

San Dieguito Union High School District

INFORMATION REGARDING BOARD AGENDA ITEM

TO: BOARD OF TRUSTEES

DATE OF REPORT: December 20, 2012

BOARD MEETING DATE: January 17, 2013

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

SUBMITTED BY: Ken Noah
Superintendent

SUBJECT: ACCEPTANCE OF THE 2011-12 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 68 through 70 of the audit report. The report does not contain any negative findings or identify any material weaknesses in the District's internal controls.

You will note on page 70 that all recommendations from the 2010-11 audit were implemented to the auditors' satisfaction.

RECOMMENDATION:

It is recommended that the Board accept the 2011-12 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, 2012

**Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Ave.
El Cajon, California**

Introductory Section

San Dieguito Union High School District
 Audit Report
 For The Year Ended June 30, 2012

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Financial Section

Wilkinson Hadley King & Co. LLP

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

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, 2012, 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, 2012, 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 13, 2012, 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 2011-12*, 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 13, 2012

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012
(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, 2012. 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 2012 are as follows:

- Total governmental fund net assets are \$116,683,265
- The state wide average for the cost of living adjustment was 2.24%

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 \$116.7 million at the close of the most recent fiscal year.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT 2011-12 NET ASSETS (In Millions of Dollars)

	Governmental Activities		2011-12 % of Total	Total % Change over 10-11
	2010-2011	2011-2012		
Current and Other Assets	33.9	33.7	15%	-0.6%
Capital Assets	200.5	194.2	85%	-3.1%
Total Assets	\$ 234.4	\$ 227.9		-2.8%
Long Term Debt Outstanding	101.2	103.0	93%	1.8%
Other Liabilities	8.2	8.2	7%	0.0%
Total Liabilities	\$ 109.4	\$ 111.2		1.6%
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	98.9	94.6	81%	-4.3%
Restricted	26.1	22.1	19%	-15.3%
Total Net Assets	\$ 125.0	\$ 116.7		-6.6%

- The resources in capital assets, less related debt, is 85% 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 (19%), 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.

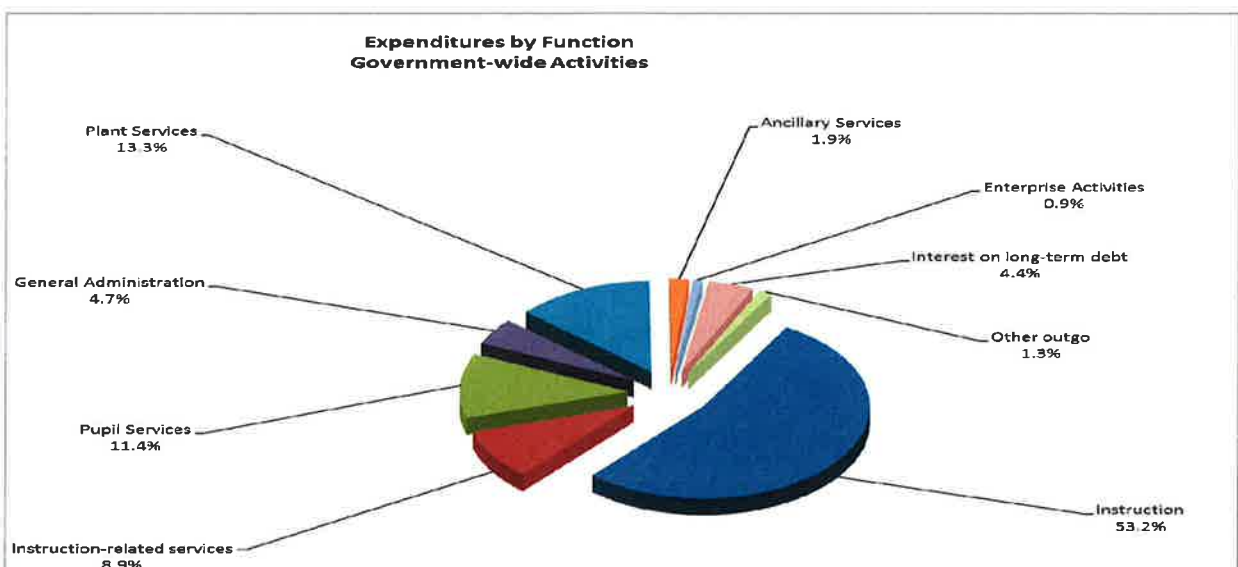
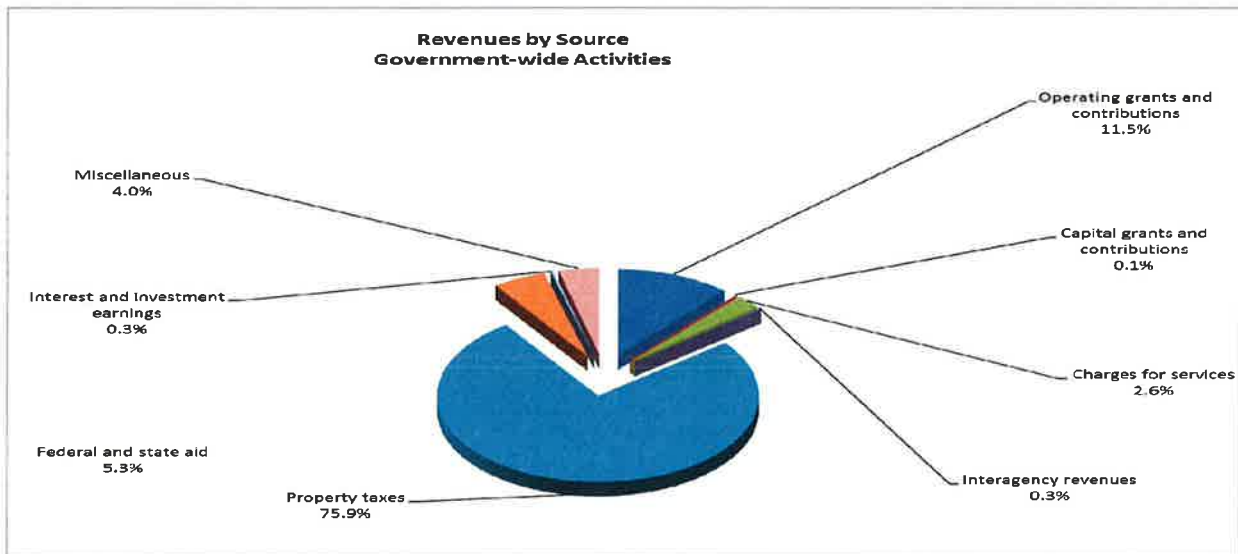
Governmental activities. The key elements of the District’s net assets for the year ended June 30, 2012 are as follows:

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

	Governmental Activities		% of Total 2011-2012	% change over 10-11
	2010-2011	2011-2012		
<u>Revenues</u>				
Program revenues				
Charges for services	4,463,603	2,896,711	2.58%	-35.1%
Operating grants and contributions	12,244,268	12,898,212	11.49%	5.3%
Capital grants and contributions	1,876,342	128,330	0.11%	-93.2%
General revenues				
Property taxes	83,808,941	85,113,345	75.85%	1.6%
Federal and state aid not restricted to specific purposes	3,924,967	5,996,512	5.34%	52.8%
Interest and investment earnings	385,690	335,425	0.30%	-13.0%
Interagency revenues	237,009	296,775	0.26%	25.2%
Miscellaneous	4,742,330	4,544,290	4.05%	-4.2%
Total revenues	<u>\$ 111,683,150</u>	<u>\$ 112,209,600</u>	<u>100.00%</u>	<u>0.5%</u>
<u>Expenditures by Function</u>				
Governmental activities				
Instruction	61,639,003	64,068,100	53.15%	3.9%
Instruction-related services	12,303,983	10,696,444	8.87%	-13.1%
Pupil Services	12,459,693	13,751,992	11.41%	10.4%
General Administration	6,624,375	5,666,796	4.70%	-14.5%
Plant Services	15,683,544	16,076,404	13.34%	2.5%
Ancillary Services	2,072,062	2,293,104	1.90%	10.7%
Enterprise Activities	0	1,096,319	0.91%	1096.0%
Interest on long-term debt	4,892,618	5,324,505	4.42%	8.8%
Other outgo	952,941	1,567,850	1.30%	64.5%
Depreciation (unallocated)	-	-	-	-
	<u>\$ 116,628,219</u>	<u>\$ 120,541,514</u>	<u>100.00%</u>	<u>3.4%</u>
Increase (decrease) in net assets	<u>\$ (4,945,069)</u>	<u>\$ (8,331,914)</u>		
Net Assets - beginning	<u>\$ 129,940,248</u>	<u>\$ 124,995,179</u>		
Net assets - ending	<u>\$ 124,995,179</u>	<u>\$ 116,663,265</u>		

- **Charges for Services:** Decrease of \$1.6 Mil (-35.1%) – due to accounting changes in ROP revenue.
- **Operating Grants & Contributions:** Increase of \$654K (+5.3%) – due to an increase in the Special Education contribution.
- **Capital Grants & Contributions:** Decrease of \$1.7 Mil (-93.2%) – due to receipt of a State School Building New Construction Grant for the San Dieguito Academy Performing Arts Building received in 2010-11 only.
- **Federal and State Aid not Restricted to Specific Purposes:** Increase of \$2.1 Mil (+52.8%) – due to a reduction in the Basic Aid Fair Share Contribution, capped at the district’s excess taxes, and an increase in solar energy rebates due to completed solar projects.

- Interest and Investment Earnings: Decrease of \$50K (-13.0%) – decrease in interest rates, as well as cash balances.
- Interagency Revenues: Increase of \$60K (+25.2%) – as a result of accounting changes in ROP lottery funding.
- Instruction Related Services: Decrease of \$1.6 Mil (-13.1%) – due to reductions, attrition, and retirement savings in school site administrative costs.
- Pupil Services: Increase of \$1.3 Mil (+10.4%) – as a result of additional transportation expenses for a bus purchased with grant funds, and increased mental health expenses.
- Enterprise Activities: Increase of \$1.1 Mil (+1096.0%) – due to changes in Other Post Employment Benefits (OPEB) liabilities based on an updated actuarial report.
- Other Outgo: Increase \$615K (+64.5%) – increase in Debt Services Expenses.

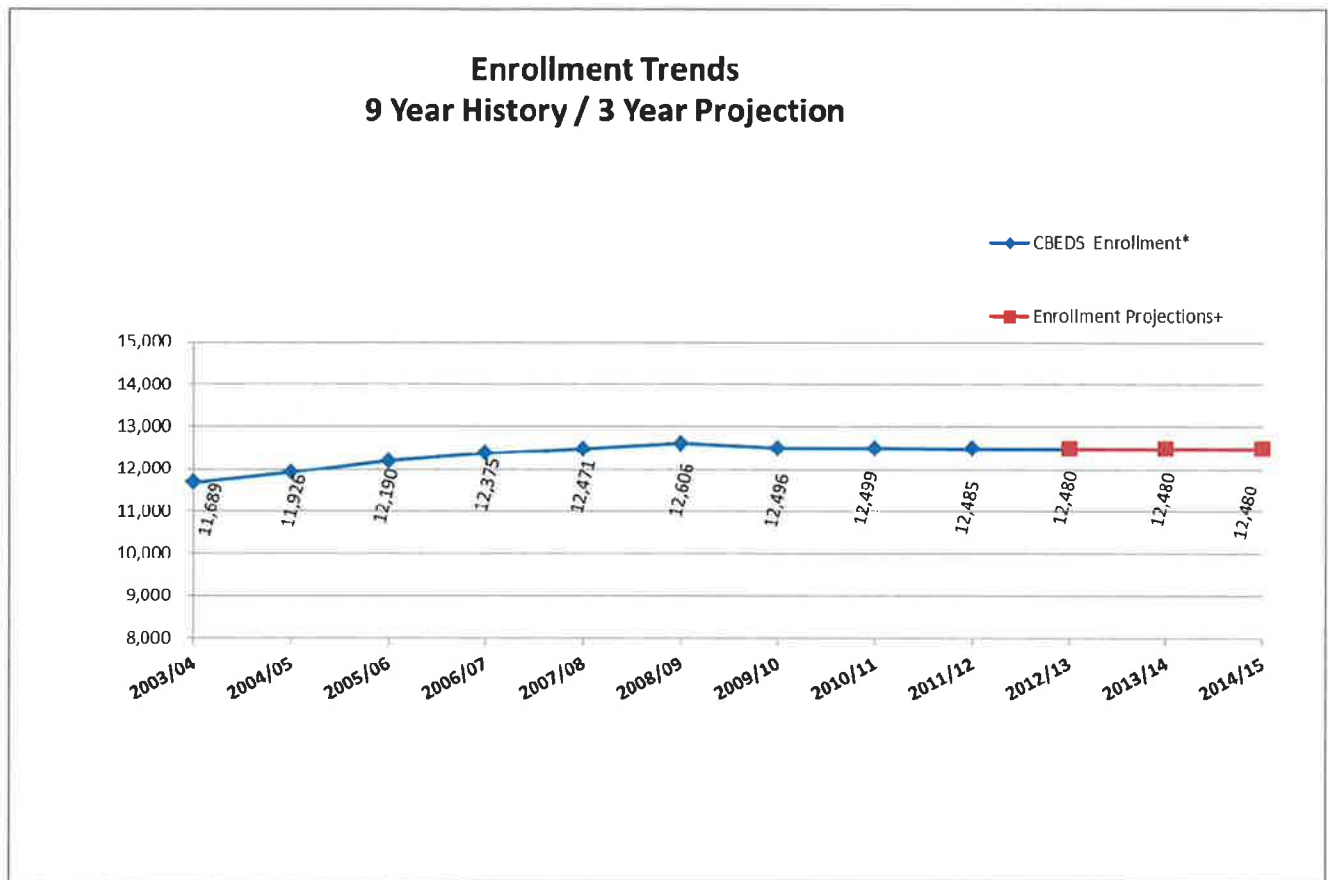


- The District is currently classified as a “Basic Aid” district. This means the local property taxes collected exceed the funded revenue limit entitlement provided by the state. The District became a Basic Aid district in 2008/09 following state funding cuts to the revenue limit. In 2011/12, the state funded approximately 79% 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 1.14% during the year ended June 30, 2012.

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

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	12,485		12,019
2012/13*		12,480	
2013/14*		12,480	
2014/15*		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; only a slight increase over the previous year. The general fund had a fund balance decrease of approximately \$1.6 million with the depletion of reserves. In addition, the following expenditures should be noted:

- General fund salaries totaled \$64.8 million while the associated employee benefits of retirement, social security, Medicare, insurance (medical, dental, life, and accident), workers' compensation, and unemployment added \$19.9 million to arrive at 83% of total general fund expenditures.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into non-spendable, restricted, designated, assigned and unassigned portions. Non-spendable amounts represent items such as inventory and revolving cash. Restricted fund balances are those associated with restricted funding sources. Designated and assigned portions of the District's fund balances indicate the amounts that are not available for appropriation, but are

reserved for District determined purposes. Fund balances of debt service, capital projects, and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion. The \$13.7 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 2012, the \$8.6 million held in reserve meets the combined 7.5% requirement. The maintenance of a sufficient reserve is a key credit consideration in garnering excellent short-term and long-term bond ratings.

Non-Spendable reserve for revolving cash fund. The District maintains a \$30,000 revolving cash fund for expediting emergency and small purchase reimbursement to employees. In addition, the District maintains a Purchasing Card fund to provide a timely alternative for needed purchases. The cash fund to cover the card purchases is \$150,000; 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, 2012 was \$23,149.

General Fund Budgetary Highlights

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

- The difference between the original budget and the actual expenditures was an increase of \$2.6 million or 2.6% in total general fund expenditures -- mainly in Books and Supplies due to additional local received throughout the year.
- During the year, actual revenue received exceeded original budgetary estimates by \$5.9 million, or 5.9%, to account for carryover balances, increases in property taxes, as well as increases in federal and state revenues and local donations.
- After adjustments, actual revenues were \$5,848 above final budgeted amounts and expenditures were \$2.5 million below final budgeted amounts. The significant variance in expenditures was a positive \$1.8 million in Books and Supplies expenses. Positive variances indicate the actuals were better than expected.
- Variances primarily result from expenditure-driven federal and state grants that are included

in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the original budget amounts.

Capital Asset and Debt Administration

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

The Capital Facilities Fund 25-18 consists of school facilities impact fees that assure school facilities and services will be available to meet the needs of residents of new developments. Capital Facilities Fund 25-19 contains fees imposed and collected on new residential and commercial/industrial development within the District to fund additional school facilities required to serve additional grade 7-12 students generated by the new development. The fees are used for construction and/or acquisition of additional school facilities, remodeling existing school facilities to add additional classrooms and technology, and acquiring and installing additional portable classrooms to accommodate an increase in student population. The projects in 2011-2012 included the completion of prior year's ongoing projects: Carmel Valley Middle School Classroom Conversion, District Office Computer Server Room, as well as the completion of the San Dieguito Performing Arts Center. In addition to the projects, expenditures included equipment purchases: maintenance equipment for maintaining new facilities, and District-wide technology equipment to support expanded or new facilities.

Capital assets at June 30, 2011 and 2012 are outlined below:

	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>Total Change</u>
Land	\$ 54,522,725	\$ 54,522,725	\$ -
Improvement of Sites	21,156,042	21,168,604	12,562
Buildings	156,571,616	165,595,654	9,024,038
Equipment	12,255,125	12,516,567	261,442
Work in Progress	20,823,917	12,953,805	(7,870,112)
Accumulated depreciation	<u>(64,811,712)</u>	<u>(72,555,800)</u>	<u>(7,744,088)</u>
Total Capital Assets	<u>\$ 200,517,713</u>	<u>\$ 194,201,555</u>	<u>\$ (6,316,158)</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.

In 2012, the District issued Lease Revenue Bonds in the amount of \$2.5 Mil to fund projects at Torrey Pines related to Stadium renovations, and HVAC related to energy management programs.

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</u> <u>Activities</u>
ASSETS:	
Cash	\$ 28,171,184
Receivables	4,811,936
Stores	23,149
Prepaid Debt Issue Costs	699,701
Capital Assets:	
Land	54,522,725
Improvements	21,168,604
Buildings	165,595,654
Equipment	12,516,567
Work in Progress	12,953,805
Less Accumulated Depreciation	(72,555,800)
Total Assets	<u>227,907,525</u>
LIABILITIES:	
Accounts Payable	4,822,934
Deferred Revenue	4,179
Long-Term Liabilities:	
Due Within One Year	3,350,487
Due in More Than One Year	103,046,660
Total Liabilities	<u>111,224,260</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	94,561,027
Restricted for:	
Capital Projects	12,790,919
Educational Programs	601,114
Other Purposes (Expendable)	633,135
Other Purposes (Nonexpendable)	199,529
Unrestricted	7,897,541
Total Net Assets	<u>\$ 116,683,265</u>

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 64,068,100	\$ 326,856	\$ 8,865,876	\$ 128,330	\$ (54,747,038)
Instruction-Related Services:					
Instructional Supervision and Administration	1,881,227	9,047	565,597	-	(1,306,583)
Instructional Library, Media and Technology	1,625,941	-	-	-	(1,625,941)
School Site Administration	7,189,276	13,360	235,591	-	(6,940,325)
Pupil Services:					
Home-to-School Transportation	4,253,097	501,607	650,418	-	(3,101,072)
Food Services	2,662,788	1,913,946	568,211	-	(180,631)
All Other Pupil Services	6,836,107	7,987	1,030,789	-	(5,797,331)
General Administration:					
Centralized Data Processing	1,118,540	-	-	-	(1,118,540)
All Other General Administration	4,548,256	122,741	342,656	-	(4,082,859)
Plant Services	16,076,404	1,167	15,196	-	(16,060,041)
Ancillary Services	2,293,104	-	-	-	(2,293,104)
Enterprise Activities	1,096,319	-	-	-	(1,096,319)
Interest on Long-Term Debt	5,324,505	-	-	-	(5,324,505)
Transfers Between Agencies	1,242,592	-	623,878	-	(618,714)
Debt Issue Costs	325,258	-	-	-	(325,258)
Total Expenses	\$ 120,541,514	\$ 2,896,711	\$ 12,898,212	\$ 128,330	\$ (104,618,261)
General Revenues:					
Taxes and Subventions:					
Taxes Levied for General Purposes					78,679,079
Taxes Levied for Other Specific Purposes					6,434,266
Federal and State Aid Not Restricted to Specific Programs					5,996,512
Interest and Investment Earnings					355,425
Interagency Revenues					296,775
Miscellaneous					4,544,290
Total General Revenues					\$ 96,306,347
Change in Net Assets					(8,311,914)
Net Assets Beginning					124,995,179
Net Assets Ending					\$ 116,683,265

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2012

	General Fund	Capital Projects Fund For Blended Component Units	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 13,848,477	\$ -	\$ 3,821,793	\$ 17,670,270
Cash on Hand and in Banks	2,771	4,311,246	27,790	4,341,807
Cash in Revolving Fund	176,381	-	-	176,381
Cash with a Fiscal Agent/Trustee	-	5,260,231	-	5,260,231
Accounts Receivable	4,437,219	166,698	207,354	4,811,271
Due from Other Funds	236,632	-	-	236,632
Stores Inventories	235	-	22,913	23,148
Total Assets	\$ 18,701,715	\$ 9,738,175	\$ 4,079,850	\$ 32,519,740
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 2,531,915	\$ -	\$ 131,298	\$ 2,663,213
Due to Other Funds	-	-	236,632	236,632
Deferred Revenue	4,179	-	-	4,179
Total Liabilities	2,536,094	-	367,930	2,904,024
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	176,381	-	-	176,381
Stores Inventories	235	-	22,913	23,148
Restricted Fund Balances	601,114	-	1,661,107	2,262,221
Committed Fund Balances	-	-	3,126	3,126
Assigned Fund Balances	3,787,971	9,738,175	2,024,774	15,550,920
Unassigned:				
Reserve for Economic Uncertainty	11,599,920	-	-	11,599,920
Total Fund Balance	16,165,621	9,738,175	3,711,920	29,615,716
Total Liabilities and Fund Balances	\$ 18,701,715	\$ 9,738,175	\$ 4,079,850	\$ 32,519,740

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, 2012

Total fund balances - governmental funds balance sheet		\$	29,615,716
Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:			
Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.			
Capital assets relating to governmental activities, at historical cost:	266,757,355		
Accumulated depreciation:	<u>(72,555,800)</u>		
	Net:		194,201,555
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:			
			699,701
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:			
			(2,072,533)
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:			
	State school building loans payable	2,700,000	
	Compensated absences payable	1,200,487	
	Lease revenue bonds payable	15,236,788	
	Special tax bonds payable	<u>81,703,740</u>	
	Total:		(100,841,015)
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:			
			<u>(4,920,159)</u>
Net assets of governmental activities - Statement of Net Assets		\$	<u>116,683,265</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, 2012

	General Fund	Capital Projects Fund For Blended Component Units	Other Governmental Funds	Total Governmental Funds
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ (40,226)	\$ -	\$ -	\$ (40,226)
Local Sources	78,679,381	-	-	78,679,381
Federal Revenue	5,138,676	736,649	632,094	6,507,419
Other State Revenue	7,015,366	-	160,109	7,175,475
Other Local Revenue	9,787,396	6,424,057	3,696,098	19,907,551
Total Revenues	<u>100,580,593</u>	<u>7,160,706</u>	<u>4,488,301</u>	<u>112,229,600</u>
Expenditures:				
Instruction	61,142,141	-	500,842	61,642,983
Instruction - Related Services	10,283,178	-	405,028	10,688,206
Pupil Services	10,788,504	-	2,806,934	13,595,438
Ancillary Services	2,284,307	-	-	2,284,307
General Administration	5,355,614	-	183,629	5,539,243
Plant Services	9,544,048	1,098,227	1,731,290	12,373,565
Other Outgo	499,552	743,041	-	1,242,593
Debt Service:				
Debt Issue Costs	322,798	-	-	322,798
Principal	765,588	-	2,080,000	2,845,588
Interest	840,639	-	4,002,806	4,843,445
Total Expenditures	<u>101,826,369</u>	<u>1,841,268</u>	<u>11,710,529</u>	<u>115,378,166</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,245,776)</u>	<u>5,319,438</u>	<u>(7,222,228)</u>	<u>(3,148,566)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	6,167,616	6,167,616
Transfers Out	(326,531)	(5,738,824)	(122,261)	(6,187,616)
Proceeds From Sale of Bonds	-	2,573,142	-	2,573,142
Other Sources	-	765,588	-	765,588
Other Uses	-	(150,675)	-	(150,675)
Total Other Financing Sources (Uses)	<u>(326,531)</u>	<u>(2,550,769)</u>	<u>6,045,355</u>	<u>3,168,055</u>
Net Change in Fund Balance	(1,572,307)	2,768,669	(1,176,873)	19,489
Fund Balance, July 1	17,737,928	6,969,506	4,888,793	29,596,227
Fund Balance, June 30	<u>\$ 16,165,621</u>	<u>\$ 9,738,175</u>	<u>\$ 3,711,920</u>	<u>\$ 29,615,716</u>

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds \$ 19,489

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:	1,427,930	
Depreciation expense:	<u>(7,744,088)</u>	
Net:		(6,316,158)

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: 2,845,588

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: (3,188,052)

Debt issue costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between debt issue costs recognized in the current period and issue costs amortized for the period is: (2,463)

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: (408,190)

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: (112,938)

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: (1,076,319)

Change in net assets of governmental activities - Statement of Activities \$ (8,311,914)

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, 2012

	Nonmajor Internal Service Fund
	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	\$ 722,493
Accounts Receivable	668
Total Current Assets	<u>723,161</u>
Total Assets	<u>\$ 723,161</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 87,187
Total Current Liabilities	<u>87,187</u>
Noncurrent Liabilities:	
Other Postemployment Benefits	5,556,132
Total Noncurrent Liabilities	<u>5,556,132</u>
Total Liabilities	<u>5,643,319</u>
NET ASSETS:	
Unrestricted Net Assets	(4,920,158)
Total Net Assets	<u>\$ (4,920,158)</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, 2012

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	\$ 948,147
Total Revenues	<u>948,147</u>
Operating Expenses:	
Services and Other Operating Expenses	2,044,466
Total Expenses	<u>2,044,466</u>
Operating Income (Loss)	<u>(1,096,319)</u>
Income (Loss) before Contributions and Transfers	(1,096,319)
Interfund Transfers In	20,000
Change in Net Assets	<u>(1,076,319)</u>
Total Net Assets - Beginning	(3,843,839)
Total Net Assets - Ending	<u>\$ (4,920,158)</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, 2012

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	971,769
Cash Payments to Other Suppliers for Goods and Services	(678,104)
Net Cash Provided (Used) by Operating Activities	<u>293,665</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	2,358
Net Cash Provided (Used) for Investing Activities	<u>2,358</u>
Net Increase (Decrease) in Cash and Cash Equivalents	296,023
Cash and Cash Equivalents at Beginning of Year	426,470
Cash and Cash Equivalents at End of Year	<u><u>722,493</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	(1,076,319)
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	5,980
Increase (Decrease) in Accounts Payable	87,188
Increase (Decrease) in Due To Other Funds	(12,892)
Increase (Decrease) in Net OPEB Obligation	1,292,066
Total Adjustments	<u>1,372,342</u>
Net Cash Provided (Used) by Operating Activities	<u><u>296,023</u></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, 2012

	Agency Fund	Student Body Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash on Hand and in Banks	\$ 1,342,204	
Equipment	4,588	
Total Assets	<u>1,346,792</u>	
LIABILITIES:		
Accounts Payable		3,629
Due to Student Groups		1,343,163
Total Liabilities		<u>1,346,792</u>
NET ASSETS:		
Total Net Assets	<u>\$ -</u>	

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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, 2012

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, 2012

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, 2012

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 and 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.

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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

g. Property Taxes

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

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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	\$ 4,920,158

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 (\$18,392,763 as of June 30, 2012). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks (\$5,684,011 as of June 30, 2012) and in the revolving fund (\$176,381) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

3. Investments:

The District's investments at June 30, 2012 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Money Market Funds	<30 Days	\$ 5,260,231
Total Investments		\$ 5,260,231

4. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the San Diego Investment Pool with a fair value of \$18,446,923 and a book value of \$18,392,763. The weighted average days to maturity for this investment pool is 370 days.

e. Foreign Currency Risk

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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, 2012 consisted of:

	General Fund	Special Revenue Funds	Capital Projects Funds	Other Funds	Total
Federal Government:					
Federal programs	\$ 748,278	\$ 199,188	-	\$ -	\$ 947,466
State Government:					
Lottery	956,358	-	-	-	956,358
Other state programs	1,731,191	2,909	-	-	1,734,100
Local Sources:					
Property taxes	166,698	-	-	-	166,698
Interest	24,644	719	171,227	668	197,258
Other local sources	810,048	-	-	-	810,048
Totals	<u>\$ 4,437,217</u>	<u>\$ 202,816</u>	<u>\$ 171,227</u>	<u>\$ 668</u>	<u>\$ 4,811,928</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

E. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 54,522,725	\$ -	\$ -	\$ 54,522,725
Work in progress	20,823,917	68,950	7,939,062	12,953,805
Total capital assets not being depreciated	<u>75,346,642</u>	<u>68,950</u>	<u>7,939,062</u>	<u>67,476,530</u>
Capital assets being depreciated:				
Buildings	156,571,616	9,024,038	-	165,595,654
Improvements	21,156,042	12,562	-	21,168,604
Equipment	12,255,125	261,442	-	12,516,567
Total capital assets being depreciated	<u>189,982,783</u>	<u>9,298,042</u>	<u>-</u>	<u>199,280,825</u>
Less accumulated depreciation for:				
Buildings	(43,050,397)	(6,140,623)	-	(49,191,020)
Improvements	(12,736,380)	(773,834)	-	(13,510,214)
Equipment	(9,024,935)	(829,631)	-	(9,854,566)
Total accumulated depreciation	<u>(64,811,712)</u>	<u>(7,744,088)</u>	<u>-</u>	<u>(72,555,800)</u>
Total capital assets being depreciated, net	<u>125,171,071</u>	<u>1,553,954</u>	<u>-</u>	<u>126,725,025</u>
Governmental activities capital assets, net	<u>\$ 200,517,713</u>	<u>\$ 1,622,904</u>	<u>\$ 7,939,062</u>	<u>\$ 194,201,555</u>

Depreciation was charged to functions as follows:

Instruction	\$ 2,424,679
Instruction-Related Services	26,683
Pupil Services	261,023
General Administration	122,641
Plant Services	4,909,062
	<u>\$ 7,744,088</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2012 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Adult Education Fund	\$ 110,099	Short term loan
General Fund	Cafeteria Fund	126,533	Indirect costs
	Total	<u>\$ 236,632</u>	

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2012 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Self Insurance Fund	\$ 20,000	Contribution to fund
General Fund	Adult Education Fund	153,382	Contribution to fund
General Fund	Pupil Transportation Fund	153,149	Contribution to fund
County School Facilities Fund	Building Fund	122,261	Close out building project
Capital Projects Fund	Debt Service Fund	5,738,824	Debt service
	Total	<u>\$ 6,187,616</u>	

G. Accounts Payable

Accounts payable at June 30, 2012 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	\$ 872,793	\$ 68,949	\$ 17,125	\$ 87,187	\$ 1,046,054
Payroll and related benefits	1,659,122	41,513	3,711	-	1,704,346
Totals	<u>\$ 2,531,915</u>	<u>\$ 110,462</u>	<u>\$ 20,836</u>	<u>\$ 87,187</u>	<u>\$ 2,750,400</u>

H. Short-Term Debt Activity

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

In July 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 matured on April 30, 2012 and bore an interest rate of 2.00%. The notes were sold to supplement the District's cash flows.

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax anticipation notes	\$ -	\$ 16,540,000	\$ 16,540,000	\$ -

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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, 2012 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Special tax bonds	\$ 84,850,000	\$ -	\$ 1,780,000	\$ 83,070,000	\$ 1,850,000
Unamortized discount	(1,411,802)	-	(45,542)	(1,366,260)	-
Lease revenue bonds	13,015,000	2,500,000	-	15,515,000	-
Unamortized discount	(409,933)	-	(27,329)	(382,604)	-
Unamortized premium	-	104,392	-	104,392	-
Net OPEB Obligation	4,264,066	1,937,676	645,611	5,556,131	-
Compensated absences *	1,087,549	112,938	-	1,200,487	1,200,487
State loan payable	3,000,000	-	300,000	2,700,000	300,000
Total governmental activities	\$ 104,394,880	\$ 4,655,006	\$ 2,652,740	\$ 106,397,146	\$ 3,350,487

* 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, unamortized premium, and Net OPEB obligation, at June 30, 2012, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 3,350,487	\$ 4,861,401	\$ 8,211,888
2014	2,225,000	4,795,345	7,020,345
2015	2,325,000	4,715,970	7,040,970
2016	2,895,000	4,631,645	7,526,645
2017	2,995,000	4,524,745	7,519,745
2018-2022	15,235,000	20,805,729	36,040,729
2023-2027	28,420,000	17,377,087	45,797,087
2028-2032	19,360,000	8,967,775	28,327,775
2033-2037	18,770,000	3,882,250	22,652,250
2038-2042	6,910,000	662,514	7,572,514
Totals	\$ 102,485,487	\$ 75,224,461	\$ 177,709,948

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

3. Special Tax Bonds

Special tax bonds at June 30, 2012 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
2008 Special Tax Bonds	05/13/2008	4.00-5.00%	08/01/2041	\$ 89,130,000
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2008 Special Tax Bonds	\$ 84,850,000	\$ -	\$ 1,780,000	\$ 83,070,000
Unamortized Discount	(1,411,802)	-	(45,542)	(1,366,260)
Total Special Tax Bonds	<u>\$ 83,438,198</u>	<u>\$ -</u>	<u>\$ 1,734,458</u>	<u>\$ 81,703,740</u>

The annual requirements to amortize the bonds outstanding at June 30, 2012 are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,850,000	\$ 3,886,224	\$ 5,736,224
2014	1,925,000	3,810,724	5,735,724
2015	2,025,000	3,731,349	5,756,349
2016	2,135,000	3,647,024	5,782,024
2017	2,215,000	3,558,524	5,773,524
2018-2022	12,475,000	16,300,208	28,775,208
2023-2027	15,405,000	13,173,892	28,578,892
2028-2032	19,360,000	8,967,775	28,327,775
2033-2037	18,770,000	3,882,250	22,652,250
2038-2042	6,910,000	662,514	7,572,514
Totals	<u>\$ 83,070,000</u>	<u>\$ 61,620,484</u>	<u>\$ 144,690,484</u>

4. Lease Revenue Bonds

Lease revenue bonds at June 30, 2012 consisted of the following:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>
Lease revenue series 2010A	05/10/2010	6.46%	05/01/2027	\$ 13,015,000
Lease revenue series 2012A	03/30/2012	4%	03/01/2020	2,500,000
Total Lease Revenue Bonds				<u>15,515,000</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Lease revenue series 2010A	\$ 13,015,000	\$ -	\$ -	\$ 13,015,000
Unamortized discount	(409,933)	-	(27,329)	(382,604)
Lease revenue series 2012A	-	2,500,000	-	2,500,000
Unamortized premium	-	104,392	-	104,392
Total Special Tax Bonds	<u>\$ 12,605,067</u>	<u>\$ 2,604,392</u>	<u>\$ (27,329)</u>	<u>\$ 15,236,788</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

The annual requirements to amortize the bonds outstanding at June 30, 2012 are as follows:

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 931,195	\$ 931,195
2014	-	940,639	940,639
2015	-	940,639	940,639
2016	460,000	940,639	1,400,639
2017	480,000	922,239	1,402,239
2018-2022	1,560,000	4,329,595	5,889,595
2023-2027	13,015,000	4,203,195	17,218,195
Totals	<u>\$ 15,515,000</u>	<u>\$ 13,208,141</u>	<u>\$ 28,723,141</u>

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

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

5. Unamortized Premium/Discount

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

6. State School Building Loan

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

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 300,000	\$ 43,982	\$ 343,982
2014	300,000	43,982	343,982
2015	300,000	43,982	343,982
2016	300,000	43,982	343,982
2017	300,000	43,982	343,982
2018-2022	1,200,000	175,926	1,375,926
Totals	<u>\$ 2,700,000</u>	<u>\$ 395,836</u>	<u>\$ 3,095,836</u>

J. Joint Ventures (Joint Powers Agreements)

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

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

Combined condensed audited financial information of the District's share of the JPA for the year ended June 30, 2012 is as follows:

Total Assets	\$ 3,675,370
Total Liabilities	2,280,412
Total Fund Balance	1,394,958
Total Cash Receipts	1,705,117
Total Cash Disbursements	2,377,165
Net Change in Fund Balance	(672,048)

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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.

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 2011-12 was 10.923% 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, 2012, 2011 and 2010 were \$1,721,302, \$1,717,631 and \$1,642,133, respectively, and equal 100% of the required contributions for each year.

STRS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2011-12 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, 2012, 2011 and 2010 were \$4,416,291, \$4,427,966 and \$4,530,389, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$2,593,454.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

L. Postemployment Benefits Other Than Pension Benefits

Plan Description

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

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 2011-12, the District contributed \$645,611 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$ 2,202,052
Interest on net OPEB obligation	19,998
Adjustment to annual required contribution	<u>(284,374)</u>
Annual OPEB cost (expense)	1,937,676
Contribution made	<u>(645,611)</u>
Decrease in net OPEB obligation	1,292,065
Net OPEB obligation, beginning of year	4,264,066
Net OPEB obligation, end of year	<u><u>\$ 5,556,131</u></u>

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

<u>Year Ended</u> <u>June 30,</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2009	\$ 1,932,402	23.95%	\$ 1,469,597
2010	2,002,109	21.46%	3,042,132
2011	1,891,739	35.41%	4,264,066
2012	1,937,676	33.32%	5,556,131

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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 June 30, 2011 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.

Medical cost trend rates ranged from an initial rate of 8.5% reduced to a rate of 5.0% after ten years. The UAAL is being amortized at a level dollar method with the remaining amortization period at June 30, 2012 of 26 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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

N. Construction Commitments

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

	Commitment	*Expected Date of Final Completion	Percentage Complete
Construction in Process:			
Solar Project-Canyon Crest/La Costa Canyon	\$ 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 2012, the District entered into the County of San Diego and San Diego County School Districts 2012 Pooled Tax and Revenue Anticipation Notes (TRANS) in the amount of \$18,225,000. The notes 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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ (22,848)	\$ (22,848)	\$ (40,226)	\$ (17,378)
Local Sources	77,963,978	78,653,007	78,679,381	26,374
Federal Revenue	3,714,871	5,429,022	5,138,676	(290,346)
Other State Revenue	5,724,953	6,922,762	7,015,366	92,604
Other Local Revenue	7,292,898	9,581,399	9,775,993	194,594
Total Revenues	<u>94,673,852</u>	<u>100,563,342</u>	<u>100,569,190</u>	<u>5,848</u>
Expenditures:				
Current:				
Certificated Salaries	48,546,701	48,296,616	48,286,097	10,519
Classified Salaries	15,833,404	16,725,232	16,545,134	180,098
Employee Benefits	19,768,991	19,888,857	19,888,137	720
Books And Supplies	3,092,883	6,118,847	4,364,314	1,754,533
Services And Other Operating Expenditures	10,364,883	10,891,551	10,754,029	137,522
Other Outgo	45,000	854,863	499,552	355,311
Direct Support/Indirect Costs	(179,588)	(148,697)	(170,014)	21,317
Capital Outlay	111,100	52,922	52,893	29
Debt Service:				
Principal	765,588	765,588	765,588	-
Interest	840,639	840,639	840,639	-
Total Expenditures	<u>99,189,601</u>	<u>104,286,418</u>	<u>101,826,369</u>	<u>2,460,049</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,515,749)</u>	<u>(3,723,076)</u>	<u>(1,257,179)</u>	<u>2,465,897</u>
Other Financing Sources (Uses):				
Transfers Out	(44,600)	(44,600)	(326,531)	(281,931)
Total Other Financing Sources (Uses)	<u>(44,600)</u>	<u>(44,600)</u>	<u>(326,531)</u>	<u>(281,931)</u>
Net Change in Fund Balance	<u>(4,560,349)</u>	<u>(3,767,676)</u>	<u>(1,583,710)</u>	<u>2,183,966</u>
Fund Balance, July 1	15,311,186	15,311,186	15,311,186	-
Fund Balance, June 30	<u>\$ 10,750,837</u>	<u>\$ 11,543,510</u>	<u>\$ 13,727,476</u>	<u>\$ 2,183,966</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 YEAR ENDED JUNE 30, 2012

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

Budgetary Comparison Schedule - General Fund

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

Combining Statements and Budget Comparisons as Supplementary Information

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	\$ 752,749	\$ 3,069,044	\$ 3,821,793
Cash on Hand and in Banks	27,790	-	27,790
Accounts Receivable	202,816	4,538	207,354
Stores Inventories	22,913	-	22,913
Total Assets	<u>\$ 1,006,268</u>	<u>\$ 3,073,582</u>	<u>\$ 4,079,850</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 110,462	\$ 20,836	\$ 131,298
Due to Other Funds	236,632	-	236,632
Total Liabilities	<u>347,094</u>	<u>20,836</u>	<u>367,930</u>
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	22,913	-	22,913
Restricted Fund Balances	599,214	1,061,893	1,661,107
Committed Fund Balances	3,126	-	3,126
Assigned Fund Balances	33,921	1,990,853	2,024,774
Total Fund Balance	<u>659,174</u>	<u>3,052,746</u>	<u>3,711,920</u>
Total Liabilities and Fund Balances	<u>\$ 1,006,268</u>	<u>\$ 3,073,582</u>	<u>\$ 4,079,850</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, 2012

	Special Revenue Funds	Debt Service Fund Blended Component Unit	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 632,094	\$ -	\$ -	\$ 632,094
Other State Revenue	37,848	-	122,261	160,109
Other Local Revenue	2,727,935	-	968,163	3,696,098
Total Revenues	<u>3,397,877</u>	<u>-</u>	<u>1,090,424</u>	<u>4,488,301</u>
Expenditures:				
Instruction	500,842	-	-	500,842
Instruction - Related Services	405,028	-	-	405,028
Pupil Services	2,806,934	-	-	2,806,934
General Administration	170,014	-	13,615	183,629
Plant Services	14,982	-	1,716,308	1,731,290
Debt Service:				
Principal	-	1,780,000	300,000	2,080,000
Interest	-	3,958,824	43,982	4,002,806
Total Expenditures	<u>3,897,800</u>	<u>5,738,824</u>	<u>2,073,905</u>	<u>11,710,529</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(499,923)</u>	<u>(5,738,824)</u>	<u>(983,481)</u>	<u>(7,222,228)</u>
Other Financing Sources (Uses):				
Transfers In	306,531	5,738,824	122,261	6,167,616
Transfers Out	-	-	(122,261)	(122,261)
Total Other Financing Sources (Uses)	<u>306,531</u>	<u>5,738,824</u>	<u>-</u>	<u>6,045,355</u>
Net Change in Fund Balance	(193,392)	-	(983,481)	(1,176,873)
Fund Balance, July 1	852,566	-	4,036,227	4,888,793
Fund Balance, June 30	<u>\$ 659,174</u>	<u>\$ -</u>	<u>\$ 3,052,746</u>	<u>\$ 3,711,920</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012

	Adult Education Fund	Cafeteria Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash in County Treasury	\$ 9,386	\$ 706,332
Cash on Hand and in Banks	8,878	18,912
Accounts Receivable	112,914	89,886
Stores Inventories	-	22,913
Total Assets	<u>\$ 131,178</u>	<u>\$ 838,043</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 21,079	\$ 89,383
Due to Other Funds	110,099	126,533
Total Liabilities	<u>131,178</u>	<u>215,916</u>
Fund Balance:		
Nonspendable Fund Balances:		
Stores Inventories	-	22,913
Restricted Fund Balances	-	599,214
Committed Fund Balances	-	-
Assigned Fund Balances	-	-
Total Fund Balance	<u>-</u>	<u>622,127</u>
Total Liabilities and Fund Balances	<u>\$ 131,178</u>	<u>\$ 838,043</u>

<u>Deferred Maintenance Fund</u>	<u>Public Transportation Equipment</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-1)</u>
\$ 3,120	\$ 33,911	\$ 752,749
-	-	27,790
6	10	202,816
-	-	22,913
<u>\$ 3,126</u>	<u>\$ 33,921</u>	<u>\$ 1,006,268</u>
\$ -	\$ -	\$ 110,462
-	-	236,632
<u>-</u>	<u>-</u>	<u>347,094</u>
-	-	22,913
-	-	599,214
3,126	-	3,126
-	33,921	33,921
<u>3,126</u>	<u>33,921</u>	<u>659,174</u>
<u>\$ 3,126</u>	<u>\$ 33,921</u>	<u>\$ 1,006,268</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, 2012

	Adult Education Fund	Cafeteria Fund
	<u> </u>	<u> </u>
Revenues:		
Federal Revenue	\$ 142,804	\$ 489,290
Other State Revenue	-	37,848
Other Local Revenue	653,165	2,073,328
Total Revenues	<u>795,969</u>	<u>2,600,466</u>
Expenditures:		
Instruction	500,842	-
Instruction - Related Services	405,028	-
Pupil Services	-	2,654,664
General Administration	43,481	126,533
Plant Services	-	-
Total Expenditures	<u>949,351</u>	<u>2,781,197</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(153,382)</u>	<u>(180,731)</u>
Other Financing Sources (Uses):		
Transfers In	153,382	-
Total Other Financing Sources (Uses)	<u>153,382</u>	<u>-</u>
Net Change in Fund Balance	-	(180,731)
Fund Balance, July 1	-	802,858
Fund Balance, June 30	<u>\$ -</u>	<u>\$ 622,127</u>

<u>Deferred Maintenance Fund</u>	<u>Public Transportation Equipment</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-2)</u>
\$ -	\$ -	\$ 632,094
-	-	37,848
74	1,368	2,727,935
<u>74</u>	<u>1,368</u>	<u>3,397,877</u>
-	-	500,842
-	-	405,028
-	152,270	2,806,934
-	-	170,014
14,982	-	14,982
<u>14,982</u>	<u>152,270</u>	<u>3,897,800</u>
<u>(14,908)</u>	<u>(150,902)</u>	<u>(499,923)</u>
-	153,149	306,531
<u>-</u>	<u>153,149</u>	<u>306,531</u>
(14,908)	2,247	(193,392)
18,034	31,674	852,566
<u>\$ 3,126</u>	<u>\$ 33,921</u>	<u>\$ 659,174</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2012

	Building Fund	Capital Facilities Fund
ASSETS:		
Cash in County Treasury	\$ 279,122	\$ 1,702,343
Accounts Receivable	235	3,296
Total Assets	<u>\$ 279,357</u>	<u>\$ 1,705,639</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ -	\$ 20,836
Total Liabilities	<u>-</u>	<u>20,836</u>
Fund Balance:		
Nonspendable Fund Balances:		
Restricted Fund Balances	-	-
Assigned Fund Balances	<u>279,357</u>	<u>1,684,803</u>
Total Fund Balance	<u>279,357</u>	<u>1,684,803</u>
Total Liabilities and Fund Balances	<u>\$ 279,357</u>	<u>\$ 1,705,639</u>

County School Facilities Fund	Special Reserve for Capital Outlay Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 1,060,910	\$ 26,669	\$ 3,069,044
983	24	4,538
<u>\$ 1,061,893</u>	<u>\$ 26,693</u>	<u>\$ 3,073,582</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,836</u>
<u>-</u>	<u>-</u>	<u>20,836</u>
1,061,893	-	1,061,893
-	26,693	1,990,853
<u>1,061,893</u>	<u>26,693</u>	<u>3,052,746</u>
<u>\$ 1,061,893</u>	<u>\$ 26,693</u>	<u>\$ 3,073,582</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, 2012

	<u>Building Fund</u>	<u>Capital Facilities Fund</u>
Revenues:		
Other State Revenue	\$ -	\$ -
Other Local Revenue	6,190	955,792
Total Revenues	<u>6,190</u>	<u>955,792</u>
Expenditures:		
General Administration	-	13,615
Plant Services	79,793	715,121
Debt Service:		
Principal	-	300,000
Interest	-	43,982
Total Expenditures	<u>79,793</u>	<u>1,072,718</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(73,603)</u>	<u>(116,926)</u>
Other Financing Sources (Uses):		
Transfers In	122,261	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>122,261</u>	<u>-</u>
Net Change in Fund Balance	48,658	(116,926)
Fund Balance, July 1	230,699	1,801,729
Fund Balance, June 30	<u>\$ 279,357</u>	<u>\$ 1,684,803</u>

County School Facilities Fund	Special Reserve for Capital Outlay Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ 122,261	\$ -	\$ 122,261
6,069	112	968,163
<u>128,330</u>	<u>112</u>	<u>1,090,424</u>
-	-	13,615
921,394	-	1,716,308
-	-	300,000
-	-	43,982
<u>921,394</u>	<u>-</u>	<u>2,073,905</u>
(793,064)	112	(983,481)
-	-	122,261
(122,261)	-	(122,261)
<u>(122,261)</u>	<u>-</u>	<u>-</u>
(915,325)	112	(983,481)
1,977,218	26,581	4,036,227
<u>\$ 1,061,893</u>	<u>\$ 26,693</u>	<u>\$ 3,052,746</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, 2012

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

<u>Governing Board</u>		
<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Joyce Delessandro	President	Four Year Term Expires December 2012
Barbara Groth	Vice President	Four Year Term Expires December 2014
Amy Herman	Clerk	Four Year Term Expires December 2014
Beth Hergesheimer	Trustee	Four Year Term Expires December 2012
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, 2012

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Elementary:				
Grades 7 and 8	3,657.48	N/A	3,650.72	N/A
Home and hospital	1.59	N/A	2.65	N/A
Special education	92.83	N/A	93.34	N/A
Elementary totals	<u>3,751.90</u>	<u>N/A</u>	<u>3,746.71</u>	<u>N/A</u>
High School:				
Grades 9 through 12, regular classes	7,910.45	N/A	7,845.71	N/A
Home and hospital	15.74	N/A	18.02	N/A
Special education	202.33	N/A	199.53	N/A
Continuation education	139.01	N/A	137.94	N/A
High school totals	<u>8,267.53</u>	<u>N/A</u>	<u>8,201.20</u>	<u>N/A</u>
ADA totals	<u>12,019.43</u>	<u>N/A</u>	<u>11,947.91</u>	<u>N/A</u>

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

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**TABLE D-2**SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2012

Grade Level	1982-83 Actual Minutes	1982-83 Adjusted & Reduced	1986-87 Minutes Requirement	1986-87 Adjusted & Reduced	2011-12 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 7	50,327	46,972	54,000	50,400	62,895	179	-	Complied
Grade 8	50,327	46,972	54,000	50,400	62,895	179	-	Complied
Grade 9	64,800	60,480	64,800	60,480	64,680	179	-	Complied
Grade 10	64,800	60,480	64,800	60,480	64,680	179	-	Complied
Grade 11	64,800	60,480	64,800	60,480	64,680	179	-	Complied
Grade 12	64,800	60,480	64,800	60,480	64,680	179	-	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

TABLE D-3

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2012

General Fund	Budget 2013 (See Note 1)	2012	2011	2010
Revenues and other financial sources	\$ 94,447,362	\$ 100,569,190	\$ 98,859,076	\$ 98,671,061
Expenditures, other uses and transfers out	100,499,075	102,152,900	100,075,061	100,866,131
Change in fund balance (deficit)	(6,051,713)	(1,583,710)	(1,215,985)	(2,195,070)
Ending fund balance	\$ 7,675,763	\$ 13,727,476	\$ 15,311,186	\$ 16,527,171
Available reserves (see note 2)	\$ 7,074,648	\$ 12,949,745	\$ 14,492,160	\$ 16,476,034
Available reserves as a percentage of total outgo (see note 3)	7.0%	12.7%	14.5%	16.3%
Total long-term debt	\$ 103,073,989	\$ 106,397,147	\$ 104,394,880	\$ 104,856,140
Average daily attendance at P-2	11,906	12,019	11,964	12,150

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 decreased by \$4,994,765 (26.68%) over the past three years. The fiscal year 2012-2013 budget projects a decrease of \$6,051,713 (44.08%). For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$17,417,591 over the past three years.

Average daily attendance has decreased by 349 over the past three years.

NOTES:

- 1 Budget 2013 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all assigned fund balances, unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- 3 GASB Statement No. 54 requires the inclusion of the Special Reserve Fund for Other Than Capital Outlay (Fund 17) with the General Fund for reporting purposes only. This schedule has been prepared without the inclusion of Fund 17.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**TABLE D-4**
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2012**

	General Fund	Special Reserve Fund for Other Than Capital Outlay (Fund 17)
June 30, 2012, annual financial and budget report fund balances	\$ 13,727,476	\$ 2,438,145
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Inclusion for reporting purposes under GASB 54	2,438,145	(2,438,145)
Net adjustments and reclassifications	2,438,145	(2,438,145)
June 30, 2012, audited financial statement fund balances	\$ 16,165,621	\$ -

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, 2012

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, 2012

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	-	\$ 736,649
Total U. S. Department of Treasury			<u>736,649</u>
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Program:			
Citizenship Education and Training	97.010	-	29,962
Total U. S. Department of Homeland Security			<u>29,962</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
Adult Education	84.002	14109	112,843
Title I Part A	84.010	14109	566,557
Special Education	84.027	14329	1,977,722
Special Education Mental Health	84.027A	14468	363,367
ARRA Special Education	84.391	15003	61,503
Total Special Education Cluster			<u>2,402,592</u>
Vocational Education	84.048	13924	90,174
Workability	84.158	10006	141,887
Title II Technology	84.318	14334	1,856
Advanced Placement Testing	84.330	14363	12,629
Title III Limited English Proficiency	84.365	10084	57,563
Title III Immigrant Education	84.365	14346	6,569
Total Title III			<u>64,132</u>
Title II Teacher Quality	84.367	14341	182,959
ARRA Education Jobs Fund	84.410	25152	939,241
Total Passed Through State Department of Education			<u>4,514,870</u>
Total U. S. Department of Education			<u>4,514,870</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	13526	108,146
National School Lunch Section 4	10.555	13391	77,055
National School Lunch Section 11	10.555	13396	304,088
Total Child Nutrition Cluster			<u>489,289</u>
Commodities	10.565	13396	107,751
Total Passed Through State Department of Education			<u>597,040</u>
Total U. S. Department of Agriculture			<u>597,040</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>5,878,521</u>

* Indicates noncash expenditure

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, 2012

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of San Dieguito Union High School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Other Independent Auditor's Reports

Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Ave.
El Cajon, California

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, 2012, which collectively comprise the San Dieguito Union High School District's basic financial statements and have issued our report thereon dated December 13, 2012. 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

Management of San Dieguito Union High School District is responsible for establishing and maintaining effective 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.

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*.

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 13, 2012

Wilkinson Hadley King & Co. LLP

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

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, 2012. 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, 2012.

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.

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 13, 2012

Wilkinson Hadley King & Co. LLP

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

Independent Auditor's 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, 2012 and have issued our report thereon dated December 13, 2012. 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 2011-12*, published by the Education Audit Appeals Panel, applicable to the District's statutory requirements identified below for the year ended June 30, 2012. 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	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	N/A
Independent Study	23	N/A
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
Juvenile Court Schools	8	N/A

Exclusion of Pupils - Pertussis Immunization	2	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	5	N/A
Before School	6	N/A
Contemporaneous Records of Attendance, For Charter Schools	3	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	4	N/A

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

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, 2012.

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 Haddley King & Co., LLP

El Cajon, California
December 13, 2012

Findings and Recommendations Section

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

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? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.027A, 84.391	Special Education Cluster
84.158	Workability

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

Auditee qualified as low-risk auditee? Yes X No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies. Yes X None Reported

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

NONE

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
<p data-bbox="147 373 561 436">Finding 2011-1 (30000) Associated Student Body Accounts</p> <p data-bbox="147 468 760 657">Cash transmittal forms were not being completed, some deposits were missing supporting documentation, some check request forms did not have appropriate approval signatures, and some expenditures did not have supporting documentation.</p> <p data-bbox="147 688 760 877">We recommended the district implement procedures tightening controls at sites with student body funds. In addition, we recommended the district provide oversight and review of controls established to ensure they are being followed.</p>	Implemented	
<p data-bbox="147 915 431 978">Finding 2011-2 (30000) District Purchase Cards</p> <p data-bbox="147 1010 760 1230">We noted that some purchase cards were not being reviewed and approved on a timely basis. Expense reports were not being submitted timely and in some instances proper authorization was not evident. In addition, supporting invoice documentation was not being reviewed consistently.</p> <p data-bbox="147 1262 760 1419">We recommended the district establish and monitor internal control procedures to ensure that purchases were for authorized and allowable expenditures and to ensure that supporting documentation be maintained for audit purposes.</p>	Implemented	
<p data-bbox="147 1457 456 1520">Finding 2011-3 (50000) Federal Time Certification</p> <p data-bbox="147 1551 760 1646">The district did not have procedures to collect time certifications for extra duty performed in Title III.</p> <p data-bbox="147 1677 760 1801">We recommended the district implement procedures to collect time certifications for all employees charged to federal programs, including extra duty work.</p>	Implemented	