

San Dieguito Union High School District

INFORMATION REGARDING BOARD AGENDA ITEM

TO: BOARD OF TRUSTEES

DATE OF REPORT: January 9, 2012

BOARD MEETING DATE: January 19, 2012

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

SUBMITTED BY: Ken Noah
Superintendent

SUBJECT: ACCEPTANCE OF THE 2010-11 ANNUAL
AUDIT REPORT

EXECUTIVE SUMMARY

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

Findings and recommendations are noted on pages 65 through 67 of the audit report. Each exception requires a response from the district (LEA's response) and is included in the audit report as the last paragraph of each exception.

The following exceptions were noted:

Page 65, Item B, Finding 2011-1 (30000)

The auditors discovered that several of the Associated Student Body (ASB) deposit forms and some check request forms did not have all the required signatures. The District has included proper cash collection and disbursement procedures as part of the ongoing training provided to Principals, Assistant Principals, ASB advisors and their accounting assistants throughout the year. The District's internal auditor regularly reviews ASB transactions for compliance with sound accounting practices.

Page 66, Finding 2011-2 (30000)

The auditors noted some items regarding the District Purchasing Card program, including delays in the approval process, and timeliness of reporting. The time period audited was during the early pilot phase for some departments. During the District's pilot program, processes were developed, tested and changes were made to ensure a program that provides proper approval and review for all purchases. Those changes

were finalized and incorporated into the Administrative Regulation (#3314) reviewed by the Board of Trustees at the November 17, 2011 meeting. Administration continues to review the purchases to ensure proper approval and timely submission of reports. No purchases reviewed by the auditors were found to be improper.

Page 67, Item C, Finding 2011-3 (50000)

The auditors determined that some time certifications for extra time funded by federal sources were not completed. The Federal Office of Management and Budget requires that salaries spent working on various federal programs be documented and certified as meeting the objectives of the funding. In the past, the District has used the electronic timecard approval process to satisfy the certification requirement. The auditors requested that an additional layer of certification be implemented. Employee time records are now printed, reviewed, and signed by a program administrator to document authorization. None of the questioned expenses were inappropriate.

None of the auditor's findings had any financial impact on the District. Notwithstanding, staff takes these findings seriously and will ensure all corrective action is implemented.

RECOMMENDATION:

It is recommended that the Board accept the 2010-11 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, 2011

**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, 2011

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
FINANCIAL SECTION		
Independent Auditor's Report on Financial Statements.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	3	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets.....	13	Exhibit A-1
Statement of Activities.....	14	Exhibit A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	15	Exhibit A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets.....	16	Exhibit A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	17	Exhibit A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	18	Exhibit A-6
Statement of Net Assets - Internal Service Fund.....	19	Exhibit A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Assets - Internal Service Fund.....	20	Exhibit A-8
Statement of Cash Flows - Proprietary Funds.....	21	Exhibit A-9
Statement of Fiduciary Net Assets - Fiduciary Funds.....	22	Exhibit A-10
Notes to the Financial Statements	23	
 <u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund.....	38	Exhibit B-1
Schedule of Funding Progress - Postemployment Healthcare Plan.....	39	
 <u>Combining Statements as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	40	Exhibit C-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	41	Exhibit C-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	42	Exhibit C-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	44	Exhibit C-4
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	46	Exhibit C-5
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Capital Projects Funds.....	48	Exhibit C-6

San Dieguito Union High School District
 Audit Report
 For The Year Ended June 30, 2011

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit/Table</u>
OTHER SUPPLEMENTARY INFORMATION SECTION		
Local Education Agency Organization Structure.....	50	
Schedule of Average Daily Attendance.....	51	Table D-1
Schedule of Instructional Time.....	52	Table D-2
Schedule of Financial Trends and Analysis.....	53	Table D-3
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements.....	54	Table D-4
Schedule of Charter Schools.....	55	Table D-5
Schedule of Expenditures of Federal Awards	56	Table D-6
Notes to the Schedule of Expenditures of Federal Awards.....	57	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58	
Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control over Compliance In Accordance With OMB Circular A-133.....	60	
Auditor's Report on State Compliance.....	62	
Schedule of Findings and Questioned Costs	64	
Summary Schedule of Prior Audit Findings.....	68	

Financial Section

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 W Douglas Ave.
El Cajon, CA 92020

Independent Auditor's Report on Financial Statements

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

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Dieguito Union High School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of San Dieguito Union High School District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2011, 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* and should be considered in assessing the results of our audit.

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

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 financial statements as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying 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 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 2010-11*, published by the Education Audit Appeals Panel, and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wilkinson Hadley King & Co LLP

El Cajon, California
December 2, 2011

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2011
(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, 2011. 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 Assets 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 2011 are as follows:

- Total governmental fund net assets are \$124,995,175
- The state wide average for the cost of living adjustment was -.39%

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 assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets of the District changed during the most recent fiscal year. All changes in net assets 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 twelve 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, the county school facilities fund, and the capital projects fund for blended component units, 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 assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$125.0 million at the close of the most recent fiscal year.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
2010-11 NET ASSETS
(In Millions of Dollars)

	Governmental Activities		2010-11 % of Total	Total % Change over 09-10
	2009-2010	2010-2011		
Current and Other Assets	47.3	33.9	14%	-28.3%
Capital Assets	193.5	200.5	86%	3.6%
Total Assets	\$ 240.8	\$ 234.4		-2.7%
Long Term Debt Outstanding	104.8	101.2	93%	-3.4%
Other Liabilities	6.1	8.2	7%	34.4%
Total Liabilities	\$ 110.9	\$ 109.4		-1.4%
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	92.8	98.9	79%	6.6%
Restricted	37.1	26.1	21%	-29.6%
Total Net Assets	\$ 129.9	\$ 125.0		-3.8%

- The resources in capital assets, less related debt, is 79% of total net assets. Capital assets include land, site improvements, buildings, equipment, and work in progress, less a reduction for accumulated depreciation.
- The restricted portion of the District’s net assets (21%), are reserved for capital projects, debt service and educational programs. The majority of the restricted balance consists of bond proceeds through the Community Facilities District (CFD) or Mello-Roos.

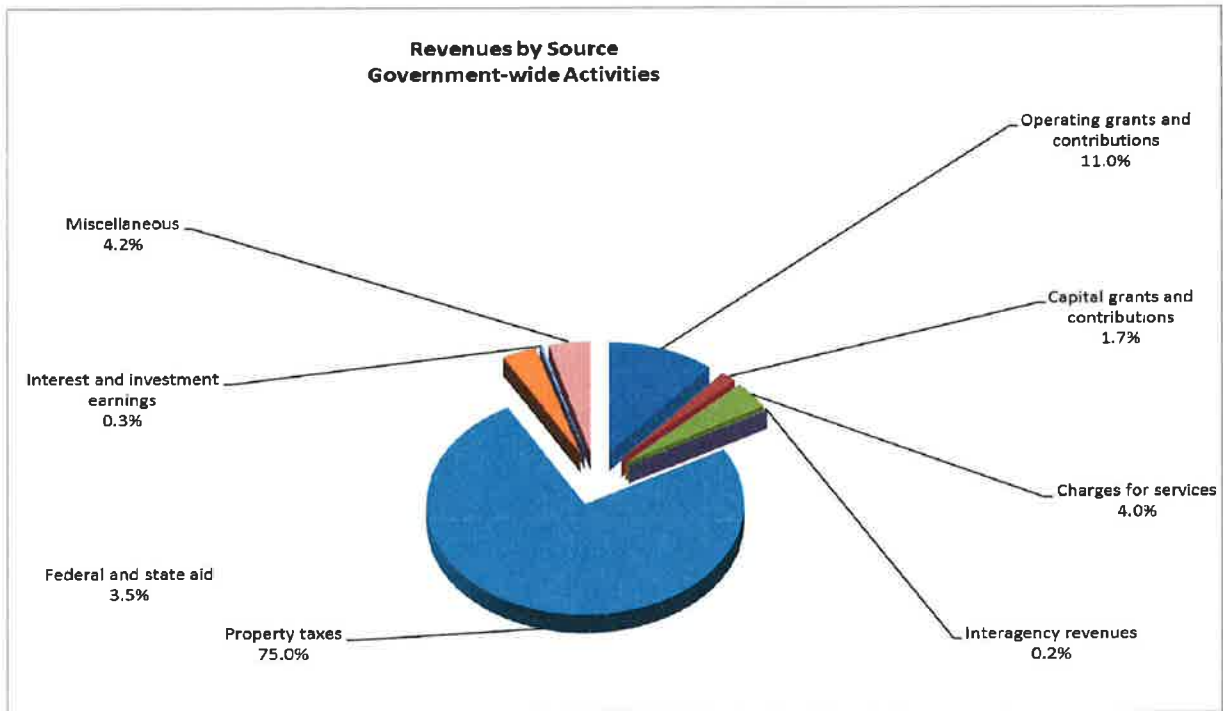
Governmental activities. The key elements of the District's net assets for the year ended June 30, 2011 are as follows:

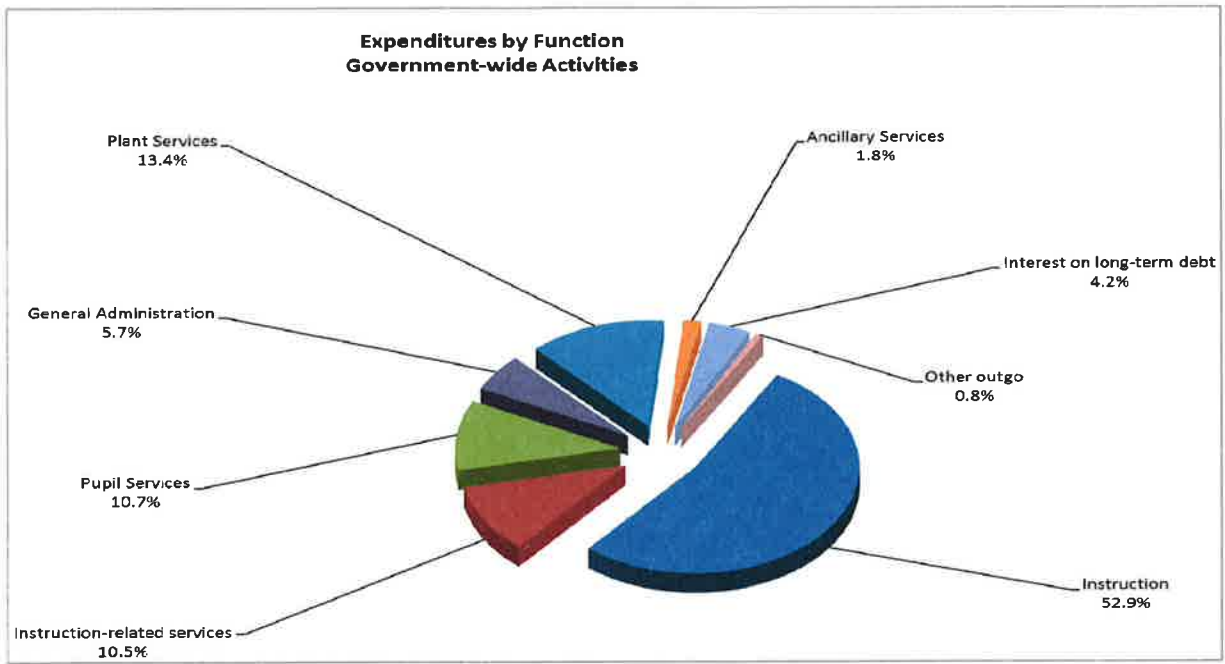
**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

	Governmental Activities		% of Total 2010-2011	% change over 09-10
	2009-2010	2010-2011		
<u>Revenues</u>				
Program revenues				
Charges for services	4,154,302	4,463,603	4.00%	7.4%
Operating grants and contributions	9,123,611	12,244,268	10.96%	34.2%
Capital grants and contributions	3,002,823	1,876,342	1.68%	-37.5%
General revenues				
Property taxes	85,672,845	83,808,941	75.04%	-2.2%
Federal and state aid not restricted to specific purposes	6,393,074	3,924,967	3.51%	-38.6%
Interest and investment earnings	555,987	385,690	0.35%	-30.6%
Interagency revenues	58,141	237,009	0.21%	307.6%
Miscellaneous	4,666,592	4,742,330	4.25%	1.6%
Total revenues	\$ 113,627,375	\$ 111,683,150	100.00%	-1.7%
<u>Expenditures by Function</u>				
Governmental activities				
Instruction	62,093,825	61,639,007	52.85%	-0.7%
Instruction-related services	13,509,110	12,303,983	10.55%	-8.9%
Pupil Services	12,468,322	12,459,693	10.68%	-0.1%
General Administration	7,002,194	6,624,375	5.68%	-5.4%
Plant Services	16,406,260	15,683,544	13.45%	-4.4%
Ancillary Services	1,973,845	2,072,062	1.78%	5.0%
Interest on long-term debt	4,113,849	4,892,618	4.20%	18.9%
Other outgo	411,197	952,941	0.82%	131.7%
Depreciation (unallocated)	-	-	-	-
	\$ 117,978,602	\$ 116,628,223	100.00%	-1.1%
Increase (decrease) in net assets	\$ (4,351,227)	\$ (4,945,073)		
Net Assets - beginning	\$ 134,291,475	\$ 129,940,248		
Net assets - ending	\$ 129,940,248	\$ 124,995,175		

- **Charges for Services:** Increase of \$309K (+7.4%) – due to an increase in ROP funds, due to categorical flexibility.
- **Operating Grants & Contributions:** Increase of \$3.4 Mil (+34.2%) – due to additional one-time Federal Jobs Bill Funds, Mandated Cost and Other State Revenue.
- **Capital Grants & Contributions:** Decrease of \$1.1 Mil (-37.5%) – due to receipt of a State School Building Loan for the San Dieguito Academy Performing Arts Building received in 2009-10 only.
- **Federal and State Aid not Restricted to Specific Purposes:** Decrease of \$2.5 Mill (-38.6%) – due to a greater Basic Aid Fair Share Contribution and other decreases in state funding.

- Interest and Investment Earnings: Decrease of \$170K (-30.6%) – decrease in interest rates, as well as cash balances.
- Interagency Revenues: Increase of \$179K (+307.6%) – as a result of additional ROP funding.
- Interest on Long Term Debt: Increase of \$779K (+18.9%) – due to first year of interest on solar project bonds.
- Other Outgo: Increase \$542K (+131.7%) – increase in County Mental Health costs due to state budget reductions.





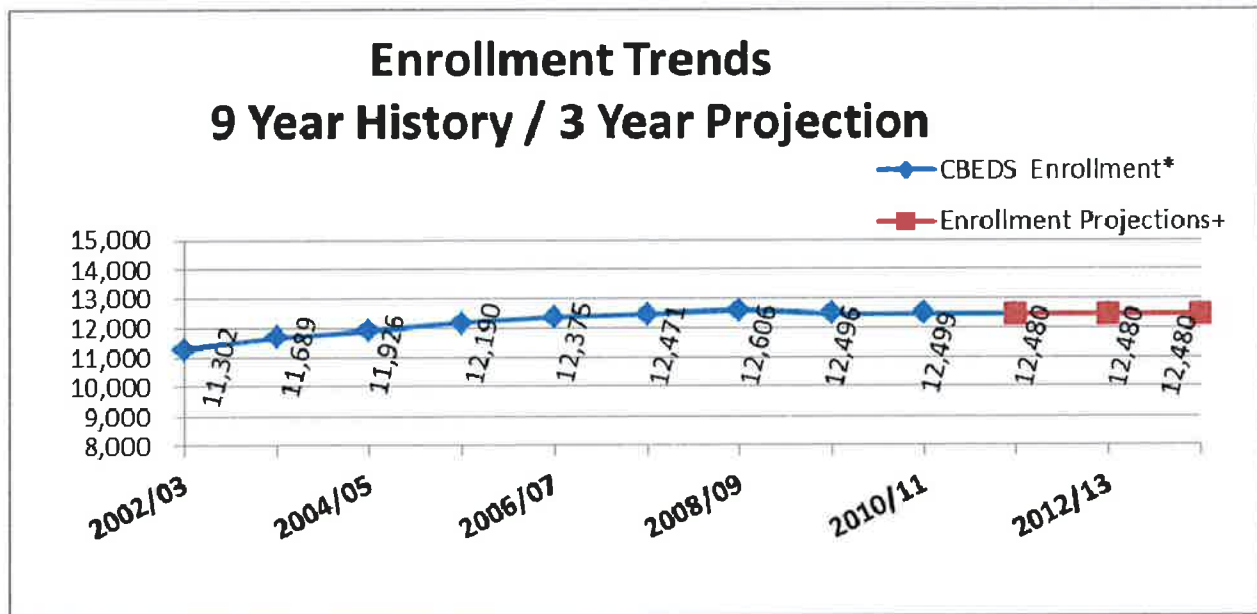
- The District is currently classified as a “Basic Aid” district. This means the local property taxes collected exceed the funded revenue limit entitlement provided by the state. The District became a Basic Aid district in 2008/09 following state funding cuts to the revenue limit. In 2010/11, the state funded approximately 82% of the base revenue limit.
- Depending on the level of local property tax revenue, the District might transition back to Revenue Limit and receive state aid in the future should the state fully restore education funding to its statutory requirement. State aid is based primarily on average daily attendance (ADA) and other appropriations. If a student is in attendance a full 180 days, the state awards the District one ADA. The state guarantees that if local taxes do not provide money equal to the base revenue limit guarantee it will make up the difference with state funding. The value of the base revenue limit decreased by .29% during the year ended June 30, 2011.

REVENUE LIMIT TABLE				
	<u>SDUHSD</u>	<u>% Increase</u>	<u>State Average</u>	<u>Difference</u>
2002-03	5,383	2.05%	5,400	(17)
2003-04	5,485	1.89%	5,587	(102)
2004-05	5,654	3.08%	5,742	(88)
2005-06	5,897	4.30%	5,986	(89)
2006-07	6,350	7.68%	6,400	(50)
2007-08	6,640	4.57%	6,690	(50)
2008-09	7,019	5.71%	7,069	(50)
2009-10	7,319	4.27%	7,369	(50)
2010-11	7,298	-0.29%	7,340	(42)

Enrollment, Enrollment Projections, and ADA

School Year	CBEDS Enrollment	Enrollment Projections	P2 ADA
2001/02	10,930		10,356
2002/03	11,302		10,806
2003/04	11,689		11,269
2004/05	11,926		11,525
2005/06	12,190		11,731
2006/07	12,375		11,950
2007/08	12,471		12,027
2008/09	12,606		11,882
2009/10	12,496		12,150
2010/11	12,499		11,989
2011/12*		12,480	
2012/13*		12,480	
2013/14*		12,480	

*estimated



Financial Analysis of the District's Funds

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

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$29.6 million; \$12.3 million lower than the previous year due to Capital Projects, such as the solar projects at La Costa Canyon High School and Canyon Crest

Academy and the Performing Arts Center at San Dieguito Academy. The general fund had a fund balance decrease of approximately \$1.2 million with the depletion of one-time Federal Stimulus Funding. In addition, the following expenditures should be noted:

- General fund salaries totaled \$65.1 million while the associated employee benefits of retirement, social security, Medicare, insurance (medical, dental, life, and accident), workers' compensation, and unemployment added \$18.8 million to arrive at 84% 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 \$15.3 million fund balance of the general fund is primarily designated for the following purposes:

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

In addition, the District's Board of Trustees requires a minimum reserve of 4.5%, as well as a Basic Aid Reserve of 3%. As of June 2011, the \$8.9 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 2010-11, the District expanded the Purchasing Card program to streamline purchases and provide an alternative to petty cash. The cash fund to cover the card purchases was increased to \$150,000 balance; increasing the total reserve for revolving funds to \$180,000.

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, 2011 was \$25,242.

General Fund Budgetary Highlights

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

- The difference between the original budget and the actual expenditures was an increase of \$1.2 million or 1.2% in total general fund expenditures -- mainly in Other Outgo for Mental

Health Costs and Capital Outlay.

- During the year, actual revenue received exceeded original budgetary estimates by \$6.1 million, or 6.5%, to account for carryover balances, decreases in property taxes, as well as increases in federal and state revenues and local donations. At the time of the original 2010-11 budget, the District did not anticipate receiving additional one-time Federal Stimulus Funding.
- After adjustments, actual revenues were \$798,000 below final budgeted amounts and expenditures were \$3.7 million below final budgeted amounts. The significant variance in expenditures was a positive \$2.7 million in Books and Supplies expenses. Positive variances indicate the actuals were better than expected.
- Variances primarily result from expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the original budget amounts.

Capital Asset and Debt Administration

Capital Assets: The State School Facilities Fund (Fund 35-00) is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. Funds received in 2009-2010, to be expended in 2010-11 were for the Performing Arts Center at San Dieguito Academy.

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 2010-2011 included the completion of prior year's ongoing projects: Carmel Valley Middle School Lunch Area, San Dieguito SE Quad Area, Sunset High School Entryway, Torrey Pines High School Energy Efficiency, and District Office Computer Server Room, as well beginning the San Dieguito Performing Arts Center. In addition to the projects, expenditures included equipment purchases: maintenance equipment for maintaining new and renovated facilities, District-wide technology equipment and transportation equipment needed for the maintenance of district buses and vehicles.

Capital assets at June 30, 2010 and 2011 are outlined below:

	June 30, 2010	June 30, 2010	# Total Change
Land	\$ 54,522,725	\$ 54,522,725	\$ -
Improvement of Sites	20,879,488	21,156,042	\$ 276,554
Buildings	156,069,500	156,571,616	\$ 502,116
Equipment	11,950,103	12,255,125	\$ 305,022
Work in Progress	7,248,744	20,823,917	\$ 13,575,173
Accumulated depreciation	(57,134,546)	(64,811,712)	\$ (7,677,166)
Total Capital Assets	<u>\$ 193,536,014</u>	<u>\$ 200,517,713</u>	<u>\$ 6,981,699</u>

Debt Administration: The District has no general obligation bonds outstanding; however, 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.

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 ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 28,529,017
Receivables	4,852,905
Stores	25,243
Prepaid Expenses	525,425
Capital Assets:	
Land	54,522,725
Improvements	21,156,042
Buildings	156,571,616
Equipment	12,255,125
Work in Progress	20,823,917
Less Accumulated Depreciation	(64,811,712)
Total Assets	<u>234,450,303</u>
LIABILITIES	
Accounts Payable	4,294,450
Deferred Revenue	765,798
Long-Term Liabilities:	
Due Within One Year	3,167,549
Due in More Than One Year	101,227,331
Total Liabilities	<u>109,455,128</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	98,927,122
Restricted for:	
Capital Projects	4,085,935
Debt Service	6,969,506
Educational Programs	15,012,612
Total Net Assets	<u>\$ 124,995,175</u>

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICTSTATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					Governmental Activities
Instruction	\$ 61,639,007	\$ 1,225,658	\$ 8,838,618	\$ 1,876,342	\$ (49,698,389)
Instruction-Related Services:					
Instructional Supervision and Administration	2,110,295	10,177	678,564	-	(1,421,554)
Instructional Library, Media and Technology	1,977,949	-	-	-	(1,977,949)
School Site Administration	8,215,739	127,417	156,988	-	(7,931,334)
Pupil Services:					
Home-to-School Transportation	4,073,950	513,669	512,778	-	(3,047,503)
Food Services	2,908,122	2,352,179	551,751	-	(4,192)
All Other Pupil Services	5,477,621	7,797	915,787	-	(4,554,037)
General Administration:					
Centralized Data Processing	911,016	-	-	-	(911,016)
All Other General Administration	5,713,359	202,377	265,588	-	(5,245,394)
Plant Services	15,683,544	57	1,044	-	(15,682,443)
Ancillary Services	2,072,062	-	-	-	(2,072,062)
Interest on Long-Term Debt	4,892,618	-	-	-	(4,892,618)
Other Outgo	952,941	24,272	323,150	-	(605,519)
Total Expenses	\$ 116,628,223	\$ 4,463,603	\$ 12,244,268	\$ 1,876,342	\$ (98,044,010)

General Revenues:

Taxes and Subventions:

Taxes Levied for General Purposes	77,567,636
Taxes Levied for Other Specific Purposes	6,241,305
Federal and State Aid Not Restricted to Specific Programs	3,924,967
Interest and Investment Earnings	385,690
Interagency Revenues	237,009
Miscellaneous	4,742,330

Total General Revenues	\$ 93,098,937
-------------------------------	----------------------

Change in Net Assets	(4,945,073)
-----------------------------	--------------------

Net Assets Beginning	129,940,248
Net Assets Ending	\$ 124,995,175

*This amount excludes depreciation that is included in the direct expenses of various programs.

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	General Fund	Capital Projects Fund For Blended Component Units	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 16,147,365	\$ -	\$ 4,593,170	\$ 20,740,535
Cash on Hand and in Banks	-	4,558,053	46,988	4,605,041
Cash in Revolving Fund	181,451	-	-	181,451
Cash with a Fiscal Agent/Trustee	-	2,575,520	-	2,575,520
Accounts Receivable	4,029,735	195,864	620,658	4,846,257
Due from Other Funds	240,344	-	20,082	260,426
Stores Inventories	817	-	24,426	25,243
Prepaid Expenditures	5,192	-	-	5,192
Total Assets	\$ 20,604,904	\$ 7,329,437	\$ 5,305,324	\$ 33,239,665
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 2,126,022	\$ 359,931	\$ 144,154	\$ 2,630,107
Due to Other Funds	3,525	-	244,009	247,534
Deferred Revenue	737,429	-	28,369	765,798
Total Liabilities	2,866,976	359,931	416,532	3,643,439
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	181,451	-	-	181,451
Stores Inventories	817	-	24,426	25,243
Prepaid Items	5,192	-	-	5,192
Restricted Fund Balances	631,566	-	2,755,649	3,387,215
Committed Fund Balances:				
Committed for Deferred Maintenance	-	-	18,034	18,034
Assigned Fund Balances	12,191,995	6,969,506	2,090,683	21,252,184
Unassigned:				
Reserve for Economic Uncertainty	4,503,378	-	-	4,503,378
Other Unassigned	223,529	-	-	223,529
Total Fund Balance	17,737,928	6,969,506	4,888,792	29,596,226
Total Liabilities and Fund Balances	\$ 20,604,904	\$ 7,329,437	\$ 5,305,324	\$ 33,239,665

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 ASSETS
 JUNE 30, 2011

Total fund balances - governmental funds balance sheet		\$ 29,596,226
<p>Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:</p>		
<p>Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.</p>		
Capital assets relating to governmental activities, at historical cost:	265,329,425	
Accumulated depreciation:	<u>(64,811,712)</u>	
	Net:	200,517,713
<p>Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are:</p>		
		520,233
<p>Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was:</p>		
		(1,664,343)
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>		
State school building loans payable	3,000,000	
Compensated absences payable	1,087,549	
Lease revenue bonds payable	12,605,067	
Other general long-term debt	<u>83,438,198</u>	
	Total:	(100,130,814)
<p>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 assets. Net assets for internal service funds are:</p>		
		<u>(3,843,840)</u>
Net assets of governmental activities - Statement of Net Assets		<u>\$ 124,995,175</u>

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, 2011

	General Fund	Capital Projects Fund For Blended Component Units	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ (22,844)	\$ -	\$ -	\$ (22,844)
Local Sources	77,547,264	-	-	77,547,264
Federal Revenue	6,387,085	-	719,129	7,106,214
Other State Revenue	5,146,872	-	1,875,765	7,022,637
Other Local Revenue	9,290,931	6,271,148	4,467,800	20,029,879
Total Revenues	98,349,308	6,271,148	7,062,694	111,683,150
Expenditures:				
Instruction	58,599,593	-	540,827	59,140,420
Instruction - Related Services	11,879,099	-	422,295	12,301,394
Pupil Services	9,281,635	-	2,872,116	12,153,751
Ancillary Services	2,064,691	-	-	2,064,691
General Administration	5,436,047	-	182,196	5,618,243
Plant Services	9,844,861	8,182,384	7,378,956	25,406,201
Other Outgo	1,175,341	-	-	1,175,341
Debt Service:				
Principal	765,588	-	1,710,000	2,475,588
Interest	819,623	-	4,028,624	4,848,247
Total Expenditures	99,866,478	8,182,384	17,135,014	125,183,876
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,517,170)	(1,911,236)	(10,072,320)	(13,500,726)
Other Financing Sources (Uses):				
Transfers In	525,773	-	5,927,207	6,452,980
Transfers Out	(208,584)	(5,738,624)	(67,200)	(6,014,408)
Other Sources	-	765,588	-	765,588
Total Other Financing Sources (Uses)	317,189	(4,973,036)	5,860,007	1,204,160
Net Change in Fund Balance	(1,199,981)	(6,884,272)	(4,212,313)	(12,296,566)
Fund Balance, July 1	18,937,909	13,853,778	9,101,105	41,892,792
Fund Balance, June 30	<u>\$ 17,737,928</u>	<u>\$ 6,969,506</u>	<u>\$ 4,888,792</u>	<u>\$ 29,596,226</u>

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICTRECONCILIATION 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, 2011

Net change in fund balances - total governmental funds \$ (12,296,566)

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

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

Expenditures for capital outlay:	14,658,865	
Depreciation expense:	(7,677,166)	
Net:		6,981,699

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

2,475,588

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

(765,588)

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

222,400

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:

28,500

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:

46,065

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:

(72,871)

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

(1,564,300)

Change in net assets of governmental activities - Statement of Activities \$ (4,945,073)

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET ASSETS
INTERNAL SERVICE FUND
JUNE 30, 2011

	Nonmajor Internal Service Fund
	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	\$ 426,470
Accounts Receivable	6,648
Total Current Assets	<u>433,118</u>
Total Assets	<u>\$ 433,118</u>
LIABILITIES:	
Current Liabilities:	
Due to Other Funds	\$ 12,891
Total Current Liabilities	<u>12,891</u>
Noncurrent Liabilities:	
Other Postemployment Benefits	4,264,066
Total Noncurrent Liabilities	<u>4,264,066</u>
Total Liabilities	<u>4,276,957</u>
NET ASSETS:	
Unrestricted Net Assets	(3,843,839)
Total Net Assets	<u>\$ (3,843,839)</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 ASSETS - INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	\$ 778,873
Total Revenues	<u>778,873</u>
Operating Expenses:	
Services and Other Operating Expenses	1,904,600
Total Expenses	<u>1,904,600</u>
Operating Income (Loss)	<u>(1,125,727)</u>
Income (Loss) before Contributions and Transfers	(1,125,727)
Interfund Transfers In	20,000
Interfund Transfers Out	(458,573)
Change in Net Assets	<u>(1,564,300)</u>
Total Net Assets - Beginning	(2,279,539)
Total Net Assets - Ending	<u>\$ (3,843,839)</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, 2011

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	795,077
Cash Payments to Other Suppliers for Goods and Services	(1,184,470)
Net Cash Provided (Used) by Operating Activities	<u>(389,393)</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	4,816
Net Cash Provided (Used) for Investing Activities	<u>4,816</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(384,577)
Cash and Cash Equivalents at Beginning of Year	811,047
Cash and Cash Equivalents at End of Year	<u>426,470</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	(1,564,300)
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(5,103)
Increase (Decrease) in Accounts Payable	(50,000)
Increase (Decrease) in Due To Other Funds	12,892
Increase (Decrease) in Net OPEB Obligation	1,221,934
Total Adjustments	<u>1,179,723</u>
Net Cash Provided (Used) by Operating Activities	<u>(384,577)</u>

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 1,380,195
Total Assets	\$ 1,380,195
LIABILITIES:	
Due to Student Groups	\$ 1,380,195
Total Liabilities	1,380,195
NET ASSETS:	
Total Net Assets	\$ -

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, 2011

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 assets 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, 2011

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.

Capital Projects Fund for Blended Component Units. This fund accounts for the activities of the District's Public Facilities Financing Authority and is used to provide resources for capital outlay projects.

County School Facilities Fund. This fund is used to account for apportionments received from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants.

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, 2011

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

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

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

3. Encumbrances

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

4. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

b. Stores Inventories and Prepaid Expenditures

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

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

c. Capital Assets

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

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

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

d. Compensated Absences

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

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

e. Deferred Revenue

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

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 assets.

g. Property Taxes

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

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

i. Minimum Fund Balance Policy

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

j. GASB 54 Fund Presentation

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

k. Use of Estimates

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>
Self-Insurance Fund	\$ 3,843,839

Remarks

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

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$21,167,006 as of June 30, 2011). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$21,167,006. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

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

Cash balances on hand and in banks (\$5,985,236 as of June 30, 2011) and in the revolving fund (\$181,451) 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, 2011 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>
U S Bank-Money Market	\$ 2,575,520
Total Investments	<u>\$ 2,575,520</u>

4. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

5. Investment Accounting Policy

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

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

D. Accounts Receivable

Accounts receivable at June 30, 2011 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
Federal Government:					
Federal programs	\$ 613,081	\$ 210,519	-	\$ -	\$ 823,600
State Government:					
Lottery	864,393	-	-	-	864,393
Other state programs	1,968,202	10,823	-	-	1,979,025
Local Sources:					
Property taxes	370,581	-	-	-	370,581
Interest	31,123	1,162	2,243	525	35,053
Other local sources	182,356	29,922	365,991	201,988	780,257
Totals	<u>\$ 4,029,736</u>	<u>\$ 252,426</u>	<u>\$ 368,234</u>	<u>\$ 202,513</u>	<u>\$ 4,852,909</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

E. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 54,522,725	\$ -	\$ -	\$ 54,522,725
Work in progress	7,248,744	13,851,198	276,025	20,823,917
Total capital assets not being depreciated	61,771,469	13,851,198	276,025	75,346,642
Capital assets being depreciated:				
Buildings	156,069,500	502,116	-	156,571,616
Improvements	20,879,488	276,554	-	21,156,042
Equipment	11,950,103	305,022	-	12,255,125
Total capital assets being depreciated	188,899,091	1,083,692	-	189,982,783
Less accumulated depreciation for:				
Buildings	(37,146,409)	(5,903,988)	-	(43,050,397)
Improvements	(11,881,513)	(854,867)	-	(12,736,380)
Equipment	(8,106,624)	(918,311)	-	(9,024,935)
Total accumulated depreciation	(57,134,546)	(7,677,166)	-	(64,811,712)
Total capital assets being depreciated, net	131,764,545	(6,593,474)	-	125,171,071
Governmental activities capital assets, net	\$ 193,536,014	\$ 7,257,724	\$ 276,025	\$ 200,517,713

Depreciation was charged to functions as follows:

Instruction	\$ 2,511,751
Instruction-Related Services	30,482
Pupil Services	372,801
Ancillary Services	7,371
General Administration	85,431
Plant Services	4,669,330
	\$ 7,677,166

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2011 consisted of the following:

Due To Fund	Due From Fund	Amount
Cafeteria Fund	General Fund	\$ 2
Pupil Transportation Fund	General Fund	3,523
General Fund	Adult Education Fund	99,306
General Fund	Cafeteria Fund	128,121
General Fund	Self-Insurance Fund	12,892
General Fund	Capital Facilities Fund	25
Special Reserve Fund	Capital Facilities Fund	16,557
	Total	\$ 260,426

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2011 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
Pupil Transportation Fund	General Fund	\$ 67,200
Self-Insurance Fund	General Fund	458,573
General Fund	Adult Education Fund	135,076
General Fund	Pupil Transportation Fund	53,507
General Fund	Self-Insurance Fund	20,000
Capital Projects Fund	Debt Service Fund	5,738,624
	Total	<u>\$ 6,472,980</u>

G. Accounts Payable

Accounts payable at June 30, 2011 consisted of:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Other Funds</u>	<u>Total</u>
Vendor payables	\$ 425,782	\$ 78,958	\$ 10,360	\$ -	\$ 515,100
Payroll and related benefits	1,071,520	49,198	5,671	359,931	1,486,320
Other current liabilities	628,720	-	-	-	628,720
Totals	<u>\$ 2,126,022</u>	<u>\$ 128,156</u>	<u>\$ 16,031</u>	<u>\$ 359,931</u>	<u>\$ 2,630,140</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.

On July 1, 2010 the District entered into the San Diego County School Districts 2010 Pooled Tax and Revenue Anticipation Notes (TRANS) in the amount of \$15,145,000 in order to supplement the district's cash flow. The TRANS were repaid on April 29, 2011.

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax anticipation notes	\$ -	\$ 15,145,000	\$ 15,145,000	\$ -

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

I. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2011 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Special tax bonds	\$ 86,560,000	\$ -	\$ 1,710,000	\$ 84,850,000	\$ 1,780,000
Unamortized discount	(1,457,344)	-	(45,542)	(1,411,802)	-
Lease revenue bonds	13,015,000	-	-	13,015,000	-
Unamortized discount	(437,262)	-	(27,329)	(409,933)	-
Net OPEB Obligation	3,042,132	1,221,934	-	4,264,066	-
Compensated absences *	1,133,614	-	46,065	1,087,549	1,087,549
State loan payable	3,000,000	-	-	3,000,000	300,000
Total governmental activities	\$ 104,856,140	\$ 1,221,934	\$ 1,683,194	\$ 104,394,880	\$ 3,167,549

* Other long-term liabilities

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

Liability	Activity Type	Fund
Compensated absences	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt, net of unamortized discount and Net OPEB obligation, at June 30, 2011, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 3,167,549	\$ 4,843,445	\$ 8,010,994
2013	2,150,000	4,770,845	6,920,845
2014	2,225,000	4,695,345	6,920,345
2015	2,325,000	4,615,970	6,940,970
2016	2,435,000	4,531,645	6,966,645
2017-2021	13,495,000	21,241,366	34,736,366
2022-2026	27,750,000	18,081,281	45,831,281
2027-2031	18,505,000	9,907,800	28,412,800
2032-2036	20,280,000	4,863,000	25,143,000
2037-2041	9,105,000	1,065,139	10,170,139
2041-2042	515,000	12,875	527,875
Totals	\$ 101,952,549	\$ 78,628,711	\$ 180,581,260

4. Unamortized Discount

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

5. Lease Revenue Bonds-Qualified School Construction Bonds

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

J. 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, 2011 is as follows:

Total Assets	\$	4,262,621
Total Liabilities		1,538,516
Total Fund Balance		2,724,105
Total Cash Receipts		1,871,646
Total Cash Disbursements		2,133,053
Net Change in Fund Balance		(261,407)

K. Employee Retirement Systems

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

PERS:

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2010-11 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2011, 2010 and 2009 were \$1,717,631, \$1,642,133 and \$1,663,874, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$0.

STRS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2010-11 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2011, 2010 and 2009 were \$4,427,966, \$4,530,389 and \$4,562,041, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$2,286,656.

L. Postemployment Benefits Other Than Pension Benefits

Plan Description

The San Dieguito Union School District (District) administers a single-employer healthcare plan (Plan). The plan provides medical benefits to eligible retirees and their eligible dependents to age 65. Eligibility for retiree health benefits requires retirement from the District with at least 10 years of eligible service. The District's contribution for medical coverage is 100% of the cost for retiree only medical coverage up to a maximum based on the highest employee only medical premium in effect in the year of retirement. The retiree is responsible for any cost above the maximum or for cost associated with the election of dependent medical coverage and/or dental coverage. Membership of the plan consists of approximately 986 eligible active employees and 94 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 2010-11, the District contributed \$669,805 to the Plan, all of which was used for current premiums.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 2,075,766
Interest on net OPEB obligation	20,169
Adjustment to annual required contribution	(204,196)
Annual OPEB cost (expense)	<u>1,891,739</u>
Contribution made	(669,805)
Decrease in net OPEB obligation	<u>1,221,934</u>
Net OPEB obligation, beginning of year	3,042,132
Net OPEB obligation, end of year	<u>\$ 4,264,066</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010-11 was as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2011	\$ 1,891,739	35.41%	\$ 4,264,066

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. Since this is the first year of implementation, only the current year is presented.

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 July 1, 2010 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorated. 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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

Medical cost trend rates ranged from an initial rate of 8.5% reduced to a rate of 5.0% after ten years. The UAAL is being amortized at a level dollar method with the remaining amortization period at July 1, 2011 of 27 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

M. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

N. Construction Commitments

As of June 30, 2011 the District had the following commitments with respect to unfinished capital projects:

	<u>Commitment</u>	<u>*Expected Date of Final Completion</u>	<u>Percentage Complete</u>
Construction in Process:			
Solar Project-Canyon Crest/La Costa Canyon (Landscaping/Tech Instructional Component)	\$ 459,659	August 2012	5%
Performing Arts Center-San Dieguito High School Academy	939,144	August 2011	89%

* Expected date of final completion subject to change

O. Subsequent Events

Tax Revenue Anticipation Notes

In July 2011, the District entered into the County of San Diego and San Diego County School Districts 2011 Pooled Tax and Revenue Anticipation Notes (TRANS) in the amount of \$16,540,000. The notes mature on April 30, 2012 and bear an interest rate of 2.00%. The notes were sold to supplement the District's cash flows.

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ (41,598)	\$ (38,534)	\$ (22,844)	\$ 15,690
Local Sources	78,536,707	77,586,819	77,547,264	(39,555)
Federal Revenue	3,527,483	7,364,867	6,387,085	(977,782)
Other State Revenue	3,715,419	4,768,553	5,146,872	378,319
Other Local Revenue	7,079,210	9,514,279	9,290,931	(223,348)
Total Revenues	<u>92,817,221</u>	<u>99,195,984</u>	<u>98,349,308</u>	<u>(846,676)</u>
Expenditures:				
Current:				
Certificated Salaries	48,792,033	48,983,897	48,799,613	184,284
Classified Salaries	16,499,106	16,369,328	16,322,369	46,959
Employee Benefits	19,076,599	19,019,900	18,877,001	142,899
Books And Supplies	3,319,462	6,420,335	3,690,892	2,729,443
Services And Other Operating Expenditures	9,567,135	10,144,628	9,571,181	573,447
Other Outgo	67,000	912,615	875,918	36,697
Direct Support/Indirect Costs	(169,540)	(160,728)	(160,728)	-
Capital Outlay	132,366	305,639	305,021	618
Debt Service:				
Principal	770,000	770,000	765,588	4,412
Interest	819,623	819,623	819,623	-
Total Expenditures	<u>98,873,784</u>	<u>103,585,237</u>	<u>99,866,478</u>	<u>3,718,759</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,056,563)</u>	<u>(4,389,253)</u>	<u>(1,517,170)</u>	<u>2,872,083</u>
Other Financing Sources (Uses):				
Transfers In	-	525,773	525,773	-
Transfers Out	(44,600)	(204,677)	(208,584)	(3,907)
Total Other Financing Sources (Uses)	<u>(44,600)</u>	<u>321,096</u>	<u>317,189</u>	<u>(3,907)</u>
Net Change in Fund Balance	<u>(6,101,163)</u>	<u>(4,068,157)</u>	<u>(1,199,981)</u>	<u>2,868,176</u>
Fund Balance, July 1	20,455,538	18,937,909	18,937,909	-
Fund Balance, June 30	<u>\$ 14,354,375</u>	<u>\$ 14,869,752</u>	<u>\$ 17,737,928</u>	<u>\$ 2,868,176</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2011

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%
6/30/10	-	13,005,147	13,005,147	-	70,000,947	18.6%
6/30/11	-	15,210,567	15,210,567	-	67,192,132	22.6%

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, 2011

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 909,137	\$ -	\$ 3,684,033	\$ 4,593,170
Cash on Hand and in Banks	46,988	-	-	46,988
Accounts Receivable	252,424	-	368,234	620,658
Due from Other Funds	3,525	-	16,557	20,082
Stores Inventories	24,426	-	-	24,426
Total Assets	<u>\$ 1,236,500</u>	<u>\$ -</u>	<u>\$ 4,068,824</u>	<u>\$ 5,305,324</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 128,139	\$ -	\$ 16,015	\$ 144,154
Due to Other Funds	227,427	-	16,582	244,009
Deferred Revenue	28,369	-	-	28,369
Total Liabilities	<u>383,935</u>	<u>-</u>	<u>32,597</u>	<u>416,532</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	24,426	-	-	24,426
Restricted Fund Balances	778,431	-	1,977,218	2,755,649
Committed Fund Balances:				
Committed for Deferred Maintenance	18,034	-	-	18,034
Assigned Fund Balances	31,674	-	2,059,009	2,090,683
Total Fund Balance	<u>852,565</u>	<u>-</u>	<u>4,036,227</u>	<u>4,888,792</u>
Total Liabilities and Fund Balances	<u>\$ 1,236,500</u>	<u>\$ -</u>	<u>\$ 4,068,824</u>	<u>\$ 5,305,324</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, 2011

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 719,129	\$ -	\$ -	\$ 719,129
Other State Revenue	40,128	-	1,835,637	1,875,765
Other Local Revenue	3,121,634	-	1,346,166	4,467,800
Total Revenues	<u>3,880,891</u>	<u>-</u>	<u>3,181,803</u>	<u>7,062,694</u>
Expenditures:				
Instruction	540,827	-	-	540,827
Instruction - Related Services	422,295	-	-	422,295
Pupil Services	2,872,116	-	-	2,872,116
General Administration	160,728	-	21,468	182,196
Plant Services	83,093	-	7,295,863	7,378,956
Debt Service:				
Principal	-	1,710,000	-	1,710,000
Interest	-	4,028,624	-	4,028,624
Total Expenditures	<u>4,079,059</u>	<u>5,738,624</u>	<u>7,317,331</u>	<u>17,135,014</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(198,168)</u>	<u>(5,738,624)</u>	<u>(4,135,528)</u>	<u>(10,072,320)</u>
Other Financing Sources (Uses):				
Transfers In	188,583	5,738,624	-	5,927,207
Transfers Out	(67,200)	-	-	(67,200)
Total Other Financing Sources (Uses)	<u>121,383</u>	<u>5,738,624</u>	<u>-</u>	<u>5,860,007</u>
Net Change in Fund Balance	<u>(76,785)</u>	<u>-</u>	<u>(4,135,528)</u>	<u>(4,212,313)</u>
Fund Balance, July 1	929,350	-	8,171,755	9,101,105
Fund Balance, June 30	<u>\$ 852,565</u>	<u>\$ -</u>	<u>\$ 4,036,227</u>	<u>\$ 4,888,792</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2011

	Adult Education Fund	Cafeteria Fund
ASSETS:		
Cash in County Treasury	\$ 12,430	\$ 850,550
Cash on Hand and in Banks	25,358	21,630
Accounts Receivable	125,070	127,326
Due from Other Funds	-	2
Stores Inventories	-	24,426
Total Assets	<u><u>\$ 162,858</u></u>	<u><u>\$ 1,023,934</u></u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 35,183	\$ 92,956
Due to Other Funds	99,306	128,121
Deferred Revenue	28,369	-
Total Liabilities	<u><u>162,858</u></u>	<u><u>221,077</u></u>
Fund Balance:		
Nonspendable Fund Balances:		
Stores Inventories	-	24,426
Restricted Fund Balances	-	778,431
Committed Fund Balances:		
Committed for Deferred Maintenance	-	-
Assigned Fund Balances	-	-
Total Fund Balance	<u><u>-</u></u>	<u><u>802,857</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 162,858</u></u>	<u><u>\$ 1,023,934</u></u>

Deferred Maintenance Fund	Public Transportation Equipment	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 18,010	\$ 28,147	\$ 909,137
-	-	46,988
24	4	252,424
-	3,523	3,525
-	-	24,426
<u>\$ 18,034</u>	<u>\$ 31,674</u>	<u>\$ 1,236,500</u>
\$ -	\$ -	\$ 128,139
-	-	227,427
-	-	28,369
<u>-</u>	<u>-</u>	<u>383,935</u>
-	-	24,426
-	-	778,431
18,034	-	18,034
-	31,674	31,674
<u>18,034</u>	<u>31,674</u>	<u>852,565</u>
<u>\$ 18,034</u>	<u>\$ 31,674</u>	<u>\$ 1,236,500</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Adult Education Fund	Cafeteria Fund
Revenues:		
Federal Revenue	\$ 269,465	\$ 449,664
Other State Revenue	-	40,128
Other Local Revenue	578,234	2,543,072
Total Revenues	<u>847,699</u>	<u>3,032,864</u>
Expenditures:		
Instruction	540,827	-
Instruction - Related Services	422,295	-
Pupil Services	-	2,872,116
General Administration	33,206	127,522
Plant Services	-	-
Total Expenditures	<u>996,328</u>	<u>2,999,638</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(148,629)</u>	<u>33,226</u>
Other Financing Sources (Uses):		
Transfers In	135,076	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>135,076</u>	<u>-</u>
Net Change in Fund Balance	(13,553)	33,226
Fund Balance, July 1	13,553	769,631
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 802,857</u>

<u>Deferred Maintenance Fund</u>	<u>Public Transportation Equipment</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-2)</u>
\$ -	\$ -	\$ 719,129
-	-	40,128
215	113	3,121,634
<u>215</u>	<u>113</u>	<u>3,880,891</u>
-	-	540,827
-	-	422,295
-	-	2,872,116
-	-	160,728
83,093	-	83,093
<u>83,093</u>	<u>-</u>	<u>4,079,059</u>
<u>(82,878)</u>	<u>113</u>	<u>(198,168)</u>
-	53,507	188,583
-	(67,200)	(67,200)
-	(13,693)	121,383
<u>(82,878)</u>	<u>(13,580)</u>	<u>(76,785)</u>
100,912	45,254	929,350
<u>\$ 18,034</u>	<u>\$ 31,674</u>	<u>\$ 852,565</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2011

	Building Fund	Capital Facilities Fund
ASSETS:		
Cash in County Treasury	\$ 230,382	\$ 1,471,452
Accounts Receivable	317	362,874
Due from Other Funds	-	-
Total Assets	<u>\$ 230,699</u>	<u>\$ 1,834,326</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ -	\$ 16,015
Due to Other Funds	-	16,582
Total Liabilities	<u>-</u>	<u>32,597</u>
Fund Balance:		
Nonspendable Fund Balances:		
Restricted Fund Balances	-	-
Assigned Fund Balances	230,699	1,801,729
Total Fund Balance	<u>230,699</u>	<u>1,801,729</u>
Total Liabilities and Fund Balances	<u>\$ 230,699</u>	<u>\$ 1,834,326</u>

County School Facilities Fund	Special Reserve for Capital Outlay Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 1,972,197	\$ 10,002	\$ 3,684,033
5,021	22	368,234
-	16,557	16,557
<u>\$ 1,977,218</u>	<u>\$ 26,581</u>	<u>\$ 4,068,824</u>
\$ -	\$ -	\$ 16,015
-	-	16,582
<u>-</u>	<u>-</u>	<u>32,597</u>
1,977,218	-	1,977,218
-	26,581	2,059,009
<u>1,977,218</u>	<u>26,581</u>	<u>4,036,227</u>
<u>\$ 1,977,218</u>	<u>\$ 26,581</u>	<u>\$ 4,068,824</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Building Fund</u>	<u>Capital Facilities Fund</u>
Revenues:		
Other State Revenue	\$ -	\$ -
Other Local Revenue	83,147	846,448
Total Revenues	<u>83,147</u>	<u>846,448</u>
Expenditures:		
General Administration	-	21,468
Plant Services	3,260	1,015,655
Total Expenditures	<u>3,260</u>	<u>1,037,123</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>79,887</u>	<u>(190,675)</u>
Net Change in Fund Balance	79,887	(190,675)
Fund Balance, July 1	150,812	1,992,404
Fund Balance, June 30	<u>\$ 230,699</u>	<u>\$ 1,801,729</u>

County School Facilities Fund	Special Reserve for Capital Outlay Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 1,835,637	\$ -	\$ 1,835,637
40,706	375,865	1,346,166
<u>1,876,343</u>	<u>375,865</u>	<u>3,181,803</u>
-	-	21,468
5,901,948	375,000	7,295,863
<u>5,901,948</u>	<u>375,000</u>	<u>7,317,331</u>
(4,025,605)	865	(4,135,528)
(4,025,605)	865	(4,135,528)
6,002,823	25,716	8,171,755
<u>\$ 1,977,218</u>	<u>\$ 26,581</u>	<u>\$ 4,036,227</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, 2011

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 2012
Joyce Delessandro	Vice President	Four Year Term Expires December 2012
Barbara Groth	Clerk	Four Year Term Expires December 2014
Amy Herman	Trustee	Four Year Term Expires December 2014
John Salazar	Trustee	Four Year Term Expires December 2014

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2011

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Elementary:				
Grades 7 and 8	3,670.37	N/A	3,666.73	N/A
Home and hospital	1.42	N/A	2.99	N/A
Special education	82.88	N/A	82.43	N/A
Elementary totals	<u>3,754.67</u>	<u>N/A</u>	<u>3,752.15</u>	<u>N/A</u>
High School:				
Grades 9 through 12, regular classes	7,893.95	N/A	7,827.18	N/A
Home and hospital	11.96	N/A	13.59	N/A
Special education	203.96	N/A	200.61	N/A
Continuation education	124.68	N/A	129.60	N/A
High school totals	<u>8,234.55</u>	<u>N/A</u>	<u>8,170.98</u>	<u>N/A</u>
ADA totals	<u>11,989.22</u>	<u>N/A</u>	<u>11,923.13</u>	<u>N/A</u>

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

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2011

TABLE D-2

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2010-11 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 7	50,327	48,929	54,000	52,500	63,255	180	-	Complied
Grade 8	50,327	48,929	54,000	52,500	63,255	180	-	Complied
Grade 9	64,800	63,000	64,800	63,000	65,070	180	-	Complied
Grade 10	64,800	63,000	64,800	63,000	65,070	180	-	Complied
Grade 11	64,800	63,000	64,800	63,000	65,070	180	-	Complied
Grade 12	64,800	63,000	64,800	63,000	65,070	180	-	Complied

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

The district has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the district and whether the district complied with the provisions of Education Code Sections 46200 through 46206.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2011

TABLE D-3

General Fund	Budget 2012 (See Note 1)	2011 (See Note 2)	2010	2009
Revenues and other financial sources	\$ 94,673,849	\$ 98,859,076	\$ 98,671,061	\$ 108,058,550
Expenditures, other uses and transfers out	99,234,201	100,075,061	100,866,131	101,812,386
Change in fund balance (deficit)	(4,560,352)	(1,215,985)	(2,195,070)	6,246,164
Ending fund balance	\$ 10,750,834	\$ 15,311,186	\$ 16,527,171	\$ 18,722,241
Available reserves	\$ 9,936,902	\$ 14,492,160	\$ 16,476,034	\$ 18,688,357
Available reserves as a percentage of total outgo	10.0%	14.5%	16.3%	18.4%
Total long-term debt	\$ 101,227,331	\$ 104,394,880	\$ 104,856,140	\$ 88,979,555
Average daily attendance at P-2	11,957	11,964	12,150	12,368

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 fund balance has increased by \$2,835,109 (22.72%) over the past three years. The fiscal year 2011-2012 budget projects a decrease of \$4,560,352 (29.78%). 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). ABX4 2 reduced the reserve requirement to 1% for the year 2010-2011.

Total long-term debt has increased by \$15,696,408 over the past three years.

Average daily attendance has decreased by 355 over the past three years.

NOTES:

- 1 Budget 2012 is included for analytical purposes only and has not been subjected to audit.
- 2 GASB Statement No. 54 requires the inclusion of the Special Reserve Fund for Other Than Capital Outlay (Fund 17) with the General Fund for reporting purposes only. This schedule has been prepared without the inclusion of Fund 17.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2011

TABLE D-4

	General Fund	Special Reserve Fund for Other Than Capital Outlay (Fund 17)
June 30, 2011, annual financial and budget report fund balances	\$ 15,311,186	\$ 2,426,742
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Inclusion for reporting purposes under GASB 54	2,426,742	(2,426,742)
Net adjustments and reclassifications	2,426,742	(2,426,742)
June 30, 2011, audited financial statement fund balances	\$ 17,737,928	\$ -

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, 2011

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, 2011

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	-	\$ 718,233
Total U. S. Department of Treasury			<u>718,233</u>
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Program:			
Citizenship Education and Training	97.010	-	69,699
Total U. S. Department of Homeland Security			<u>69,699</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
Adult Education	84.002	14109	199,765
Title I Part A *	84.010	14109	516,772
Special Education *	84.027	14329	1,898,622
Vocational Education	84.048	13924	96,067
Workability	84.158	10006	95,155
Title V Innovative Education	84.298	14363	126
Title II Technology *	84.318	14334	1,856
Advanced Placement Testing	84.330	14363	5,918
Title III Limited English Proficiency	84.365	10084	75,691
Title III Immigrant Education	84.365	14346	61,986
Title II Teacher Quality	84.367	14341	236,740
Title II Principal Training	84.367	14036	1,962
ARRA Title II Technology *	84.386	15019	9,969
ARRA Title I Part A *	84.389	15005	111,231
ARRA Special Education *	84.391	15003	112,898
ARRA State Fiscal Stabilization *	84.394	24997	643,684
ARRA Education Jobs Fund	84.410	25152	1,800,174
Total Passed Through State Department of Education			<u>5,868,616</u>
Total U. S. Department of Education			<u>5,868,616</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
National School Lunch Program *	10.555	13396	449,665
Total U. S. Department of Agriculture			<u>449,665</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 7,106,213</u>

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

The accompanying notes are an integral part of this schedule.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

1. 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.

2. Subrecipients

Of the federal expenditures presented in the schedule, San Dieguito Union High School District provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Title II Teacher Quality	84.367	\$ 16,776

Other Independent Auditor's Reports

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 W Douglas Ave.
El Cajon, CA 92020

Independent Auditor's Report

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 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, 2011, which collectively comprise the San Dieguito Union High School District's basic financial statements and have issued our report thereon dated December 2, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Dieguito Union High School District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the San Dieguito Union High School District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item(s) 2011-1 and 2011-2, that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of San Dieguito Union High School District in a separate letter dated December 2, 2011.

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. We did not audit San Dieguito Union High School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 2, 2011

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 W Douglas Ave.
El Cajon, CA 92020

Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

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

Members of the Board of Trustees:

Compliance

We have audited San Dieguito Union High School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of San Dieguito Union High School District's major federal programs for the year ended June 30, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of San Dieguito Union High School District's management. Our responsibility is to express an opinion on San Dieguito Union High School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about San Dieguito Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of San Dieguito Union High School District's compliance with those requirements.

In our opinion, San Dieguito Union High School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2011-3.

Internal Control Over Compliance

Management of San Dieguito Union High School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered San Dieguito Union High School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of San Dieguito Union High School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

San Dieguito Union High School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit San Dieguito Union High School District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 2, 2011

WILKINSON HADLEY KING & CO. LLP

CPA's and Advisors
218 W Douglas Ave.
El Cajon, CA 92020

Independent Auditor's Report

Report on State Compliance

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

Members of the Board of Trustees:

We have audited the basic financial statements of the San Dieguito Union High School District ("District") as of and for the year ended June 30, 2011 and have issued our report thereon dated December 2, 2011. 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. We have also audited the District's compliance with the requirements specified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2010-11*, published by the Education Audit Appeals Panel, applicable to the District's statutory requirements identified below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The auditing standards referred to above require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the state laws and regulations applicable to the items in the schedule 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>Description</u>	<u>Procedures In Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes

Class Size Reduction Program (Including In Charter Schools):		
General Requirements	7	N/A
Option One Classes	3	N/A
Option Two Classes	4	N/A
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program:		
General Requirements	4	N/A
After School	4	N/A
Before School	5	N/A
Contemporaneous Records of Attendance, For Charter Schools	1	N/A
Mode of Instruction, For Charter Schools	1	N/A
Nonclassroom-Based Instruction/Independent Study, For Charter Schools	15	N/A
Determination of Funding for Nonclassroom-Based Instruction, For Charter Schools	3	N/A
Annual Instructional Minutes - Classroom Based, For Charter Schools	3	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 because the ADA claimed for independent study fell below the level which required testing.

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, 2011.

This report is intended solely for the information and use of the Board of Trustees, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Wilkinson Hadley King & Co LP

El Cajon, California
December 2, 2011

Findings and Recommendations Section

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are are not considered to be material weaknesses? X Yes No

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 No

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.XXX	QZAB Interest Subsidy
84.365	Title III Immigrant
84.365	Title III Limited English Proficiency
84.410	ARRA Education Jobs Fund

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, 2011

3. State Awards

Internal control over state programs:

One or more material weaknesses identified?	<u> </u> Yes	<u> X </u> No
One or more significant deficiencies identified that are are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

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

B. Financial Statement Findings

Finding 2011-1 (30000)
 Associated Student Body Accounts

Criteria or Specific Requirement

Determine whether internal controls are in place over student body funds that will ensure all student body receipts collected and disbursements paid are documented and that all proper transaction procedures are being followed.

Condition

In our review of receipts and disbursements at Diegueno Middle School and Oak Crest Middle School we noted the following:

- A. Cash transmittal forms are not being completed, signed, and dated by the individual collecting the funds and by the individual subsequently verifying the funds for deposit. In addition, detailed individual receipts processed through the point of sale software system for some deposits was not available and as a result it could not be determined if the deposits were timely or that the deposit was in agreement with amounts collected.
- B. At Digueno Middle School check request forms did not have proper approval signatures and the school was unable to provide supporting documentation for some expenses.

Questioned Costs

None

Recommendation

- A. Require cash transmittal forms to be prepared, signed, and dated by the individual collecting the funds. In addition, list the source, purpose, or description of revenues collected on each cash transmittal. Establish procedures to ensure all individual receipts are processed through the point of sale software system and keep detail reports on file that reconcile to the actual funds collected and deposited.
- B. Require all disbursements to have a proper signed check request containing a minimum of two approval signatures on file. Prohibit any check from being made payable to cash and all expenses must have proper supporting invoice/receipt documentation as validation for all purchases.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

LEA's Response

Proper cash handling and disbursement procedures have been reviewed with all administrators and school staff involved with associated student body accounting.

Specifically, these topics were addressed at a principals' meeting on November 9, 2011; with ASB finance assistants on September 28, 2011 and a follow-up training is scheduled for April 2011. Additional training and support were provided to staff at the aforementioned schools to prevent further occurrences.

Finding 2011-2 (30000)
District Purchase Cards

Criteria or Specific Requirement

Determine whether internal controls are in place over individual District purchase cards that will ensure all purchases are being authorized and approved on a timely basis and that all purchases are documented and validated accordingly.

Condition

In our review of detail documentation for individual purchase cards being utilized for District expenses, we noted that some purchase cards are not being reviewed and approved on a timely basis. Expense reports for the credit card purchases are not being submitted timely in some instances and proper authorization and approval for items expensed is not evident. In addition, individual transactions are not being validated on the expense reports on a consistent basis and supporting invoice documentation is not being reviewed properly in order to determine if disbursements are justified District expenses.

Questioned Costs

None

Recommendation

Establish internal control procedures and an audit trail for all transactions charged on individual purchase cards. Expense reports should be printed, signed, dated, and submitted for review on a timely basis by the cardholder. Subsequently, the expense reports should be reviewed and approved on a timely basis by District management. Individual transactions should be validated and an authorized signature and date should be prevalent on the expense report as documentation approval for all purchases. In addition, proper supporting invoices should be attached to the expense reports for all transactions as documentation for individual purchases charged.

LEA's Response

The purchasing card program was still in its pilot phase during the period in which documentation was reviewed. As such, procedures to ensure effective internal control over purchase card transactions were still under development and testing. The District acknowledges that reviewing and approving purchases did not always occur in a timely fashion at that time, however, those process deficiencies were identified and corrected by District staff prior to the end of the pilot phase and 2010-11 fiscal year. Initial supervisory review and approval is conducted electronically; printed transaction reports along with back up documentation are reviewed and approved on a weekly basis prior to submission to the accounting department for further review and payment. Following the completion of the pilot phase, the District also adopted final administrative regulations governing the proper use, approval, and documentation of purchasing card transactions.

Finally, none of the identified transactions were determined to be improper.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

C. Federal Award Findings and Questioned Costs

Finding 2011-3 (50000)
Time Certification Documentation

Identification of Federal Program
Title III Immigrant Education (84.365)
Title III Limited English Proficiency (84.365)

Criteria or Specific Requirement
Determine if employees charged to the program met the Time-and-effort requirements as outlined by OMB Circular A-87 time certification documentation requirements.

Condition
In our review of time certifications we noted that the district had a procedure in place to obtain time certifications for regular full time positions; however, the district did not have a procedure in place to document time and effort for extra work completed by employees. As a result, the documentation in place did not meet the requirements as established by OMB Circular A-87.

Questioned Costs
The following costs are questioned by federal program:

Title III Immigrant Education	\$30,147
Title III Limited English Proficiency	37,491
Total Questioned Costs	<u>\$67,638</u>

Recommendation
We recommend the district carefully review the time certification requirements as established under OMB Circular A-87 and implement procedures for appropriate documentation of all employees charged to federal programs.

LEA's Response
The District has a timekeeping software system that documents all regular and hourly work performed by employees and programs to which they are charged. The Extra Work Agreements for federal programs are reviewed and approved by staff who have oversight of the programs. The District will review the requirements of OMB Circular A-87 and adjust our practices as necessary to ensure our efforts aligned with federal procedures.

D. State Award Findings and Questioned Costs

NONE

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanatio If Not Implemented</u>
<p>Finding 2010-1 San Dieguito Academy Student Body</p> <p>Cash transmittal forms for deposits were not being completed properly.</p> <p>We recommended the district implement procedures to require proper completion of cash transmittal forms for all student body deposits.</p>	Implemented	
<p>Finding 2010-2 Attendance</p> <p>Significant clerical errors in preparation of attendance reports to the state were discovered which resulted in an overstatement in ADA of 11.33 at P2.</p> <p>We recommended the district amend the P2 and implement procedures for careful review of all attendance reports prior to submission to the state.</p>	Implemented	
<p>Finding 2010-3 Continuation Education</p> <p>Students attending tutorial and testing periods were not being counted as present in the attendance system.</p> <p>We recommended the district take positive attendance for all periods students are in attendance.</p>	Implemented	