito Union High School District agrees with the results of the performance audit for the Measure AA Bond Fund.

Schedule of Prior Year Audit Findings Year Ended June 30, 2023

		Explanation if Not
Finding/Recommendation	Status	Implemented

There were no findings reported in the prior year audit