San Dieguito Union High School District

INFORMATION REGARDING BOARD AGENDA ITEM

TO:	**BOARD OF TRUSTEES**
DATE OF REPORT:	January 10, 2018
BOARD MEETING DATE:	January 18, 2018
PREPARED BY:	Delores Perley, Chief Financial Officer Tina Douglas, Associate Superintendent, Business Services
SUBMITTED BY:	Eric R. Dill, Superintendent
SUBJECT:	**ACCEPTANCE OF THE 2016-17 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 93 through 95 of the audit report. The report does not contain any negative findings or identify any material weaknesses in the District's internal controls.

Wilkinson, Hadley, King & Co. LLP will conduct the audit of Proposition AA funds in January according to Proposition 39 requirements. The results of that audit will be presented to the Board of Trustees and the Independent Citizens Oversight Committee.

RECOMMENDATION:

It is recommended that the Board accept the 2016-17 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, 2017

Wilkinson Hadley King & Co. LLP
CPA's and Advisors
218 W. Douglas Ave
El Cajon, CA 92020

Introductory Section

San Dieguito Union High School District
Audit Report
For The Year Ended June 30, 2017

TABLE OF CONTENTS

San Dieguito Union High School District
Audit Report
For The Year Ended June 30, 2017

TABLE OF CONTENTS

Financial Section

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. King, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Dieguito Union High School District ("the District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Dieguito Union High School District as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Dieguito Union High School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017 on our consideration of San Dieguito Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Dieguito Union High School District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 13, 2017

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, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements included in the audit report to enhance their understanding of the District's financial performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. The statements are organized so the reader can understand the District as a complex financial entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole district, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 are as follows:

- Total governmental fund net position is ($12,155,578), after the total net pension liability of $127,923,651
- The state wide average for the cost of living adjustment was 0.0%

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Fund financial statements
A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

  The District maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the building fund, each of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

  The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

- **Proprietary funds.** The District maintains one proprietary fund type, an internal service fund.

  Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses three internal service funds to account for services provided to all the other funds of the District: Insurance premium reduction fund, other post-employment benefits fund and deductible insurance loss fund. The internal service funds have been included within *governmental activities* in the government-wide financial statements. The three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by $12.2 million at the close of the most recent fiscal year, after the net pension liability of $127.9 million.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
2016-17 NET POSITION
(In Millions of Dollars)

	Governmental Activities 2015-16	Governmental Activities 2016-17	2016-17 % of Total	Total % Change over 15-16
Current and Other Assets	164.7	191.1	33%	16.0%
Capital Assets	337.4	379.6	67%	12.5%
Total Assets	**$ 502.1**	**$ 570.7**		13.7%
Deferred Outflows of Resources	13.5	22.1	4%	
Long Term Debt Outstanding	465.1	582.9	97%	25.3%
Other Liabilities	25.7	15.6	3%	-39.3%
Total Liabilities	**$ 490.8**	**$ 598.5**		21.9%
Deferred Inflows of Resources	9.1	6.5	1%	
Net Position				
Net Investment in Capital Assets	103.8	27.8	-228%	-73.2%
Restricted	(88.2)	(40.0)	328%	-54.6%
Total Net Position	**$ 15.6**	**$ (12.2)**		-178.2%

Governmental activities. The key elements of the District's net position for the year ended June 30, 2017 are as follows:

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

	Governmental Activities		*% of Total*	% change
Revenues	**2015-16**	**2016-17**	**2016-2017**	**over 15-16**
Program revenues				
Charges for services	2,201,164	2,294,835	1.42%	4.3%
Operating grants and contributions	16,406,855	19,596,575	12.14%	19.4%
Capital grants and contributions	1,253	195	0.00%	-84.4%
General revenues				
Property taxes	115,555,946	121,443,272	75.25%	5.1%
Federal and state aid not restricted to specific purposes	13,612,236	10,363,383	6.42%	-23.9%
Interest and investment earnings	1,217,101	1,979,672	1.23%	62.7%
Interagency revenues	85,668	175,077	0.11%	104.4%
Miscellaneous	5,386,613	5,540,745	3.43%	2.9%
Total revenues	$ 154,466,836	$ 161,393,754	100.00%	4.5%
Expenditures by Function				
Governmental activities				
Instruction	81,450,808	94,415,868	49.84%	15.9%
Instruction-related services	14,785,937	16,636,233	8.78%	12.5%
Pupil Services	17,121,277	19,459,220	10.27%	13.7%
General Administration	6,604,559	7,704,553	4.07%	16.7%
Plant Services	24,969,629	28,141,422	14.86%	12.7%
Ancillary Services	2,757,335	2,966,770	1.57%	7.6%
Enterprise Activities	1,208,314	1,308,122	0.69%	8.3%
Interest on long-term debt	15,121,205	17,367,528	9.17%	14.9%
Other outgo	1,001,947	1,436,990	0.76%	43.4%
Depreciation (unallocated)	-	-	-	-
	$ 165,021,011	$ 189,436,706	100.00%	14.8%
Increase (decrease) in net position	$ (10,554,175)	$ (28,042,952)		
Net position - beginning (restated due to accounting regulation changes - Note Q, Net Pension Liability)	$ 26,182,442	$ 15,887,374		
Net position - ending	$ 15,628,267	$ (12,155,578)		

- Operating grants and contributions: Increase of $3.2 Mil (+19.4%) – due to an increase in the Career Technical Education (CTE) Incentive Grant, and the addition of Proposition 39, Clean Energy Jobs Act funds.

- Property Tax: Increase of $5.9 Mil (+5.1%) – due to an increase in property taxes as well as the collection of taxes for debt service on the 2012 voter-approved General Obligation Bond.
- Federal and State Aid: Decrease of $3.2 Mil (-23.9%) – due to a decrease in one-time mandated cost reimbursement funds.

- Interest and Investment Earnings: Increase of $763K (+62.7%) from interest earned in the Capital Project Funds.

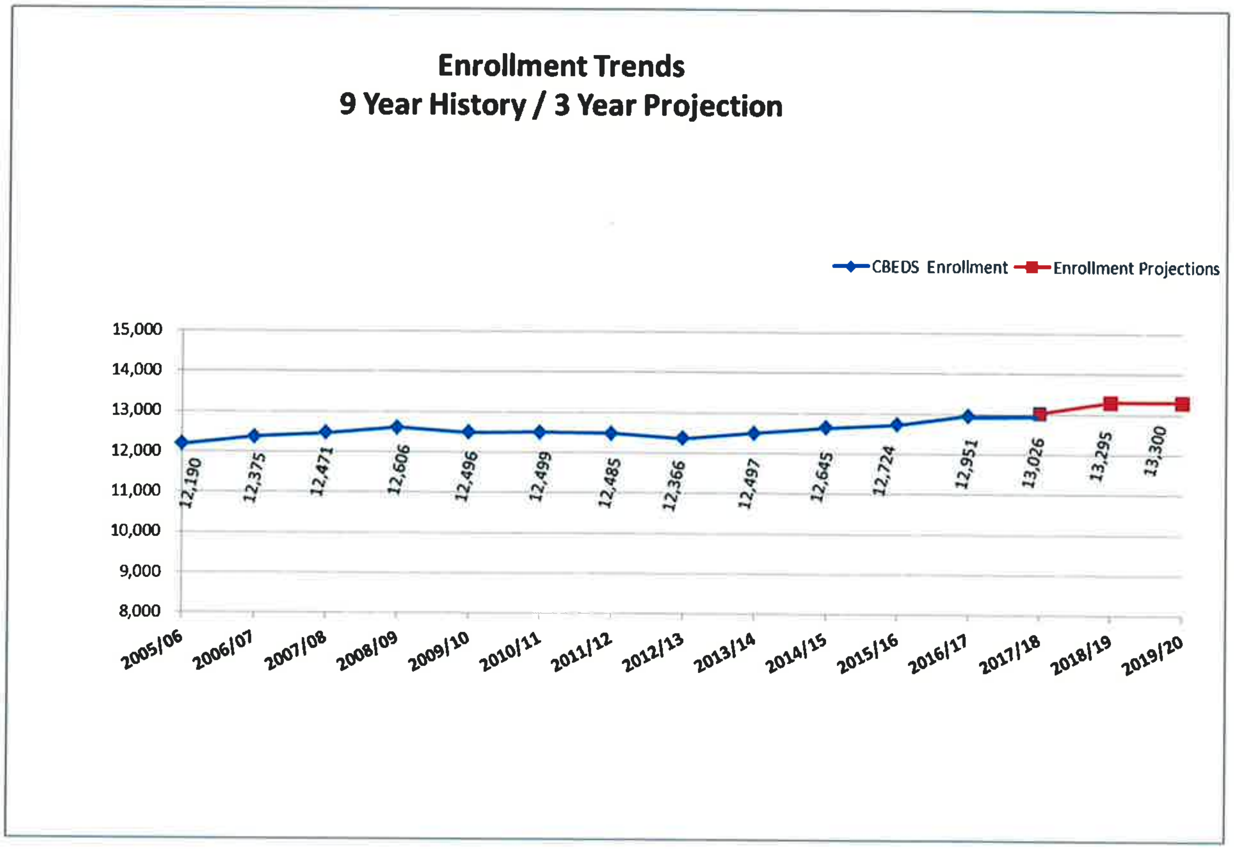
- The District was classified as a "Basic Aid" district, until 2014/15. This means the local property taxes collected exceed the funded Local Control Funding Formula (LCFF) entitlement provided by the state. The District became a Basic Aid district in 2008/09 following state funding cuts to the revenue limit. In 2014/15, the district switched to an LCFF funded district, when the LCFF entitlement exceeded the property tax collected in the district. In 2016/17, the state funded approximately 96% of the LCFF Entitlement.

- The District remains funded through the Local Control Funding Formula (LCFF) for the 2017/18 year. LCFF entitlements are based primarily on average daily attendance (ADA) and other appropriations. If a student is in attendance a full 180 days, the state awards the District one ADA. The state guarantees that if local taxes do not provide money equal to the funded LCFF it will make up the difference with state funding.

Enrollment, Enrollment Projections, and ADA

School Year	CBEDS Enrollment	Enrollment Projections	P2 ADA
2005/06	12,190		11,731
2006/07	12,375		11,950
2007/08	12,471		12,027
2008/09	12,606		11,882
2009/10	12,496		12,150
2010/11	12,499		11,989
2011/12	12,485		12,019
2012/13	12,366		11,832
2013/14	12,497		12,034
2014/15	12,645		12,119
2015/16	12,724		12,210
2016/17	12,951		12,400
2017/18*		13,026	
2018/19*		13,295	
2019/20*		13,300	

*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 $180.5 million; an increase of $25.7 million over the previous year due primarily to the issuance of additional general obligation and special tax bond funds, as scheduled. The general fund had a fund balance decrease of approximately $2.9 million due to the budgeted spending of reserves to cover additional salaries and benefit expenses. Some of the increases in salaries and benefits were offset by other budget savings. In addition, the following expenditures should be noted:

- General fund salaries totaled $89.5 million while the associated employee benefits of retirement, social security, Medicare, insurance (medical, dental, life, and accident), workers' compensation, and unemployment added $27.5 million to arrive at 85% 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 $22.8 million fund balance of the general fund is primarily designated for the following purposes:

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

In addition, the District's Board of Trustees requires a minimum reserve of 4.5%, as well as a Basic Aid Reserve. As of June 2017, the $16.9 million held in reserve meets the combined 7.5% requirement. The maintenance of a sufficient reserve is a key credit consideration in garnering excellent short-term and long-term bond ratings.

Non-Spendable reserve for revolving cash fund. The District maintains a $30,000 revolving cash fund for expediting emergency and small purchase reimbursement to employees. In addition, the District maintains a Purchasing Card fund to provide a timely alternative for needed purchases. The cash fund to cover the card purchases is $145,000; increasing the total reserve for revolving funds to $175,000.

Non-Spendable reserve for stores inventories. Two departments, purchasing and nutrition services maintain perpetual inventories to expedite and reduce cost through volume purchasing. The total valuation as of June 30, 2017 was $39,851.

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 $2.4 million or 1.7% in total general fund expenditures. This increase was in several categories, but most of the increase was in capital outlay due to the expense of additional Proposition 39 Clean Energy Jobs Act funds after the expense plan was approved by the California Department of Education.

- During the year, actual revenue received exceeded original budgetary estimates by $5.6 million, or 4%, to account for carryover balances, increases in one-time state revenues and local donations.

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

Capital Asset and Debt Administration

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

The Capital Facilities Fund 25-18 consists of school facilities impact fees that assure school facilities and services will be available to meet the needs of residents of new developments. Capital Facilities Fund 25-19 contains fees imposed and collected on new residential and commercial/industrial development within the District to fund additional school facilities required to serve additional grade 7-12 students generated by the new development. The fees are used for construction and/or acquisition of additional school facilities, remodeling existing school facilities to add additional classrooms and technology, and acquiring and installing additional portable classrooms to accommodate an increase in student population.

The Building Fund – Proposition 39 (Fund 21-39) was established by the board on February 7, 2013. On November 6, 2012, the voters of the San Dieguito Union High School District community voted to approve Proposition AA to authorize the District to issue up to $449 million of general obligation bonds to finance certain specified capital projects and facilities. In April 2013, the district issued the first series of those bonds, in the amount of $160 million to fund projects. The second series of those bonds were issued in April 2015, in the amount of $117 million. The third series of those bonds were issued in July 2016, in the amount of $62 million. The district website provides ongoing updates on Proposition AA Bond projects.

The completed capital projects in 2016-2017 included the following: completion of Earl Warren Middle School re-construction opened Fall of 2017; La Costa Valley site fields; Canyon Crest Academy Building B; and San Dieguito High School Academy Math and Science Building. Capital funds were used for many other projects throughout the district, to be completed in 2017-2018 or subsequent years.

Capital assets at June 30, 2016 and 2017 are outlined below:

	June 30, 2016	June 30, 2017	Total Change
Land	$ 66,592,151	$ 66,592,151	$ -
Improvement of Sites	68,774,434	70,628,402	1,853,968
Buildings	230,101,477	328,067,855	97,966,378
Equipment	20,082,660	25,113,887	5,031,227
Work in Progress	66,187,607	20,026,419	(46,161,188)
Accumulated depreciation	(114,291,143)	(130,787,572)	(16,496,429)
Total Capital Assets	$ 337,447,186	$ 379,641,142	$ 42,193,956

Debt Administration: In August 2006, the District issued through the San Dieguito Public Facilities Authority the 2006 Revenue Refunding Bonds (the "Original Bonds") to prepay and annul the outstanding 1998 and 2004 Revenue Bonds.

In connection with a conversion of interest on the Original Bonds from an auction rate to a long term rate on May 18, 2008, the Authority completed a remarketing of Series 2006A and 2006B bonds, and a third series of remarketed Original Bonds, 2006C, for the purpose of providing funds, along with other monies available to the Authority, to purchase the outstanding Original Bonds, pursuant to the provisions of the Indenture. The outstanding Original Bonds were required to be tendered in connection with the conversion of interest on the Original Bonds from an auction rate to a long term rate.

The 2006 Bonds have been remarketed in the aggregate principal amount of $89,130,000, and will mature on August 1, 2041, subject to redemption prior to maturity.

Interest on the bonds is payable semiannually each February 1 and August 1, and bear rates of 4% - 7%.

The 2006 Bonds are insured by a financial guaranty insurance policy by Ambac Assurance Corporation.

The Series 2006A bonds are rated AAA (A underlying) by Standard & Poor's and Aaa (A3 underlying) by Moody's. The Series 2006B subordinate bonds are rated AAA (A- underlying). The Series 2006C super subordinate bonds are non-rated. The San Dieguito Public Facilities Authority assumes all debt service responsibility for the revenue bonds consistent with California law.

The San Dieguito Union High School District is not obligated for any debt repayment in the event of default.

In November 2016, the District issued through the San Dieguito Public Facilities Authority Special Tax Revenue Bonds in the amount of $23.8 million. The District currently has $96.0 million in outstanting special tax revenue bonds, as of June 30, 2017.

On November 6, 2012, the voters of the San Dieguito Union High School District community voted to approve Proposition AA to authorize the District to issue up to $449 million of general obligation bonds to finance certain specified capital projects and facilities. In April 2013, the district issued the first series of those bonds, in the amount of $160 million to fund projects. The second series of those bonds were issued in April 2015, in the amount of $117 million. The third series of those bonds were issued in July 2016, in the amount of $62 million. The District currently has $331.3 million outstanding in general obligation bonds, as of June 30, 2017.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the San Dieguito Union High School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Associate Superintendent of Business Services, San Dieguito Union High School District, 710 Encinitas Blvd., Encinitas, CA 92024.

Basic Financial Statements

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS:	
Cash	$ 184,810,037
Receivables	5,894,437
Stores	39,851
Prepaid Expenses	348,525
Capital Assets:	
Land	66,592,151
Improvements	70,628,402
Buildings	328,067,855
Equipment	25,113,887
Work in Progress	20,026,419
Less Accumulated Depreciation	(130,787,572)
Total Assets	570,733,992
DEFERRED OUTFLOWS OF RESOURCES	22,079,913
LIABILITIES:	
Accounts Payable	14,634,654
Unearned Revenue	1,011,540
Long-Term Liabilities:	
Due Within One Year	8,745,385
Due in More Than One Year	574,105,316
Total Liabilities	598,496,895
DEFERRED INFLOWS OF RESOURCES	6,472,588
NET POSITION	
Net Investment in Capital Assets	27,808,738
Restricted for:	
Capital Projects	19,127
Debt Service	12,205,483
Educational Programs	2,117,822
Other Purposes (expendable)	576,891
Other Purposes (nonexpendable)	563,730
Unrestricted	(55,447,369)
Total Net Position	$ (12,155,578)

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, 2017

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 94,415,868	$ 212,895	$ 15,737,110	$ 195	$ (78,465,668)
Instruction-Related Services:					
Instructional Supervision and Administration	4,991,671	30,686	1,123,452	-	(3,837,533)
Instructional Library, Media and Technology	1,441,217	-	13,489	-	(1,427,728)
School Site Administration	10,203,345	67	346,623	-	(9,856,655)
Pupil Services:					
Home-to-School Transportation	5,512,377	-	3,419	-	(5,508,958)
Food Services	2,896,375	2,042,095	474,411	-	(379,869)
All Other Pupil Services	11,050,468	380	1,291,269	-	(9,758,819)
General Administration:					
Centralized Data Processing	1,920,019	-	-	-	(1,920,019)
All Other General Administration	5,784,534	-	282,988	-	(5,501,546)
Plant Services	28,141,422	8,264	5,164	-	(28,127,994)
Ancillary Services	2,966,770	-	35,331	-	(2,931,439)
Enterprise Activities	1,308,122	-	-		(1,308,122)
Interest on Long-Term Debt	17,367,528	-	-	-	(17,367,528)
Other Outgo	1,436,990	448	283,319	-	(1,153,223)
Total Expenses	$ 189,436,706	$ 2,294,835	$ 19,596,575	$ 195	$ (167,545,101)

General Revenues:	
Taxes and Subventions:	
Taxes Levied for General Purposes	99,482,158
Taxes Levied for Debt Service	14,057,843
Taxes Levied for Other Specific Purposes	7,903,271
Federal and State Aid Not Restricted to Specific Programs	10,363,383
Interest and Investment Earnings	1,979,672
Interagency Revenues	175,077
Miscellaneous	5,540,745
Total General Revenues	$ 139,502,149
Change in Net Position	(28,042,952)
Net Position Beginning-Restated (Note Q)	15,887,374
Net Position Ending	$ (12,155,578)

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Building Fund
ASSETS:		
Cash in County Treasury	$ 26,069,571	$ 102,733,760
Cash on Hand and in Banks	2,909	-
Cash in Revolving Fund	175,354	-
Cash with a Fiscal Agent/Trustee	-	-
Accounts Receivable	4,388,345	866,883
Due from Other Funds	1,191,757	-
Stores Inventories	207	-
Prepaid Expenditures	4,543	-
Total Assets	31,832,686	103,600,643
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 5,593,590	$ 2,818,289
Due to Other Funds	36,319	-
Unearned Revenue	891,150	-
Total Liabilities	6,521,059	2,818,289
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	175,354	-
Stores Inventories	207	-
Prepaid Items	4,543	-
Restricted Fund Balances	2,694,713	-
Assigned Fund Balances	6,518,437	100,782,354
Unassigned:		
Reserve for Economic Uncertainty	15,918,373	-
Total Fund Balance	25,311,627	100,782,354
Total Liabilities and Fund Balances	$ 31,832,686	$ 103,600,643

The accompanying notes are an integral part of this statement.

Capital Projects Fund For Blended Component Units	Other Governmental Funds	Total Governmental Funds
$ -	$ 14,045,832	$ 142,849,163
6,241,301	142,490	6,386,700
-	-	175,354
33,814,032	-	33,814,032
72,668	538,100	5,865,996
-	31,324	1,223,081
-	39,644	39,851
-	343,982	348,525
40,128,001	15,141,372	190,702,702
$ 192,111	$ 103,241	$ 8,707,231
-	408,131	444,450
-	120,390	1,011,540
192,111	631,762	10,163,221
-	-	175,354
-	39,644	39,851
-	343,982	348,525
-	19,127	2,713,840
39,935,890	14,106,857	161,343,538
-	-	15,918,373
39,935,890	14,509,610	180,539,481
$ 40,128,001	$ 15,141,372	$ 190,702,702

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Fund balances, governmental funds			$ 180,539,481
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:			
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
Capital assets relating to governmental activities, at historical cost:		510,428,714	
Accumulated depreciation:		(130,787,572)	
	Net:		379,641,142
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 unmatured interest owing at the end of the period was:			(5,927,423)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liaibilities, are reported. Long-term liabilities relating to governmental activities consist of:			
General obligation bonds payable		331,331,861	
State school building loans payable		1,213,500	
Compensated absences payable		1,679,580	
Lease revenue bonds payable		12,484,041	
Net pension liability		127,923,651	
Other general long-term debt		96,049,855	
	Total:		(570,682,488)
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.			
Deferred outflows of resources relating to pensions			22,079,913
Deferred inflows of resources relating to pensions			(6,472,588)
Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds are:			(11,333,615)
Total net position, governmental activities			$ (12,155,578)

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, 2017

	General Fund	Building Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	$ 2,097,808	$ -
Education Protection Account Funds	2,481,470	-
Local Sources	99,482,163	-
Federal Revenue	4,163,847	-
Other State Revenue	15,373,247	11,844
Other Local Revenue	10,232,433	1,630,739
Total Revenues	133,830,968	1,642,583
Expenditures:		
Current:		
Instruction	82,726,060	-
Instruction - Related Services	14,886,958	-
Pupil Services	14,821,383	-
Ancillary Services	2,849,991	-
General Administration	6,911,398	-
Plant Services	11,860,094	1,085,369
Other Outgo	973,304	463,686
Capital Outlay	1,407,855	55,329,740
Debt Service:		
Principal	765,588	-
Interest	822,197	-
Total Expenditures	138,024,828	56,878,795
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,193,860)	(55,236,212)
Other Financing Sources (Uses):		
Transfers In	1,426,017	-
Transfers Out	(60,604)	(765,589)
Proceeds From Sale of Bonds	-	62,000,000
Other Sources	-	229,274
Other Uses	-	-
Total Other Financing Sources (Uses)	1,365,413	61,463,685
Net Change in Fund Balance	(2,828,447)	6,227,473
Fund Balance, July 1	28,140,074	94,554,881
Fund Balance, June 30	$ 25,311,627	$ 100,782,354

The accompanying notes are an integral part of this statement.

Capital Projects Fund For Blended Component Units	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 2,097,808
-	-	2,481,470
-	-	99,482,163
-	485,422	4,649,269
-	93,329	15,478,420
7,901,546	17,532,087	37,296,805
7,901,546	18,110,838	161,485,935
-	-	82,726,060
-	-	14,886,958
-	2,871,432	17,692,815
-	-	2,849,991
-	38,948	6,950,346
458,296	548,572	13,952,331
-	-	1,436,990
259,803	620,719	57,618,117
-	10,593,040	11,358,628
-	15,114,795	15,936,992
718,099	29,787,506	225,409,228
7,183,447	(11,676,668)	(63,923,293)
-	6,877,944	8,303,961
(6,847,340)	-	(7,673,533)
23,574,290	-	85,574,290
765,555	2,764,497	3,759,326
(325,000)	-	(325,000)
17,167,505	9,642,441	89,639,044
24,350,952	(2,034,227)	25,715,751
15,584,938	16,543,837	154,823,730
$ 39,935,890	$ 14,509,610	$ 180,539,481

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, 2017

Total change in fund balances, governmental funds		$ 25,715,751
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:	58,690,385	
Depreciation expense:	(16,496,429)	
Net:		42,193,956
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:		11,358,628
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:		(89,008,615)
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:		37,541
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:		(130,232)
Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		(14,803,354)
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:		(1,468,077)
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:		(1,938,550)
Change in net position of governmental activities		$ (28,042,952)

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
JUNE 30, 2017

	Nonmajor Internal Service Fund
	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	$ 1,584,787
Accounts Receivable	28,441
Due from Other Funds	15,923
Total Current Assets	1,629,151
Total Assets	1,629,151
LIABILITIES:	
Current Liabilities:	
Due to Other Funds	$ 794,553
Total Current Liabilities	794,553
Noncurrent Liabilities:	
Other Postemployment Benefits	12,168,213
Total Noncurrent Liablities	12,168,213
Total Liabilities	12,962,766
NET POSITION:	
Unrestricted (Deficit)	(11,333,615)
Total Net Position	$ (11,333,615)

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	$ 823,951
Total Revenues	823,951
Operating Expenses:	
Services and Other Operating Expenses	2,132,073
Total Expenses	2,132,073
Income (Loss) before Contributions and Transfers	(1,308,122)
Interfund Transfers In	30,000
Interfund Transfers Out	(660,428)
Change in Net Position	(1,938,550)
Total Net Position - Beginning	(9,395,065)
Total Net Position - Ending	$ (11,333,615)

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, 2017

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	$ 1,520,864
Cash Payments to Other Suppliers for Goods and Services	(467,275)
Net Cash Provided (Used) by Operating Activities	1,053,589
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	8,696
Net Cash Provided (Used) for Investing Activities	8,696
Net Increase (Decrease) in Cash and Cash Equivalents	1,062,285
Cash and Cash Equivalents at Beginning of Year	522,502
Cash and Cash Equivalents at End of Year	$ 1,584,787
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	$ (1,938,550)
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(7,703)
Decrease (Increase) in Due From Other Funds	683,313
Increase (Decrease) in Payables	(10,000)
Increase (Decrease) in Due to Other Funds	749,553
Increase (Decrease) in Net OPEB Obligation	1,585,672
Total Adjustments	3,000,835
Net Cash Provided (Used) by Operating and Investing Activities	$ 1,062,285

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	$ 1,732,322
Total Assets	1,732,322
LIABILITIES:	
Due to Student Groups	$ 1,732,322
Total Liabilities	1,732,322
NET POSITION:	
Total Net Position	$ -

The accompanying notes are an integral part of this statement.

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 Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental reporting "entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The San Dieguito School Facilities Financing Authority, and the San Dieguito Public Facilities Authority (CFDs) have a financial and operational relationship which meet the reporting entity definition criteria of the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the CFDs as component units of the District. Therefore, the financial activities of the CFDs have been included in the basic financial statements of the District as a blended component unit.

The following are those aspects of the relationship between the District and the CFDs which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, criteria:

Manifestations of Oversight

a. The CFDs Boards of Directors were appointed by the District's Board of Education.

b. The CFDs have no employees. The District's Superintendent, Associate Superintendent Business Services, and other employees of the District function as agents of the CFDs. None of the aforementioned individuals receive additional compensation for work performed in this capacity.

c. The District exercises significant influence over operations of the CFDs.

Accounting for Fiscal Matters

a. All major financing arrangements, contracts, and other transactions of the CFDs must have consent of the District.

Scope of Public Service and Financial Presentation

a. The CFDs were created for the sole purpose of financially assisting the District.

b. The CFDs were created pursuant to a joint powers agreement between the District and the California Statewide Communities Development Authority (CSCDA), pursuant to the California Government Code, commencing with Section 6500. The CFDs were formed to provide financing assistance to the District for construction and acquisition of major capital facilities.

c. The CFDs financial activity are presented in the financial statements in the Capital Projects Fund for Blended Component Units. Debt issued by the CFDs are included in the government-wide financial statements.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Building Fund. This fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund (Fund 21) are proceeds from the sale or lease-with-option-to-purchase of real property (Education Code Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (Education Code Section 41003).

Capital Projects Fund for Blended Component Units Fund. This fund accounts for transactions relating to the capital outlay associated with the bond issuances of the District.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Capital Projects Funds: These funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Debt Service Funds: These funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

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.

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

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

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

3. Encumbrances

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

4. Budgets and Budgetary Accounting

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

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

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code.

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

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

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

b. Expenses/Expenditures

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

6. Assets, Liabilities, and Equity

a. Deposits and Investments

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

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

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

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

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:

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. 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.

f. Unearned Revenue

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

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. 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.

i. 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.

7. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

8. 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) and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

9. Pensions

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

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

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

10. Use of Estimates

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

11. Fair Value Measurements

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

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

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

12. Change in Accounting Policies

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2017. Those newly implemented pronouncements are as follows:

GASB Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50 Pension Disclosure.

The scope of this Statement includes OPEB plans defined benefit and defined contribution - administered through trusts that meet the following criteria:

1. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

2. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

3. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

<u>GASB Statement No. 77 - Tax Abatement Disclosures</u>

The objective of this Statement is to improve usefulness of information about tax abatement agreements entered into by governmental agencies. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.

2. The gross dollar amount of taxes abated during the period.

3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The District has not entered into any tax abatement agreements. As a result, the adoption of GASB Statement No. 77 did not result in a change to the financial statements or note disclosures.

<u>GASB Statement No. 80 - Blending Requirements for Certain Component Units</u>

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units

The District did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

GASB Statement No. 82 - Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73

The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 82.

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.

Violation	Action Taken
None reported	Not applicable

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

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

Fund Name	Deficit Amount
Self Insurance Fund	11,333,615

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 ($144,433,950 as of June 30, 2017). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $144,433,950**.** Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

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

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

Cash balances on hand and in banks ($8,119,022 as of June 30, 2017) and in the revolving fund ($175,354) are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments:

The District's investments at June 30, 2017 are shown below.

Investment or Investment Type	Amount Reported	Fair Value
Money Market Funds	$ 33,814,032	$ 33,814,032
Total Investments	$ 33,814,032	$ 33,814,032

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

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

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

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The San Diego County Investment Pool is rated AAAf/S1 by Standard & Poors. At year end the District was not exposed to credit risk.

b. Custodial Credit Risk

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

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

As of June 30, 2017, the District's bank balances (including revolving cash) of $8,294,376 was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

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

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

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

6. <u>Investment Accounting Policy</u>

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 in conformity with GASB Statement No. 77 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, 2017 consisted of:

	Major Governmental Funds				
	General Fund	Building Fund	Blended Component Unit Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:					
Federal programs	$ 1,229,802	$ -	$ -	$ 70,527	$ 1,300,329
State Government:					
Lottery	1,165,260	-	-	-	1,165,260
Other state programs	955,480	-	-	5,075	960,555
Local Sources:					
Interest	110,732	329,277	72,668	6,809	519,486
Other local sources	927,071	537,606	-	455,689	1,920,366
Totals	$ 4,388,345	$ 866,883	$ 72,668	$ 538,100	$ 5,865,996

	Self Insurance Fund
Local Sources:	
Interest	$ 4,481
Other local sources	23,960
Totals	$ 28,441

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

E. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 66,592,151	$ -	$ -	$ 66,592,151
Work in progress	66,187,607	-	46,161,188	20,026,419
Total capital assets not being depreciated	132,779,758	-	46,161,188	86,618,570
Capital assets being depreciated:				
Buildings	230,101,477	97,966,378	-	328,067,855
Improvements	68,774,434	1,853,968	-	70,628,402
Equipment	20,082,660	5,031,227	-	25,113,887
Total capital assets being depreciated	318,958,571	104,851,573	-	423,810,144
Less accumulated depreciation for:				
Buildings	(78,798,382)	(10,518,706)	-	(89,317,088)
Improvements	(22,425,921)	(4,688,792)	-	(27,114,713)
Equipment	(13,066,840)	(1,288,931)	-	(14,355,771)
Total accumulated depreciation	(114,291,143)	(16,496,429)	-	(130,787,572)
Total capital assets being depreciated, net	204,667,428	88,355,144	-	293,022,572
Governmental activities capital assets, net	$ 337,447,186	$ 88,355,144	$ 46,161,188	$ 379,641,142

Depreciation was charged to functions as follows:

Instruction	$ 1,934,798
Instruction-Related Services	763
Pupil Services	175,934
Ancillary Services	1,455
General Administration	125,061
Plant Services	14,258,418
	$ 16,496,429

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2017 consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Self Insurance Fund	$ 660,428	Insurance waiver
General Fund	Cafeteria Fund	300,029	Temporary loan/stores transfer
General Fund	Adult Education Fund	105,719	Expense reimburse/loan
General Fund	Self Insurance Fund	125,580	Temporary loan
Adult Education Fund	General Fund	721	Expense reimbursement
Cafeteria Fund	General Fund	30,604	Contribution
Self Insurance Fund	General Fund	4,995	OPEB contribution
Self Insurance Fund	Self Insurance Fund	8,545	Cash transfer
Self Insurance Fund	Adult Education Fund	1,864	OPEB contribution
Self Insurance Fund	Cafeteria Fund	519	OPEB contribution
	Total	$ 1,239,004	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Self Insurance Fund	$ 30,000	Insurance reimbursement
General Fund	Cafeteria Fund	30,604	Contribution
Building Fund	General Fund	765,589	Prop 39 debt service
Component Units Fund (49)	Component Units Fund (52)	6,847,340	Debt service
Self Insurance Fund	General Fund	660,428	Expense reimbursement
	Total	$ 8,333,961	

G. 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 September 2016, the District entered into the County of San Diego and San Diego County School Districts 2016 Pooled Tax and Revenue Anticipation Notes (TRANS) in the amount of $9,590,000. The notes matured on June 30, 2017 and bore an interest rate of 3.00%. The notes were sold to supplement the District's cash flows.

Description	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation notes	$ -	$ 9,590,000	$ 9,590,000	$ -

H. Accounts Payable

Accounts payable at June 30, 2017 consisted of:

	Major Governmental Funds				
	General Fund	Building Fund	Blended Component Unit Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	$ 1,805,210	$ 2,807,071	$ -	$ 81,344	$ 4,693,625
Payroll and related benefits	726,121	2,069	192,111	7,369	927,670
Pension related benefits	1,090,030	9,093	-	14,177	1,113,300
LCFF state aid	1,742,762	-	-	-	1,742,762
Other	229,467	56	-	351	229,874
Totals	$ 5,593,590	$ 2,818,289	$ 192,111	$ 103,241	$ 8,707,231

I. Unearned Revenue

Unearned revenues at June 30, 2017 consisted of:

	General Fund	Cafeteria Fund	Total Governmental Funds
Federal Government:			
Title III LEP	$ 16,676	$ -	$ 16,676
State Government:			
CTE Incentive	425,452	-	425,452
TUPE	449,022	-	449,022
Local Sources:			
Prepaid Cafeteria Meals	-	120,390	120,390
	$ 891,150	$ 120,390	$ 1,011,540

J. Deferred Outflows of Resources

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

A summary of the deferred outflows of resources as of June 30, 2017 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2016	Additions	Current Year Amortization	Balance June 30, 2017
Pension related	06/30/2015	Varies	$ 13,466,273	$ 20,205,402	$ 11,591,762	$ 22,079,913
Total Deferred Outflows of Resources			$ 13,466,273	$ 20,205,402	$ 11,591,762	$ 22,079,913

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Pension Related
2018	$ 14,415,742
2019	2,957,383
2020	2,957,384
2021	1,749,404
Toital	$ 22,079,913

K. Deferred Inflows of Resources

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

A summary of the deferred inflows of resources as of June 30, 2017 is as follows:

Description	Issue Date	Amortization Term	Balance July 1, 2016	Additions	Current Year Amortization	Balance June 30, 2017
Pension related	06/30/2015	Varies	$ 9,107,464	$ 3,287	$ 2,638,163	$ 6,472,588
Total Deferred Inflows of Resources			$ 9,107,464	$ 3,287	$ 2,638,163	$ 6,472,588

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related
2018	$ 2,638,164
2019	2,638,163
2020	1,195,605
2021	656
Toital	$ 6,472,588

L. 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, 2017 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 261,260,000	$ 62,000,000	$ 7,010,000	$ 316,250,000	$ 4,295,000
Unamortized discount	(658,155)	-	(28,615)	(629,540)	-
Unamortized premium	13,435,205	2,970,848	694,652	15,711,401	-
Special tax bonds	75,135,000	23,820,000	2,215,000	96,740,000	2,460,000
Unamortized premium	-	456,005	7,600	448,405	
Unamortized discount	(1,184,092)	-	(45,542)	(1,138,550)	-
Lease revenue bonds	12,730,000	-	-	12,730,000	-
Unamortized discount	(273,288)	-	(27,329)	(245,959)	-
Net pension liability	101,871,781	26,051,870	-	127,923,651	-
Net OPEB obligation	10,582,541	2,564,717	979,045	12,168,213	-
Compensated absences	1,549,348	130,232	-	1,679,580	1,679,580
State school building loan	1,516,523	-	303,023	1,213,500	310,805
Total governmental activities	$ 475,964,863	$ 117,993,672	$ 11,107,834	$ 582,850,701	$ 8,745,385

2. General Obligation Bonds

General obligation bonds at June 30, 2017 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2012 Series A-1 Taxable	April 2013	0.46%	8/1/2014	$ 2,320,000
2012 Series A-2 Tax-Exempt	April 2013	1.00-5.00%	8/1/2038	157,680,000
2012 Series B-1 Taxable	April 2015	0.60%	8/1/2016	$ 7,010,000
2012 Series B-2 Tax-Exempt	April 2015	3.00-4.50%	8/1/2040	110,030,000
2016 Series C-1 Tax-Exempt	July 2016	0.80%	8/1/2017	795,000
2016 Series C-2 Taxable	July 2016	3.00-4.75%	8/1/2041	61,205,000
Total GO Bonds				$ 339,040,000

	Beginning Balance	Increases	Decreases	Ending Balance
2012 Series A-2 Tax-Exempt	$ 144,220,000	$ -	$ -	$ 144,220,000
2012 Series B-1 Taxable	7,010,000	-	7,010,000	-
2012 Series B-2 Tax-Exempt	110,030,000	-	-	110,030,000
Unamortized Discount	(658,155)	-	(28,615)	(629,540)
Unamortized Premium	13,435,205	-	575,818	12,859,387
2016 Series C-1 Tax-Exempt	-	795,000	-	795,000
2016 Series C-2 Taxable	-	61,205,000	-	61,205,000
Unamortized Premium	-	2,970,848	118,834	2,852,014
Total GO Bonds	$ 274,037,050	$ 64,970,848	$ 7,676,037	$ 331,331,861

In April 2015, the District issued $7,010,000 taxable, 2012 Election, Series B-1, General Obligation Bonds and $110,030,000 tax-exempt, 2012 Election, Series B-2, General Obligation Bonds. The issue consisted of $61,050,000 of current interest bonds with interest rates ranging from .60% to 4.50% with annual maturities from August 2016 through August 2036 and $55,990,000 in a term bond with an interest rate of 4.00% with an annual maturity date of February 1, 2040. Interest on the bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2016. The bonds were authorized at an election of the registered voters held on November 6, 2012 at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of the bonds in order to finance specific construction, acquisition and modernization projects approved by the voters including lease payments with respect to such facilities in addition to purchasing the San Dieguito Public Facilities Authority's interest in and pay and prepay lease payments due on the Torrey Pines High School Projects.

In July 2016, the District issued $795,000 taxable, 2012 Election, Series C-1, General Obligation Bonds and $61,205,000 tax-exempt, 2012 Election, Series C-2, General Obligation Bonds. The issue consisted of $14,000,000 of current interest bonds with interest rates ranging from .80% to 4.75% with annual maturities from August 2017 through August 2036 and $48,000,000 in a term bond with an interest rate of34.00% with an annual maturity date of February 1, 2041. Interest on the bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2017. The bonds were authorized at an election of the registered voters held on November 6, 2012 at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of the bonds in order to finance specific construction, acquisition and modernization projects approved by the voters including lease payments with respect to such facilities in addition to purchasing the San Dieguito Public Facilities Authority's interest in and pay and prepay lease payments due on the Torrey Pines High School Projects.

The annual requirements to amortize the bonds outstanding at June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 4,295,000	$ 12,423,651	$ 16,718,651
2019	3,035,000	12,209,725	15,244,725
2020	1,320,000	12,122,625	13,442,625
2021	1,745,000	12,061,325	13,806,325
2022	2,190,000	11,982,625	14,172,625
2023-2027	24,365,000	57,378,275	81,743,275
2028-2032	53,245,000	48,741,775	101,986,775
2033-2037	91,500,000	34,445,375	125,945,375
2038-2042	134,555,000	12,275,250	146,830,250
Totals	$ 316,250,000	$ 213,640,626	$ 529,890,626

3. Special Tax Bonds

Special tax bonds at June 30, 2017 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2008 Special Tax Bonds	05/13/2008	4.00-5.00%	08/01/2041	$ 89,130,000
2016 Special Tax Bonds	11/07/2016	3.00-5.00%	03/01/2047	23,820,000
Total Special Tax Bonds				$ 112,950,000

	Beginning Balance	Increases	Decreases	Ending Balance
2008 Special Tax Bonds	$ 75,135,000	$ -	$ 2,215,000	$ 72,920,000
Unamortized Discount	(1,184,092)	-	(45,542)	(1,138,550)
2016 Special Tax Bonds	-	23,820,000	-	23,820,000
Unamortized Premium	-	456,005	7,600	448,405
Total Special Tax Bonds	$ 73,950,908	$ 24,276,005	$ 2,177,058	$ 96,049,855

2016 Subordinate Special Tax Revenue Bonds

In November 2016, San Dieguito School Facilities Financing Authority, as a blended component unit formed by the District, issued Series 2016 Subordinate Special Tax Revenue Bonds in the amount of $23,820,000. The bonds were issued to prepay certain obligations under a prior JPA loan agreement, finance certain school facilities of benefit, purchase a debt service reserve insurance policy, and pay certain costs of issuance associated with the local obligations and the bonds. The issue consisted of a) $11,215,000 in Serial Bonds with interest rates ranging from 3.00% to 5.00% and fully maturing March 31, 2036, and b) $12,605,000 in Term Bonds with a stated interest rate of 4.00% due March 1, 2047. Interest on the bonds is payable semi-annually on each March 1 and September 1, commencing September 1, 2017. Net proceeds of $24,014,845 were deposited into the Capital Project Fund for Blended Component Units after receipt of premium of $456,005 less cost of issuance of $261,160.

The annual requirements to amortize the bonds outstanding at June 30, 2017 are as follows:

Year Ending June 30, 2017	Principal	Interest	Total
2018	$ 2,460,000	$ 4,681,491	$ 7,141,491
2019	2,795,000	4,337,195	7,132,195
2020	2,910,000	4,217,773	7,127,773
2021	3,025,000	4,091,080	7,116,080
2022	3,145,000	3,957,513	7,102,513
2023-2027	17,960,000	17,467,610	35,427,610
2028-2032	22,560,000	12,641,718	35,201,718
2033-2037	23,440,000	6,846,681	30,286,681
2038-2042	12,665,000	2,543,550	15,208,550
2043-2047	5,780,000	671,000	6,451,000
Totals	$ 96,740,000	$ 61,455,611	$ 158,195,611

4. Lease Revenue Bonds

Lease revenue bonds at June 30, 2017 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
Lease Revenue Series 2010A	05/10/2010	6.46%	05/01/2027	$ 13,015,000

	Beginning Balance	Increases	Decreases	Ending Balance
Lease Revenue Series 2010A	$ 12,730,000	$ -	$ -	$ 12,730,000
Unamortized Discount	(273,288)	-	(27,329)	(245,959)
Total Lease Revenue Bonds	$ 12,456,712	$ -	$ (27,329)	$ 12,484,041

The annual requirements to amortize the bonds outstanding at June 30, 2017 are as follows:

Year Ending June 30, 2017	Principal	Interest	Total
2018	$ -	$ 822,231	$ 822,231
2019	-	822,231	822,231
2020	-	822,231	822,231
2021	-	822,231	822,231
2022	-	822,231	822,231
2023-2027	12,730,000	4,111,153	16,841,153
Totals	$ 12,730,000	$ 8,222,308	$ 20,952,308

In May 2010, the District entered into a facility lease agreement with the San Dieguito Public Facilities Authority to execute and deliver Lease Revenue Bonds, Series 2010A (Qualified School Construction Bonds - Direct Subsidy) in the amount of $13,015,000 with an interest rate of 6.46% for various capital projects and public school improvements. Through the facility lease, the District is obligated to make semi-annual base revenue payments to a principal account beginning April 2011 and continuing through April 2027. An annual base rental deposit to the principal account of $2,005,030 is due in 2011 with remaining base rental deposits of $1,606,227 due annually thereafter through April 2027. Interest on the lease revenue bonds is to be paid annually from the principal account beginning May 2011 with the remaining principal balance of $12,730,000 on the bonds due at the maturity date of May 1, 2027. Interest is subsidized by the Internal Revenue Service annually.

5. Bond Premium

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

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

	2013 Series A	2015 Series A	2016 Series A	2016 Special Tax
Total Interest Payments on Bond	$ 113,607,493	$ 88,265,753	$ 42,624,776	$ 18,468,936
Less Bond Premium	(8,336,717)	(6,379,386)	(2,852,014)	(456,005)
Net Interest Payments	105,270,776	81,886,367	39,772,762	18,012,931
Par amount of Bonds	$ 160,000,000	$ 117,040,000	$ 62,000,000	$ 23,820,000
Periods	25	25	25	30
Effective Interest Rate	2.630%	2.790%	2.560%	2.520%

6. Bond Discount

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

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

	2013 Series A Bonds	2010 Series A Bonds	2008 Special Tax Bonds
Total Interest Payments on Bond	$ 113,607,493	$ 14,269,845	$ 76,647,411
Add Discount	744,000	437,262	1,548,428
Net Interest Payments	114,351,493	14,707,107	78,195,839
Par amount of Bonds	$ 160,000,000	$ 13,015,000	$ 89,130,000
Periods	25	17	34
Effective Interest Rate	2.850%	6.640%	2.580%

7. State School Building Loan

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

Year Ending June 30,	Principal	Interest	Total
2018	$ 310,805	$ 33,177	$ 343,982
2019	318,786	25,196	343,982
2020	326,973	17,009	343,982
2021	256,936	8,612	265,548
Totals	$ 1,213,500	$ 83,994	$ 1,297,494

8. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2017 amounted to $1,679,580. This amount is included as part of long-term liabilities in the government-wide financial statements.

9. Net Pension Liability

The District's beginning net pension liability was $101,871,781 and increased by $26,051,870 during the year ended June 30, 2017. The ending net pension liability at June 30, 2017 was $127,923,651. See Note O for additional information regarding the net pension liability.

10. Net OPEB Liability

The District's beginning net OPEB obligation was $10,582,541 and increased during the year ended June 30, 2017 by $1,585,672. The ending net OPEB liability at June 30, 2017 was $12,168,213. See Note P for additional information regarding the net OPEB liability.

M. Risk Management

The District is exposed to risk of losses due to:

a. Torts,
b. Theft of, damage to, or destruction of assets,
c. Business interruption,
d. Errors or omissions,
e. Job related illnesses or injuries to employees,
f. Acts of God,
g. Other risks associated with public entity risk pools

Risk management is the process of managing the District's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention (self-insurance), risk transfer to and from an insurer, and risk transfer to a noninsurer.

The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property & liability insurance as well as workers compensation insurance to cover any loses resulting from the risks identified above.

The District purchases insurance through joint powers authorities. The District is not obligated to cover any losses beyond the premiums paid for the insurance costs. As a result there has not been a liability recorded for incurred but not reported claims.

The District has established a self-insurance fund for the purpose of accounting for other post employment benefits. The activities of the fund include payment of pay-as-you-go premiums for other post employment health insurance as well as recording of changes in the other post employment benefits liability.

N. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreements (JPAs) entity, the San Diego County Schools Risk Management (SDCSRM) and the Fringe Benefits Consortium (FBC). The relationship between the District and the JPAs is such that the JPAs are not a component unit of the District.

The JPAs arranges for and provides for various types of insurances for its member districts as requested. The JPAs are governed by a board consisting of a representative from each member district. The board controls the operations of the JPAs, 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 JPAs. Combined condensed unaudited financial information of the District's share of the JPAs for the year ended June 30, 2017 is as follows:

	Workers Compensation Fund	Property & Liability Fund	Miscellaneous Property Fund	Total SDCSRM
Total Assets and Deferred Outflows of Resources	$ 1,865,831	$ 17,841	$ 5,929	$ 1,889,601
Total Liabilities and Deferred Inflows of Resources	403,188	100,984	467	504,639
Total Net Position	$ 1,462,643	$ (83,143)	$ 5,462	$ 1,384,962
Total Cash Receipts	$ 475,633	$ 275,004	$ 7,025	$ 757,662
Total Cash Disbursements	308,669	142,451	9,183	460,303
Net Change in Net Position	$ 166,964	$ 132,553	$ (2,158)	$ 297,359

The District had a deficit in their property & liability fund with the JPA as of year end. The District is currently negotiating an arrangement with the JPA to repay the deficit. As of June 30, 2017 terms of the repayment have not yet been agreed upon.

	Dental Fund	Health & Welfare Fund	Vision Fund	Total FBC
Total Assets and Deferred Outflows of Resources	$ 360,598	$ N/A	$ 14,560	$ 375,158
Total Liabilities and Deferred Inflows of Resources	106,814	N/A	1,797	108,611
Total Net Position	$ 253,784	$ N/A	$ 12,763	$ 266,547
Total Cash Receipts	$ 372,035	$ N/A	$ 4,959	$ 376,994
Total Cash Disbursements	390,954	N/A	4,539	395,493
Net Change in Net Position	$ (18,919)	$ N/A	$ 420	$ (18,499)

N/A- The District does not participate in the Health & Welfare program of the JPA.

O. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

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

b. Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2017 are summarized as follows:

	CalSTRS	
Hire Date	Before Jan. 1, 2013	On or After Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2017)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2017)	12.580%	12.580%
Required State Contribution Rates (at June 30, 2017)	7.050%	7.050%

*Amounts are limited to 120% of Social Security Wage Base.
**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	55-67
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2017)	7.000%	6.000%
Required Employer Contribution Rates (at June 30, 2017)	13.888%	13.888%

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2016, Section 22950 of the California Education Code requires members to contribute monthly to the system 9.20% (if hired prior to January 1, 2013) or 8.56% (if hired on or after January 1, 2013) of the creditable compensation upon which members' contributions under this part are based (rates increased to 10.25% and 9.205% for fiscal year ended June 30, 2017). In addition the employer required rates established by the CalSTRS Board have been established at 10.73% of creditable compensation for the measurement period ended June 30, 2016 and 12.58% for the fiscal year ended June 30, 2017. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2016 (measurement date), the average active employee contribution rate is 6.974% of annual pay, and the employer's contribution rate is 11.847% of annual payroll. For the fiscal year ending June 30, 2017, the average active employee contribution rate is 6.974%, and the employer's contribution rate is 13.888%.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2016 (measurement date), fiscal year ended June 30, 2017, the State contributed 5.400% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contribution reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2015	5.679%	$ 3,075,827
2016	7.126%	3,986,733
2017	5.400%	5,145,466

d. Contributions Recognized

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer (Measurement Period)	$ 6,446,021	$ 2,188,359	$ 8,634,380
Contributions - State On Behalf Payments (Fiscal Year)	5,145,466	-	5,145,466
Total Contributions	$ 11,591,487	$ 2,188,359	$ 13,779,846

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	$ 97,797,306
CalPERS	30,126,345
Total Net Pension Liability	$ 127,923,651

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's portion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2016 and June 30, 2017 were as follows:

	CalSTRS			
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	CalPERS
Proportion June 30, 2016	0.1196%	0.0750%	0.1946%	0.1448%
Proportion June 30, 2017	0.1209%	0.0748%	0.1957%	0.1525%
Change in Proportion	0.0013%	-0.0002%	0.0011%	0.0077%

a. Pension Expense

For the measurement period ended June 30, 2016 (fiscal year June 30, 2017), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	$ 17,261,973	$ 8,789,899	$ 26,051,872
Contributions - State On Behalf Payments	5,145,466	-	5,145,466
Increase/(Decrease) resulting from changes in Deferred Outflows and Deferred Inflows of Resouces for:			
Contributions - Employer made subsequent to measurement date	(2,228,111)	(595,868)	(2,823,979)
Difference Between Actual & Expected Experience	(4,040)	(160,268)	(164,308)
Change in Assumptions	-	(352,606)	(352,606)
Change in Proportionate Shares	(1,471,098)	(981,814)	(2,452,912)
Net Difference Between Projected & Actual Earnings	(11,696)	(5,443,015)	(5,454,711)
Total Pension Expense	$ 18,692,494	$ 1,256,328	$ 19,948,822

b. Deferred Outflows and Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	$ 8,674,132	$ 2,784,227	11,458,359
Differences between actual and expected experience	-	1,472,184	1,472,184
Changes in assumptions	-	-	-
Change in employer's proportion share	695,366	918,242	1,613,608
Net difference between projected and actual earnings	27,389	7,508,373	7,535,762
Total Deferred Outflows of Resources	$ 9,396,887	$ 12,683,026	$ 22,079,913

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	$ -	$ -	$ -
Differences between actual and expected experience	(19,005)	-	(19,005)
Changes in assumptions	-	(1,057,818)	(1,057,818)
Change in employer's proportionate share	(2,327,197)	(190,716)	(2,517,913)
Net difference between projected and actual earnings	-	(2,877,852)	(2,877,852)
Total Deferred Inflows of Resouces	$ (2,346,202)	$ (4,126,386)	$ (6,472,588)

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2018. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect
June 30	CalSTRS	CalPERS	CalSTRS	CalPERS	on Expenses
2018	$ 8,855,801	$ 5,559,939	$ (783,060)	$ (1,855,104)	$ 11,777,576
2019	181,669	2,775,712	(783,059)	(1,855,104)	319,218
2020	181,670	2,775,712	(779,427)	(416,178)	1,761,777
2021	177,747	1,571,663	(656)	-	1,748,754
Total	$ 9,396,887	$ 12,683,026	$ (2,346,202)	$ (4,126,386)	$ 15,607,325

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS		CalPERS	
Valuation Date	June 30, 2015		June 30, 2015	
Measurement Date	June 30, 2016		June 30, 2016	
Actuarial Cost Method	Entry Age - Normal Cost Method		Entry Age - Normal Cost Method	
Actuarial Assumptions:				
Discount Rate	7.60%		7.65%	
Inflation	3.0%		2.75%	
Payroll Growth	3.75%		3.00%	
Projected Salary Increase	0.05%-5.6%	(1)	3.20%-10.80%	(1)
Investment Rate of Return	7.60%	(2)	7.65%	(2)
Mortality	.013%-0.435%	(3)	0.00125-0.45905	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Industry standard published by the Society of Actuaries

d. Discount Rate

The discount rate used to measure the total pension liability was 7.60% for CalSTRS and 7.65% for CalPERS**.** The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan**.** The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites

The CalPERS discount rate was increased from 7.50% in 2015 to correct for an adjustment to exclude administrative expenses. There have been no other changes to discount rate for either CalPERS or CalSTRS.

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

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

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

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

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

CalSTRS

Asset Class	Assumed Allocation 06/30/2016	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year geometric average used for long term expected real rate of return

CalPERS

Asset Class	Assumed Allocation 06/30/2016	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

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

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

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	$ 140,752,379	$ 44,948,676
Current Discount Rate	7.60%	7.65%
Net Pension Liability	$ 97,797,306	$ 30,126,345
1% Increase	8.60%	8.65%
Net Pension Liability	$ 62,121,318	$ 17,783,840

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

CalSTRS

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2016 (Previously Reported)	$ 504,359,934	$ 373,331,667	$ 131,028,267	$ 50,492,934	$ 80,535,333
Changes for the year:					
Change in Proportionate share	2,827,501	2,092,941	734,560	(134,648)	869,208
Service Cost	11,496,284	-	11,496,284	4,393,752	7,102,532
Interest	37,835,576	-	37,835,576	14,460,336	23,375,240
Differences between expected and actual experience	(2,366,191)	-	(2,366,191)	(904,332)	(1,461,859)
Contributions:					
Employer	-	6,636,970	(6,636,970)	(2,536,576)	(4,100,394)
Employee	-	5,788,211	(5,788,211)	(2,212,190)	(3,576,021)
State On Behalf Payments	-	3,796,674	(3,796,674)	(1,451,046)	(2,345,627)
Net Investment Income	-	4,511,143	(4,511,143)	(1,724,109)	(2,787,034)
Other Income	-	81,259	(81,259)	(31,056)	(50,203)
Benefit Payments, including refunds of employee contributions	(25,733,668)	(25,733,668)	-	-	-
Administrative expenses	-	(352,396)	352,396	134,682	217,714
Other Expenses	-	(29,809)	29,809	11,393	18,416
Net Changes	24,059,502	(3,208,677)	27,268,179	10,006,206	17,261,973
Balance at June 30, 2017	$ 528,419,436	$ 370,122,990	$ 158,296,446	$ 60,499,140	$ 97,797,306

CalPERS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016 (Previously Reported)	$ 103,715,812	$ 82,379,366	$ 21,336,446
Changes for the year:			
Adjustment for Change in Proportionate Share	5,579,428	4,431,626	1,147,802
Service Cost	2,618,585	-	2,618,585
Interest	8,300,993	-	8,300,993
Differences between expected and actual experience	610,309	-	610,309
Changes in Assumptions	-	-	-
Contributions - Employer	-	2,188,359	(2,188,359)
Contributions - Employee	-	1,298,302	(1,298,302)
Net Plan to Plan Resource Movement	-	16	(16)
Net Investment Income	-	453,821	(453,821)
Benefit Payments, including refunds of employee contributions	(5,410,273)	(5,410,273)	-
Administrative expenses	-	(52,708)	52,708
Net Changes	11,699,042	2,909,143	8,789,899
Balance at June 30, 2017	$ 115,414,854	$ 85,288,509	$ 30,126,345

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

P. Postemployment Benefits Other Than Pension Benefits

Plan Description

The San Dieguito Union School District (District) administers a single-employer healthcare plan (Plan). The plan provides medical benefits to eligible retirees and their eligible dependents to age 65. Eligibility for retiree health benefits requires retirement from the District with at least 10 years of eligible service. The District's contribution for medical coverage is 100% of the cost for retiree only medical coverage up to a maximum based on the highest employee only medical premium in effect in the year of retirement. The retiree is responsible for any cost above the maximum or for cost associated with the election of dependent medical coverage and/or dental coverage**.** Membership of the plan consists of approximately 824 eligible active employees and 78 eligible retirees. The District does not provide any retiree health benefits beyond age 65 or after a period of 10 years, if earlier.

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 2016-17, the District contributed $979,045 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 Districts 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	$ 3,072,111
Interest on net OPEB obligation	108,365
Adjustment to annual required contribution	(615,759)
Annual OPEB cost (expense)	2,564,717
Contribution made	(979,045)
Increase in net OPEB obligation	1,585,672
Net OPEB obligation, beginning of year	10,582,541
Net OPEB obligation, end of year	$ 12,168,213

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the years ended June 30, 2015, 2016, and 2017 are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2015	$ 1,802,625	$ 41.01%	$ 9,148,229
2016	2,444,597	58.67%	10,582,541
2017	2,564,717	38.20%	12,168,213

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015 actuarial valuation, the actuarial cost method used was Projected Unit Credit with service prorate**.** Under this method, the Actuarial Accrued Liability is the present value of projected benefits multiplied by the ratio of benefit service as of the valuation date to the projected benefit service at retirement, termination, disability or death. The Normal Cost for a plan year is the expected increase in the Accrued Liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the Employer were included in the valuation.

The June 30, 2017 actuarial valuation report was not completed at the time the audit was issued.

Medical cost trend rates ranged from an initial rate of 7.0% reduced to a rate of 5.0% after six years. The UAAL is being amortized at a level dollar method with the remaining amortization period at June 30, 2017 of 21 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.

Q. Adjustment to Beginning Net Position

With the implementation of GASB Statement No 68 & 71 the District relied upon information provided by CalSTRS and CalPERS in order to calculate their proportion of the net pension liability, deferred outflows of resources - pension related, and deferred inflows of resources - pension related. Proportionate share was determined based on the calculated proportionate share provided by CalSTRS and CalPERS. During the current year the district calculated proportionate share by taking contributions to the CalSTRS and CalPERS plans and dividing by plan total contributions. The result was a small change to proportionate share based on rounding variances in the proportionate share. Additionally, CalSTRS auditors made audit adjustments to CalSTRS records which affected beginning net position for the District and is also being adjusted.

Net Position, Beginning (As Originally Stated)	$ 15,628,167
Adjustments for:	
Net Pension Liability Corrections	242,710
Deferred Inflows of Resources - Pension Related Corrections	16,497
Net Position, Beginning (As Restated)	$ 15,887,374

R. Components of Ending Fund Balance

As of June 30, 2017 ending fund balance consisted of the following:

	Major Governmental Funds				
	General Fund	Building Fund	Blended Component Unit Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable Fund Balances					
Revolving Cash	$ 175,354	$ -	$ -	$ -	$ 175,354
Stores Inventories	207	-	-	39,644	39,851
Prepaid Items	4,543	-	-	343,982	348,525
Restricted Fund Balances					
California Clean Energy	576,891	-	-	-	576,891
Educational Programs	604,342	-	-	-	604,342
Capital Projects	-	-	-	19,127	19,127
Educator Effectiveness	165,215	-	-	-	165,215
Lottery: Instructional Materials	1,348,265	-	-	-	1,348,265
Assigned Fund Balances					
Capital Projects	-	100,782,354	39,935,890	1,875,410	142,593,654
Basic Air Reserve	5,579,715	-	-	-	5,579,715
Debt Service	-	-	-	12,205,393	12,205,393
Other	-	-	-	22,843	22,843
Donation Carryover	938,722	-	-	-	938,722
Deferred Maintenance	-	-	-	3,211	3,211
Unassigned Fund Balances					
For Economic Uncertainty	15,918,373	-	-	-	15,918,373
Total Fund Balance	$ 25,311,627	$ 100,782,354	$ 39,935,890	$ 14,509,610	$ 180,539,481

S. Commitments and Contingencies

Litigation

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

State and Federal Allowances, Awards, and Grants

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

T. Construction Commitments

As of June 30, 2017 the District had the following commitments with respect to unfinished capital projects:

Construction in Process:	Commitment	*Expected Date of Final Completion	Percentage Complete
Canyon Crest Academy Building B	$ 13,283,892	08/21/2017	71%
Earl Warren Middle School New Campus	45,643,158	08/21/2018	88%
San Dieguito HS Academy Math and Science Building	19,214,309	08/21/2017	82%

* Expected date of final completion subject to change

U. Subsequent Events

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

Financial impact of implementing GASB Statement No. 75 has not yet been determined; however, it is expected that the Net OPEB Obligation will significantly increase. The District is currently in contact with an actuary to determine the complete fiscal impact.

GASB Statement No. 81 - Irrevocable Split-Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement**.** Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

As of the date this audit report is issued, the District does not have any split-interest agreements. Consequently, implementation of GASB No 81 is not expected to have a financial or reporting impact on the District.

GASB Statement No. 85 - Omnibus 2017

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

1. Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.

2. Reporting amounts previously reported as goodwill and “negative” goodwill.

3. Classifying real estate held by insurance entities.

4. Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.

5. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.

6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements.

7. Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.

8. Classifying employer-paid member contributions for OPEB.

9. Simplifying certain aspects of the alternative measurement method for OPEB.

10. Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Financial impact of implementing GASB Statement No. 85 has not yet been determined.

<u>GASB Statement No. 86 - Certain Debt Extinguishment Issues</u>

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt**.** This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. The trust also is required to meet certain conditions for the transaction to qualify as an in-substance defeasance. This Statement establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt. However, in financial statements using the economic resources measurement focus, governments should recognize any difference between the reacquisition price (the amount required to be placed in the trust) and the net carrying amount of the debt defeased in substance using only existing resources as a separately identified gain or loss in the period of the defeasance.

Governments that defease debt using only existing resources should provide a general description of the transaction in the notes to financial statements in the period of the defeasance. In all periods following an in-substance defeasance of debt using only existing resources, the amount of that debt that remains outstanding at period-end should be disclosed.

For governments that extinguish debt, whether through a legal extinguishment or through an insubstance defeasance, this Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.

One of the criteria for determining an in-substance defeasance is that the trust hold only monetary assets that are essentially risk-free. If the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is not prohibited, governments should disclose that fact in the period in which the debt is defeased in substance. In subsequent periods, governments should disclose the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists.

As of the date this audit report was issued, the District did not have any defeasance of debt. Consequently, the implementation of GASB Statement No. 86 is not expected to have a fiscal impact on the District.

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 3,933,347	$ 4,470,477	$ 2,097,808	$ (2,372,669)
Education Protection Account Funds	2,493,800	2,493,800	2,481,470	(12,330)
Local Sources	97,723,245	97,270,496	99,482,163	2,211,667
Federal Revenue	4,204,260	4,258,241	4,163,847	(94,394)
Other State Revenue	13,249,282	15,368,355	15,373,247	4,892
Other Local Revenue	6,587,273	7,725,811	10,206,955	2,481,144
Total Revenues	128,191,207	131,587,180	133,805,490	2,218,310
Expenditures:				
Current:				
Certificated Salaries	68,559,283	68,824,482	69,269,371	(444,889)
Classified Salaries	21,023,575	21,058,818	20,192,913	865,905
Employee Benefits	27,064,115	27,401,422	27,502,336	(100,914)
Books And Supplies	3,563,180	6,679,385	4,510,612	2,168,773
Services And Other Operating Expenditures	13,138,927	13,890,420	12,862,943	1,027,477
Other Outgo	649,678	667,370	691,013	(23,643)
Capital Outlay	24,500	1,309,093	1,407,855	(98,762)
Debt Service:				
Principal	765,588	765,589	765,588	1
Interest	822,231	822,231	822,197	34
Total Expenditures	135,611,077	141,418,810	138,024,828	3,393,982
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,419,870)	(9,831,630)	(4,219,338)	5,612,292
Other Financing Sources (Uses):				
Transfers In	765,589	765,589	1,426,017	660,428
Transfers Out	(30,000)	(30,000)	(60,604)	(30,604)
Total Other Financing Sources (Uses)	735,589	735,589	1,365,413	629,824
Net Change in Fund Balance	(6,684,281)	(9,096,041)	(2,853,925)	6,242,116
Fund Balance, July 1	25,660,502	25,660,502	25,660,502	-
Fund Balance, June 30	$ 18,976,221	$ 16,564,461	$ 22,806,577	$ 6,242,116

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS-OTHER POST EMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Acturial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/09	$ -	$ 13,005,147	$ 13,005,147	-	$ 71,991,005	18.1%
6/30/11	-	15,210,567	15,210,567	-	60,639,000	25.1%
6/30/13	-	16,153,467	16,153,467	-	51,334,000	31.5%
6/30/15	-	26,746,596	26,746,596	-	51,854,000	51.6%

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

EXHIBIT B-2

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.1209%	0.1196%	0.1263%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 97,797,306	$ 80,535,333	$ 73,782,939	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
State's proportionate share of the net pension liability (asset) associated with the District	60,499,140	50,492,934	46,983,210	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	$ 158,296,446	$ 131,028,267	$ 120,766,149	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's covered-employee payroll	$ 68,951,765	$ 60,074,753	$ 55,280,293	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	141.83%	134.06%	133.47%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-3

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONA
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 8,674,132	$ 6,446,021	$ 4,908,890	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions in relation to the contractually required contribution	(8,674,132)	(6,446,021)	(4,908,890)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 68,951,765	$ 60,074,753	$ 55,280,293	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-4

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.1525%	0.1448%	0.1476%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 30,126,345	$ 21,336,448	$ 16,750,628	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's covered-employee payroll	$ 20,047,717	$ 18,471,841	$ 16,097,264	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	150.27%	115.51%	104.06%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-5

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 2,784,227	$ 2,188,359	$ 1,894,809	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions in relation to the contractually required contribution	(2,784,227)	(2,188,359)	(1,894,809)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 20,047,717	$ 18,471,841	$ 16,097,264	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions as a percentage of covered-employee payroll	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

Budgetary Comparison Schedule - General Fund

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

General Fund - Fund Financial Statements Ending Fund Balance	$	25,311,627
Less Fund 17 Fund Balance		2,505,050
General Fund - Budgetary Comparison Schedule Ending Fund Balance	$	22,806,577
General Fund - Fund Financial Statements Net Change in Fund Balance	$	(2,828,447)
Change in Fund Balance attributed to Fund 17		(25,478)
General Fund - Budgetary Comparison Schedule Change in Fund Balanc	$	(2,853,925)

Excess of Expenditures Over Appropriations

As of June 30, 2017, expenditures exceeded appropriations in individual budgeted funds as follows:

Appropriations Category		Excess Expenditures	Reason for Excess Expenditures
General Fund:			
Certificated Salaries	$	444,899	Unexpected increase in salaries for the year
Employee Benefits		100,914	Unexpected increase in costs for the year
Other Outgo		23,643	Indirect costs waived/Special Education expense excess
Capital Outlay		98,762	Additional California Clean Energy jobs cost

Schedule of District's Proportionate Share - California State Teachers Retirement System

1) Benefit Changes: In 2015, 2016 & 2017 there were no changes to benefits

2) Changes in Assumptions: In 2015, 2016 & 2017 there were no changes in assumptions

Schedule of District's Contributions - California State Teachers Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 & 2015, and rolling forward the total pension liability to June 30, 2015 & 2016**.** The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, and June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014	June 30, 2015	June 30, 2016
Experience Study	07/01/06 - 06/30/10	07/01/07 - 06/30/11	07/01/08 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increase:	2.00% Simple	2.00% Simple	2.00% Simple

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its RP2000 series tables adjusted to fit CalSTRS experience. RP 2000 series tables are an industry standard of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010, July 1, 2007 - June 30, 2011 and July 1, 2008 - June 30, 2012 Experience Analysis for more information.

Schedule of District's Proportionate Share - California Public Employees Retirement System

1) Benefit Changes: In 2015, 2016 & 2017 there were no changes to benefits

2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expense.

Schedule of District's Contributions - California Public Employees' Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014 & 2015, and rolling forward the total pension liability to June 30, 2015 & 2016**.** The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, and June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2014	June 30, 2015
Experience Study	07/01/96 - 06/30/10	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.50%
Consumer Price Inflation	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%
Post-retirement Benefit Increase:	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. For more details on this table, please refer to the April 2013 experience study (based on demographic data from 1996 through 2010), the April 2014 experience study (based on demographic data from 1997 to 2011) and the April 2015 experience study (based on demographic data from 1998 to 2012) available on the CalPERS website.

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, 2017

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	$ 319,942	$ 12,205,484	$ 1,520,406	$ 14,045,832
Cash on Hand and in Banks	142,490	-	-	142,490
Accounts Receivable	82,861	-	455,239	538,100
Due from Other Funds	31,324	-	-	31,324
Stores Inventories	39,644	-	-	39,644
Prepaid Expenditures	-	-	343,982	343,982
Total Assets	616,261	12,205,484	2,319,627	15,141,372
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 22,133	$ -	$ 81,108	$ 103,241
Due to Other Funds	408,131	-	-	408,131
Unearned Revenue	120,390	-	-	120,390
Total Liabilities	550,654	-	81,108	631,762
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	39,644	-	-	39,644
Prepaid Items	-	-	343,982	343,982
Restricted Fund Balances	-	-	19,127	19,127
Assigned Fund Balances	25,963	12,205,484	1,875,410	14,106,857
Total Fund Balance	65,607	12,205,484	2,238,519	14,509,610
Total Liabilities and Fund Balances	$ 616,261	$ 12,205,484	$ 2,319,627	$ 15,141,372

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, 2017

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	$ 485,422	$ -	$ -	$ 485,422
Other State Revenue	31,368	61,375	586	93,329
Other Local Revenue	2,092,909	14,075,199	1,363,979	17,532,087
Total Revenues	2,609,699	14,136,574	1,364,565	18,110,838
Expenditures:				
Current:				
Pupil Services	2,871,432	-	-	2,871,432
General Administration	-	-	38,948	38,948
Plant Services	-	-	548,572	548,572
Capital Outlay	-	-	620,719	620,719
Debt Service:				
Principal	-	10,305,000	288,040	10,593,040
Interest	-	15,058,853	55,942	15,114,795
Total Expenditures	2,871,432	25,363,853	1,552,221	29,787,506
Excess (Deficiency) of Revenues Over (Under) Expenditures	(261,733)	(11,227,279)	(187,656)	(11,676,668)
Other Financing Sources (Uses):				
Transfers In	30,604	6,847,340	-	6,877,944
Other Sources	-	2,764,497	-	2,764,497
Total Other Financing Sources (Uses)	30,604	9,611,837	-	9,642,441
Net Change in Fund Balance	(231,129)	(1,615,442)	(187,656)	(2,034,227)
Fund Balance, July 1	296,736	13,820,926	2,426,175	16,543,837
Fund Balance, June 30	$ 65,607	$ 12,205,484	$ 2,238,519	$ 14,509,610

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Adult Education Fund	Cafeteria Fund
ASSETS:		
Cash in County Treasury	$ 106,712	$ 187,421
Cash on Hand and in Banks	-	142,490
Accounts Receivable	151	82,556
Due from Other Funds	720	30,604
Stores Inventories	-	39,644
Total Assets	107,583	482,715
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ -	$ 22,133
Due to Other Funds	107,583	300,548
Unearned Revenue	-	120,390
Total Liabilities	107,583	443,071
Fund Balance:		
Nonspendable Fund Balances:		
Stores Inventories	-	39,644
Assigned Fund Balances	-	-
Total Fund Balance	-	39,644
Total Liabilities and Fund Balances	$ 107,583	$ 482,715

Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
$ 3,201	$ 22,608	$ 319,942
-	-	142,490
10	144	82,861
-	-	31,324
-	-	39,644
3,211	22,752	616,261
$ -	$ -	$ 22,133
-	-	408,131
-	-	120,390
-	-	550,654
-	-	39,644
3,211	22,752	25,963
3,211	22,752	65,607
$ 3,211	$ 22,752	$ 616,261

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, 2017

	Adult Education Fund	Cafeteria Fund
Revenues:		
Federal Revenue	$ -	$ 485,422
Other State Revenue	-	31,368
Other Local Revenue	-	2,091,901
Total Revenues	-	2,608,691
Expenditures:		
Current:		
Pupil Services	-	2,771,622
Total Expenditures	-	2,771,622
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(162,931)
Other Financing Sources (Uses):		
Transfers In	-	30,604
Total Other Financing Sources (Uses)	-	30,604
Net Change in Fund Balance	-	(132,327)
Fund Balance, July 1	-	171,971
Fund Balance, June 30	$ -	$ 39,644

Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
$ -	$ -	$ 485,422
-	-	31,368
32	976	2,092,909
32	976	2,609,699
-	99,810	2,871,432
-	99,810	2,871,432
32	(98,834)	(261,733)
-	-	30,604
-	-	30,604
32	(98,834)	(231,129)
3,179	121,586	296,736
$ 3,211	$ 22,752	$ 65,607

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2017

	Bond Interest & Redemption	Blended Component Unit	Total Nonmajor Debt Service Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	$ 12,205,484	$ -	$ 12,205,484
Total Assets	12,205,484	-	12,205,484
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Total Liabilities	-	-	-
Fund Balance:			
Assigned Fund Balances	$ 12,205,484	$ -	$ 12,205,484
Total Fund Balance	12,205,484	-	12,205,484
Total Liabilities and Fund Balances	$ 12,205,484	$ -	$ 12,205,484

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Bond Interest & Redemption	Blended Component Unit	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:			
Other State Revenue	$ 61,375	$ -	$ 61,375
Other Local Revenue	14,075,199	-	14,075,199
Total Revenues	14,136,574	-	14,136,574
Expenditures:			
Current:			
Debt Service:			
Principal	7,010,000	3,295,000	10,305,000
Interest	11,506,513	3,552,340	15,058,853
Total Expenditures	18,516,513	6,847,340	25,363,853
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,379,939)	(6,847,340)	(11,227,279)
Other Financing Sources (Uses):			
Transfers In	-	6,847,340	6,847,340
Other Sources	2,764,497	-	2,764,497
Total Other Financing Sources (Uses)	2,764,497	6,847,340	9,611,837
Net Change in Fund Balance	(1,615,442)	-	(1,615,442)
Fund Balance, July 1	13,820,926	-	13,820,926
Fund Balance, June 30	$ 12,205,484	$ -	$ 12,205,484

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2017

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	$ 1,473,992	$ 19,070	$ 27,344	$ 1,520,406
Accounts Receivable	455,101	57	81	455,239
Prepaid Expenditures	343,982	-	-	343,982
Total Assets	2,273,075	19,127	27,425	2,319,627
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 81,108	$ -	$ -	$ 81,108
Total Liabilities	81,108	-	-	81,108
Fund Balance:				
Nonspendable Fund Balances:				
Prepaid Items	343,982	-	-	343,982
Restricted Fund Balances	-	19,127	-	19,127
Assigned Fund Balances	1,847,985	-	27,425	1,875,410
Total Fund Balance	2,191,967	19,127	27,425	2,238,519
Total Liabilities and Fund Balances	$ 2,273,075	$ 19,127	$ 27,425	$ 2,319,627

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, 2017

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other State Revenue	$ 586	$ -	$ -	$ 586
Other Local Revenue	1,363,507	194	278	1,363,979
Total Revenues	1,364,093	194	278	1,364,565
Expenditures:				
Current:				
General Administration	38,948	-	-	38,948
Plant Services	548,572	-	-	548,572
Capital Outlay	620,719	-	-	620,719
Debt Service:				
Principal	288,040	-	-	288,040
Interest	55,942	-	-	55,942
Total Expenditures	1,552,221	-	-	1,552,221
Excess (Deficiency) of Revenues Over (Under) Expenditures	(188,128)	194	278	(187,656)
Net Change in Fund Balance	(188,128)	194	278	(187,656)
Fund Balance, July 1	2,380,095	18,933	27,147	2,426,175
Fund Balance, June 30	$ 2,191,967	$ 19,127	$ 27,425	$ 2,238,519

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, 2017

The San Dieguito Union School District was established in 1936 and is comprised of an area of approximately 85 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 five comprehensive middle schools for grades seven through eight, four comprehensive high schools for grades nine through twelve, and one continuation high school. The district also operates an adult education program.

Governing Board

Name	Office	Term and Term Expiration
Amy Herman	President	Four Year Term Expires December 2018
Joyce Dalessandro	Vice President	Four Year Term Expires December 2020
Beth Hergesheimer	Clerk	Four Year Term Expires December 2020
John Salazar	Trustee	Four Year Term Expires December 2018
Maureen "Mo" Muir	Trustee	Four Year Term Expires December 2018

Administration

Eric R. Dill
Superintendent

Vacant
Associate Superintendent
Business Services

Michael Grove, Ed. D.
Associate Superintendent
Educational Services

Mark Miller
Associate Superintendent
Administrative Services

Torrie Norton
Associate Superintendent
Human Resources

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2017

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Grades 7 and 8:				
Regular ADA	3,920.22	N/A	3,911.29	N/A
Extended Year Special Education	2.83	N/A	2.83	N/A
Nonpublic, Nonsectarian Schools	11.79	N/A	10.23	N/A
Extended Year - Nonpublic	1.55	N/A	1.55	N/A
Grades 7 and 8 Totals	3,936.39	N/A	3,925.90	N/A
Grades 9-12:				
Regular ADA	8,422.26	N/A	8,353.04	N/A
Extended Year Special Education	6.61	N/A	6.61	N/A
Nonpublic, Nonsectarian Schools	34.87	N/A	30.14	N/A
Extended Year - Nonpublic	5.51	N/A	5.48	N/A
Grades 9-12 Totals	8,469.25	N/A	8,395.27	N/A
ADA Totals	12,405.64	N/A	12,321.17	N/A

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

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

TABLE D-2

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2017

Grade Level	Ed. Code 46207 Minutes Requirement	2016-17 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 7	54,000	60,615	180	-	Complied
Grade 8	54,000	60,615	180	-	Complied
Grade 9	64,800	65,422	180	-	Complied
Grade 10	64,800	65,422	180	-	Complied
Grade 11	64,800	65,422	180	-	Complied
Grade 12	64,800	65,422	180	-	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

TABLE D-3

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2017

General Fund	Budget 2018 (See Note 1)	2017	2016	2015
Revenues and other financial sources	$ 130,149,789	$ 135,231,507	$ 128,005,715	$ 115,167,696
Expenditures, other uses and transfers out	137,556,457	138,085,432	123,745,499	113,371,198
Change in fund balance (deficit)	(7,406,668)	(2,853,925)	4,260,216	1,796,498
Ending fund balance	$ 15,399,909	$ 22,806,577	$ 25,660,502	$ 21,400,286
Available reserves (See Note 2)	$ 12,705,196	$ 19,931,760	$ 23,190,296	$ 19,723,539
Available reserves as a percentage of total outgo (See Note 3)	9.2%	14.4%	18.7%	17.9%
Total long-term debt	$ 574,105,316	$ 582,850,701	$ 476,207,572	$ 471,221,300
Average daily attendance at P-2	12,617	12,406	12,211	12,119

This schedule discloses the district's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the district's ability to continue as a going concern for a reasonable period of time.

The general fund balance has increased by $3,202,789 over the past three years. The fiscal year 2017-18 budget projects a decrease of $7,406,668. 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 $111,629,401 over the past two years.

Average daily attendance has increased by 287 over the past two years.

Notes:

1 Budget 2018 is included for analytical purposes only and has not been subjected to audit.
2 Available reserves consist of all assigned fund balances, unassigned fund balances, and all funds reserved for economic uncertainties contained within the General Fund.
3 GASB Statement No. 54 requires the inclusion of the Special Reserve Fund for Other Than Capital Outlay (Fund 17) with the General Fund for reporting purposes only. This schedule has been prepared without the inclusion of Fund 17.
4 On behalf payments of $5,145,466, $3,986,733, and $3,075,827, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2017, 2016, and 2015.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

	General Fund	Special Reserve Fund for Other Than Capital Outlay (Fund 17)
June 30, 2017, annual financial and budget report fund balances	$ 22,806,577	$ 2,505,050
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Inclusion for reporting purpuses under GASB 54	2,505,050	(2,505,050)
Net adjustments and reclassifications	2,505,050	(2,505,050)
June 30, 2017, audited financial statement fund balances	$ 25,311,627	$ -

	Schedule of Long-Term Debt
June 30, 2017 annual financial and budget report total liabilities	$ 557,026,822
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
General obligation bonds overstatement	(433,387)
Special tax bonds understatement	448,405
Net pension liability understatement	25,808,861
Net adjustments and reclassifications	25,823,879
June 30, 2017 audited financial statement total liabilities	$ 582,850,701

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.

No charter schools are chartered by San Dieguito Union High School District.

Charter Schools	Included In Audit?
None	N/A

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT **TABLE D-6**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
U. S. Department of Agriculture				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	$ -	$ 112,869
Non-Cash Commodities	10.555	13396	-	92,184
National School Lunch Section 11	10.555	13396	-	233,890
National School Lunch Section 4	10.555	13523	-	45,489
Total Passed Through State Department of Education			-	484,432
Total U. S. Department of Agriculture			-	484,432
Total Child Nutrition Cluster			-	484,432
SPECIAL EDUCATION (IDEA) CLUSTER:				
U. S. Department of Education				
Passed Through State Department of Education:				
Special Education Early Intervention	84.027	10119	-	79,073
Special Education	84.027	13379	-	1,797,935
Special Education Mental Health	84.027	14468	-	140,885
Total Passed Through State Department of Education			-	2,017,893
Total U. S. Department of Education			-	2,017,893
Total Special Education (IDEA) Cluster			-	2,017,893
OTHER PROGRAMS:				
U. S. Department of Education				
Passed Through State Department of Education:				
Title I Part A	84.010	14109	-	829,203
Vocational Education	84.048	14894	-	130,631
Workability	84.158	10006	-	213,679
Advanced Placement Testing	84.330	14831	-	15,922
Title III Limited English Proficiency	84.365	14346	-	53,219
Title III Immigrant Education	84.365	15146	-	30,766
Title II Teacher Quality	84.367	14341	-	197,264
Title II Administrator	84.367	14344	-	4,468
Total Passed Through State Department of Education			-	1,475,152
Total U. S. Department of Education			-	1,475,152
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 3,977,477

The accompanying notes are an integral part of this schedule.

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of San Dieguito Union High School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 4.77% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The School did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

Program	CFDA #	Indirect Cost Rate
Title III Limited English Proficiency	84.365	2.00%
Carl D. Perkins	84.048	3.50%

Schoolwide Program

The District does not operate a schoolwide program at any site.

Other Independent Auditor's Reports

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. King, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

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

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Dieguito Union High School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise San Dieguito Union High School District's basic financial statements, and have issued our report thereon dated December 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the San Dieguito Union High School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the San Dieguito Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the San Dieguito Union High School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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Purpose of this Report

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 13, 2017

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. King, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the San Dieguito Union High School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the San Dieguito Union High School District's major federal programs for the year ended June 30, 2017. San Dieguito Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of San Dieguito Union High School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the San Dieguito Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the San Dieguito Union High School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the San Dieguito Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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Report on Internal Control Over Compliance

Management of the San Dieguito Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the San Dieguito Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the San Dieguito Union High School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 13, 2017

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. King, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report on State Compliance

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

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2017.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810**.** We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing* Standards issued by the Comptroller General of the United States; and the State's audit guide, *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Compliance Requirements	Procedures in Audit Guide Performed?
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	N/A
Independent Study	No
Continuation Education	Yes

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

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

Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	N/A
Before School	N/A
General Requirements	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
Immunizations	Yes

CHARTER SCHOOLS:

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

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

We did not perform testing for Independent Study. The procedure was not required to be performed since the ADA was below that which requires testing.

Opinion on State Compliance

In our opinion, San Dieguito Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2017.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
December 13, 2017

Findings and Recommendations Section

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
One or more material weaknesses identified?	___ Yes	X No
One or more significant deficiencies identified that are not considered to be material weaknesses?	___ Yes	X None Reported
Noncompliance material to financial statements noted?	___ Yes	X No

2. Federal Awards

Internal control over major programs:		
One or more material weaknesses identified?	___ Yes	X No
One or more significant deficiencies identified that are not considered to be material weaknesses?	___ Yes	X None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	___ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X Yes	___ No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting?	___ Yes	X No
Type of auditor's report issued on compliance for state programs:	Unmodified	

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

NONE

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Finding 2016-001 (30000) Student Body Funds In our review of the receipts and deposits at Pacific Trails Middle School, we noted five out of six deposits had inadequate support for the cash collected as no cash transmittal forms or other support for the deposits were available. The point of sale system is not being utilized properly and effectively for the collection and documentation of individual sales and fundraiser receipts. Also sales of merchandise do not have proper support documentation such as cash transmittal forms. Provide inservice training on the point of sale system to the individuals involved in daily student body account operations, including clerks and advisors. Ensure all individual student sales are processed and receipted through the point of sale system and establish procedures to utilize a proper cash transmittal form for all other group fundraiser and event sales. All other outside fundraiser and event sales should have proper support in the form of a cash transmittal completed and signed by the individual collecting the funds with an additional verification signature by the individual receiving the funds for subsequent deposit. All outside fundraiser and event sales should also be posted to the point of sale system upon receipt.	Implemented	