

San Dieguito Union High School District

INFORMATION REGARDING BOARD AGENDA ITEM

TO: BOARD OF TRUSTEES

DATE OF REPORT: January 7, 2019

BOARD MEETING DATE: January 17, 2019

PREPARED BY: Dawn Campbell, Director of Fiscal Services
Tina Douglas, Associate Superintendent,
Business Services

SUBMITTED BY: Robert A. Haley, Ed.D., Superintendent

SUBJECT: ACCEPTANCE OF THE 2017-18 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 97 through 99 of the audit report; however, 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 2017-18 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, 2018

Introductory Section

San Dieguito Union High School District
 Audit Report
 For The Year Ended June 30, 2018

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Financial Section



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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, 2018, 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, 2018, 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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Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, San Dieguito Union High School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of changes in the District's total OPEB liability and related ratios 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, *2017-18 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 12, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Dieguito Union High School District's internal control over financial reporting and compliance.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 12, 2018

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

This section of San Dieguito Union High School District's (District) annual financial report presents management's discussion and analysis of the District's financial performance during the year ending June 30, 2018. 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 2018 are as follows:

- Total governmental fund net position is (\$42,642,587), after the total net pension liability of \$159,953,547 and total OPEB liability of \$29,392,965 have been applied.
- The state wide average for the cost of living adjustment was 1.56%

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, deferred outflows of resources, deferred inflows of resources, and liabilities of the District, with the difference 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 twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund for blended component units, 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 and deferred inflows of resources exceeded assets and deferred outflows of resources by \$42.7 million at the close of the most recent fiscal year, after applying the net pension liability of \$157.0 million and total OPEB liability of \$29.3 million.

2017-18 NET POSITION

(In Millions of Dollars)

	Governmental Activities		2017-18 % of Total	Total % Change over 16-17
	2016-17	2017-18		
Current and Other Assets	191.1	168.9	29%	-11.6%
Capital Assets	379.6	419.2	71%	10.4%
Total Assets	\$ 570.7	\$ 588.1		3.0%
Deferred Outflows of Resources	22.1	55.0		
Long Term Debt Outstanding	582.9	648.4	97%	11.2%
Other Liabilities	15.6	19.4	3%	24.4%
Total Liabilities	\$ 598.5	\$ 667.8		11.6%
Deferred Inflows of Resources	6.5	18.0		
Net Position:				
Net Investment in Capital Assets	27.8	51.3	-120%	45.8%
Restricted Educational Programs	2.1	2.2	-5%	4.5%
Restricted Other Purposes	13.3	0.9	-2%	-93.2%
Unrestricted	(55.4)	(97.1)	127%	-42.9%
Total Net Position	\$ (12.2)	\$ (42.7)		-71.4%

Governmental activities. The key elements of the District’s net position for the year ended June 30, 2018 are as follows:

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

	<u>Governmental Activities</u>		<u>% of Total</u>	<u>% change</u>
	<u>2016-17</u>	<u>2017-18</u>		
<u>Revenues</u>				
Program revenues				
Charges for services	2,294,835	2,269,619	1.33%	-1.1%
Operating grants and contributions	19,596,575	16,033,319	9.39%	-18.2%
Capital grants and contributions	195	291	0.00%	49.2%
General revenues				
Property taxes	121,443,272	128,655,381	75.38%	5.9%
Federal and state aid not restricted to specific purposes	10,363,383	7,538,020	4.42%	-27.3%
Interest and investment earnings	1,979,672	2,295,775	1.35%	16.0%
Interagency revenues	175,077	108,950	0.06%	-37.8%
Miscellaneous	5,540,745	13,772,083	8.07%	148.6%
Total revenues	<u>\$ 161,393,754</u>	<u>\$ 170,673,438</u>	<u>100.00%</u>	<u>5.7%</u>
<u>Expenditures by Function</u>				
Governmental activities				
Instruction	94,415,868	89,085,838	47.76%	-5.6%
Instruction-related services	16,636,233	15,871,918	8.51%	-4.6%
Pupil Services	19,459,220	17,899,151	9.60%	-8.0%
General Administration	7,704,553	9,547,458	5.12%	23.9%
Plant Services	28,141,422	30,310,067	16.25%	7.7%
Ancillary Services	2,966,770	3,088,082	1.66%	4.1%
Enterprise Activities	1,308,122	1,440,062	0.77%	10.1%
Interest on long-term debt	17,367,528	18,329,490	9.83%	5.5%
Other outgo	1,436,990	964,016	0.52%	-32.9%
Depreciation (unallocated)	-	-	-	-
	<u>\$ 189,436,706</u>	<u>\$ 186,536,082</u>	<u>100.00%</u>	<u>-1.5%</u>
Increase (decrease) in net position	<u>\$ (28,042,952)</u>	<u>\$ (15,862,644)</u>		
Net position - beginning (restated due to accounting regulation changes - Note P, Total OPEB Liability)	<u>\$ 15,887,374</u>	<u>\$ (26,779,943)</u>		
Net position - ending	<u>\$ (12,155,578)</u>	<u>\$ (42,642,587)</u>		

- **Operating grants and contributions:** Decrease of \$3.6 Mil (-18.2%) – due to a decrease in the Career Technical Education (CTE) Incentive Grant and the Proposition 39 Clean Energy Jobs Act funds.
- **Property Tax:** Increase of \$7.2 Mil (+5.9%) – 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 \$2.8 Mil (-27.3%) – due to a decrease in one-time mandated cost reimbursement funds.
- **Interest and Investment Earnings:** Increase of \$316K (+16.0%) from interest earned in the Capital Project Funds.

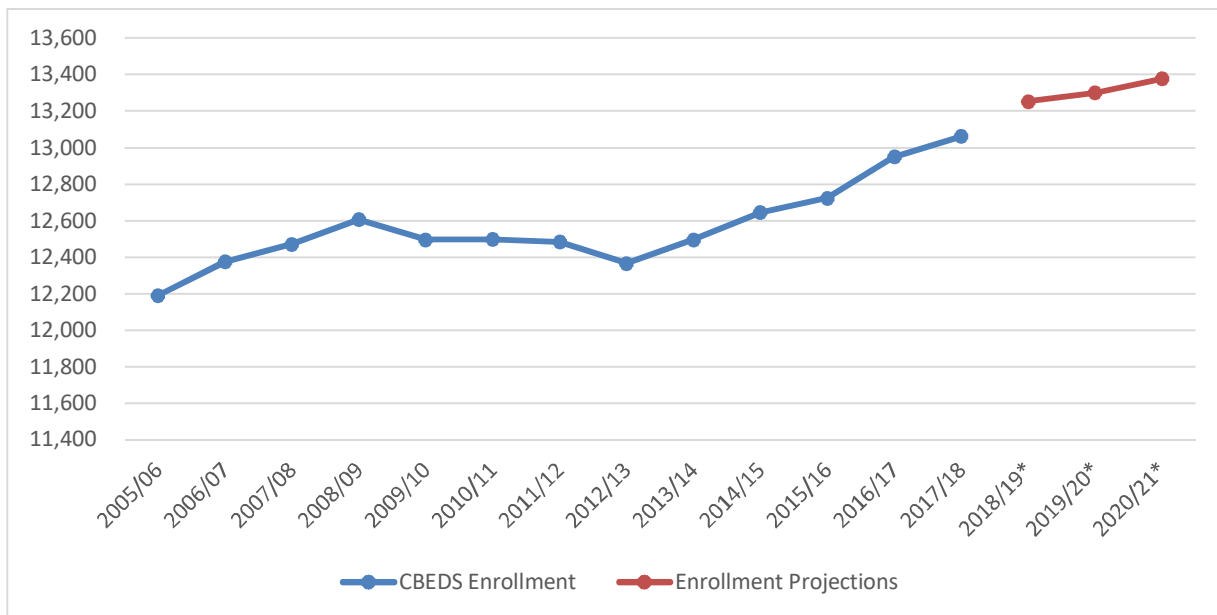
- The District was classified as a “Basic Aid” district, until 2014/15. This means the local property taxes collected exceeded the funded Local Control Funding Formula (LCFF) entitlement provided by the state. The District became a Basic Aid district in 2008/09 following state funding cuts to the revenue limit. In 2014/15, the district switched to an LCFF funded district, when the LCFF entitlement exceeded the property tax collected in the district.
- The District remains funded through the Local Control Funding Formula (LCFF) for the 2018/19 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	13,063		
2018/19*		13,254	
2019/20*		13,301	
2020/21*		13,378	

*Estimated

Enrollment Trends 10 Year History / 3 Year Projection



Financial Analysis of the District’s Funds

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

Governmental funds. The focus of the District’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$155.5 million; a decrease of \$25 million over the previous year. The general fund had a fund balance decrease of approximately \$3.13 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 \$89.0 million while the associated employee benefits of retirement, social security, Medicare, insurance (medical, dental, life, and accident), workers’ compensation, and unemployment added \$29.5 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 \$22.2 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 2018, the \$13.2 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, 2018 was \$66,705.

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 \$6.4 million or 4.6% in total general fund expenditures. This increase was in several categories, but most of the increase was in instructional materials and supplies.
- During the year, actual revenue received exceeded original budgetary estimates by \$813K, or 0.6%, 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 these bonds in the amount of \$157.7 million to fund capital projects. The second series of these bonds were issued in April 2015 in the amount of \$110 million. The third series of these bonds were issued in July 2016 in the amount of \$61.2 million. The fourth series of these bonds were issued in May 2018 in the amount of \$25 million. The District website provides ongoing updates on Proposition AA Bond projects.

The completed capital projects in 2017-2018 included the following: Canyon Crest Academy Building B; and La Costa Canyon Media Center Landscaping. Capital funds were used for many other projects throughout the district, to be completed in 2018-2019 or subsequent years.

Capital assets and accumulated depreciation at June 30, 2017 and 2018 are outlined below:

	June 30, 2017	June 30, 2018	Total Change
Land	\$ 66,592,151	\$ 66,592,151	\$ -
Improvement of Sites	70,628,402	72,392,054	1,763,652
Buildings	328,067,855	330,047,893	1,980,038
Equipment	25,113,887	26,430,605	1,316,718
Work in Progress	20,026,419	72,636,695	52,610,276
Accumulated Depreciation	(130,787,572)	(148,935,067)	(18,147,495)
Total Capital Assets, Net	<u>\$ 379,641,142</u>	<u>\$ 419,164,331</u>	<u>\$ 39,523,189</u>

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

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

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

Interest on the bonds is payable semiannually each February 1 and August 1, and bear interest 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 \$93.6 million in outstanding special tax revenue bonds, as of June 30, 2018.

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 these bonds in the amount of \$157.7 million. The second series of these bonds were issued in April 2015 in the amount of \$110 million. The third series of these bonds were issued in July 2016 in the amount of \$61.2 million. The fourth series of these bonds were issued in May 2018 in the amount of \$25 million. The District currently has \$352.3 million outstanding in general obligation bonds, as of June 30, 2018. Long-term debt of the District as of June 30, 2018 is as follows:

	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>Total Change</u>
General Obligation Bonds	\$ 331,331,861	\$ 352,310,414	\$ 20,978,553
Capital Leases	0	866,396	866,396
Special Tax Bonds	96,049,855	93,620,197	(2,429,658)
Lease Revenue Bonds	12,484,041	12,511,370	27,329
State School Building Loan	1,213,500	902,695	(310,805)
Total Long-Term Debt	<u>\$ 441,079,257</u>	<u>\$ 460,211,072</u>	<u>\$ 19,131,815</u>

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, 2018

	Governmental Activities
ASSETS:	
Cash	\$ 164,292,404
Receivables	4,204,552
Stores	66,706
Prepaid Expenses	348,775
Capital Assets:	
Land	66,592,151
Improvements	72,392,054
Buildings	330,047,893
Equipment	26,430,605
Work in Progress	72,636,695
Less Accumulated Depreciation	(148,935,067)
Total Assets	<u>588,076,768</u>
DEFERRED OUTFLOWS OF RESOURCES	55,040,282
LIABILITIES:	
Accounts Payable	17,738,893
Unearned Revenue	1,645,941
Long-Term Liabilities:	
Due Within One Year	8,762,229
Due in More Than One Year	639,626,800
Total Liabilities	<u>667,773,863</u>
DEFERRED INFLOWS OF RESOURCES	17,985,774
NET POSITION	
Net Investment in Capital Assets	51,320,696
Restricted for:	
Educational Programs	2,224,076
Other Purposes (expendable)	351,418
Other Purposes (nonexpendable)	590,868
Unrestricted	(97,129,645)
Total Net Position	<u>\$ (42,642,587)</u>

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICTSTATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 89,085,838	\$ -	\$ 11,818,164	\$ 291	\$ (77,267,383)
Instruction-Related Services:					
Instructional Supervision and Administration	5,034,034	-	1,176,083	-	(3,857,951)
Instructional Library, Media and Technology	1,057,987	-	3,928	-	(1,054,059)
School Site Administration	9,779,897	-	207,922	-	(9,571,975)
Pupil Services:					
Home-to-School Transportation	5,079,286	-	2,665	-	(5,076,621)
Food Services	2,880,627	2,164,221	504,224	-	(212,182)
All Other Pupil Services	9,939,238	-	1,210,027	-	(8,729,211)
General Administration:					
Centralized Data Processing	1,892,610	-	-	-	(1,892,610)
All Other General Administration	7,654,848	105,398	267,131	-	(7,282,319)
Plant Services	30,310,067	-	623,958	-	(29,686,109)
Ancillary Services	3,088,082	-	22,455	-	(3,065,627)
Enterprise Activities	1,440,062	-	-	-	(1,440,062)
Interest on Long-Term Debt	18,329,490	-	-	-	(18,329,490)
Other Outgo	964,016	-	196,762	-	(767,254)
Total Expenses	\$ 186,536,082	\$ 2,269,619	\$ 16,033,319	\$ 291	\$ (168,232,853)

General Revenues:

Taxes and Subventions:

Taxes Levied for General Purposes	105,606,823
Taxes Levied for Debt Service	14,644,313
Taxes Levied for Other Specific Purposes	8,404,245
Federal and State Aid Not Restricted to Specific Programs	7,538,020
Interest and Investment Earnings	2,295,775
Interagency Revenues	108,950
Miscellaneous	13,772,083

Total General Revenues

\$ 152,370,209

Change in Net Position

(15,862,644)

Net Position Beginning-Restated (Note P)

(26,779,943)

Net Position Ending

\$ (42,642,587)

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2018

	General Fund	Building Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash in County Treasury	\$ 24,704,005	\$ 91,476,147
Cash on Hand and in Banks	2,909	-
Cash in Revolving Fund	175,388	-
Cash with a Fiscal Agent/Trustee	-	10,466
Accounts Receivable	2,688,497	385,054
Due from Other Funds	739,028	-
Stores Inventories	207	-
Prepaid Expenditures	4,570	-
Total Assets	<u>28,314,604</u>	<u>91,871,667</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 3,824,789	\$ 6,393,055
Due to Other Funds	793,101	2
Unearned Revenue	1,519,893	-
Total Liabilities	<u>6,137,783</u>	<u>6,393,057</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	175,388	-
Stores Inventories	207	-
Prepaid Items	4,570	-
Restricted Fund Balances	2,518,514	-
Committed Fund Balances	-	-
Assigned Fund Balances	6,264,215	85,478,610
Unassigned:		
Reserve for Economic Uncertainty	13,213,927	-
Total Fund Balance	<u>22,176,821</u>	<u>85,478,610</u>
Total Liabilities and Fund Balances	<u>\$ 28,314,604</u>	<u>\$ 91,871,667</u>

The accompanying notes are an integral part of this statement.

Capital Projects Fund For Blended Component Units	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 12,889,860	\$ 129,070,012
6,988,386	104,253	7,095,548
-	-	175,388
27,522,984	-	27,533,450
89,332	1,015,827	4,178,710
-	181,952	920,980
-	66,498	66,705
-	344,205	348,775
<u>34,600,702</u>	<u>14,602,595</u>	<u>169,389,568</u>
\$ 61,656	\$ 437,148	\$ 10,716,648
-	739,631	1,532,734
-	126,049	1,645,942
<u>61,656</u>	<u>1,302,828</u>	<u>13,895,324</u>
-	-	175,388
-	66,498	66,705
-	344,205	348,775
-	56,980	2,575,494
-	3,260	3,260
34,539,046	12,828,824	139,110,695
-	-	13,213,927
<u>34,539,046</u>	<u>13,299,767</u>	<u>155,494,244</u>
<u>\$ 34,600,702</u>	<u>\$ 14,602,595</u>	<u>\$ 169,389,568</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2018

Fund balances, governmental funds \$ 155,494,244

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:	568,099,398	
Accumulated depreciation:	(148,935,067)	
Net:		419,164,331

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was: (7,022,230)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	352,310,414	
State school building loans payable	902,695	
Compensated absences payable	1,831,445	
Lease revenue bonds payable	12,511,370	
Total OPEB liability	15,593,699	
Capital leases payable	866,396	
Net pension liability	156,953,547	
Other general long-term debt	93,620,197	
Total:		(634,589,763)

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	54,425,299
Deferred inflows of resources relating to pensions	(17,985,774)

Deferred outflows and inflows of resources related to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported.

Deferred outflows of resources relating to OPEB	614,983
Deferred inflows of resources relating to OPEB	-

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: (12,743,677)

Total net position, governmental activities \$ (42,642,587)

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, 2018

	<u>General Fund</u>	<u>Building Fund</u>
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 352,585	\$ -
Education Protection Account Funds	2,506,336	-
Local Sources	105,146,360	-
Federal Revenue	3,794,025	-
Other State Revenue	13,571,420	12,990
Other Local Revenue	9,933,657	9,634,418
Total Revenues	<u>135,304,383</u>	<u>9,647,408</u>
Expenditures:		
Current:		
Instruction	83,261,243	-
Instruction - Related Services	15,162,683	-
Pupil Services	14,404,791	-
Ancillary Services	3,038,242	-
General Administration	7,116,297	-
Plant Services	12,623,156	988,631
Other Outgo	779,233	174,534
Capital Outlay	1,020,356	48,173,927
Debt Service:		
Principal	765,588	-
Interest	822,150	-
Total Expenditures	<u>138,993,739</u>	<u>49,337,092</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,689,356)</u>	<u>(39,689,684)</u>
Other Financing Sources (Uses):		
Transfers In	765,589	-
Transfers Out	(211,039)	(765,589)
Proceeds From Sale of Bonds	-	25,000,000
Other Sources	-	151,528
Total Other Financing Sources (Uses)	<u>554,550</u>	<u>24,385,939</u>
Net Change in Fund Balance	(3,134,806)	(15,303,745)
Fund Balance, July 1	25,311,627	100,782,355
Fund Balance, June 30	<u>\$ 22,176,821</u>	<u>\$ 85,478,610</u>

The accompanying notes are an integral part of this statement.

Capital Projects Fund For Blended Component Units	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 352,585
-	-	2,506,336
-	-	105,146,360
-	525,657	4,319,682
-	94,296	13,678,706
8,421,933	18,762,100	46,752,108
<u>8,421,933</u>	<u>19,382,053</u>	<u>172,755,777</u>
-	-	83,261,243
-	-	15,162,683
-	2,856,413	17,261,204
-	-	3,038,242
-	189,129	7,305,426
632,845	809,680	15,054,312
-	10,250	964,017
6,928,549	1,498,190	57,621,022
-	7,015,805	7,781,393
-	16,976,173	17,798,323
<u>7,561,394</u>	<u>29,355,640</u>	<u>225,247,865</u>
<u>860,539</u>	<u>(9,973,587)</u>	<u>(52,492,088)</u>
-	7,203,930	7,969,519
(7,022,891)	-	(7,999,519)
-	-	25,000,000
765,508	1,559,814	2,476,850
<u>(6,257,383)</u>	<u>8,763,744</u>	<u>27,446,850</u>
(5,396,844)	(1,209,843)	(25,045,238)
39,935,890	14,509,610	180,539,482
<u>\$ 34,539,046</u>	<u>\$ 13,299,767</u>	<u>\$ 155,494,244</u>

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, 2018

Total change in fund balances, governmental funds \$ (25,045,238)

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:	58,596,528	
Depreciation expense:	<u>(18,147,495)</u>	
Net:		40,449,033

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: 7,781,393

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: (27,476,849)

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: (1,094,808)

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: (151,865)

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: (8,197,696)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: (354,349)

Cost write-off for canceled capital projects. If a planned capital project is canceled and will not be completed, costs previously capitalized as Work in Progress must be written off to expense. Costs written off for canceled projects were: (925,844)

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: 563,641

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:

(1,410,062)

Change in net position of governmental activities

\$ (15,862,644)

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, 2018

	Nonmajor Internal Service Fund
	Self-Insurance Fund
ASSETS:	
Current Assets:	
Cash in County Treasury	\$ 418,006
Accounts Receivable	25,842
Due from Other Funds	615,038
Total Current Assets	<u>1,058,886</u>
Total Assets	<u>1,058,886</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 13
Due to Other Funds	3,284
Total Current Liabilities	<u>3,297</u>
Noncurrent Liabilities:	
Other Postemployment Benefits	13,799,266
Total Noncurrent Liabilities	<u>13,799,266</u>
Total Liabilities	<u>13,802,563</u>
NET POSITION:	
Unrestricted (Deficit)	(12,743,677)
Total Net Position	<u>\$ (12,743,677)</u>

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - INTERNAL SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Operating Revenues:	
Local Revenue	\$ 854,217
Total Revenues	<u>854,217</u>
Operating Expenses:	
Services and Other Operating Expenses	<u>2,294,279</u>
Total Expenses	<u>2,294,279</u>
Income (Loss) before Contributions and Transfers	(1,440,062)
Interfund Transfers In	<u>30,000</u>
Change in Net Position	(1,410,062)
Total Net Position - Beginning	(11,333,615)
Total Net Position - Ending	<u>\$ (12,743,677)</u>

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2018

	Nonmajor Internal Service Fund
	Self-Insurance Fund
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$ 1,107,735
Cash Payments to Other Suppliers for Goods and Services	(2,294,266)
Net Cash Provided (Used) by Operating Activities	<u>(1,186,531)</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	19,750
Net Cash Provided (Used) for Investing Activities	<u>19,750</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,166,781)
Cash and Cash Equivalents at Beginning of Year	1,584,787
Cash and Cash Equivalents at End of Year	<u>\$ 418,006</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (1,410,062)
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	2,599
Decrease (Increase) in Due From Other Funds	(599,115)
Increase (Decrease) in Payables	13
Increase (Decrease) in Due to Other Funds	(791,269)
Increase (Decrease) in Total OPEB Liability	1,631,053
Total Adjustments	<u>243,281</u>
Net Cash Provided (Used) by Operating and Investing Activities	<u>\$ (1,166,781)</u>

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2018

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	\$ 1,836,537
Total Assets	<u>1,836,537</u>
LIABILITIES:	
Due to Student Groups	\$ 1,836,537
Total Liabilities	<u>1,836,537</u>
NET POSITION:	
Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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. 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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
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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.

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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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
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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:

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

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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) is merged with the General Fund for purposes of presentation in the audit report.

9. Pensions

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

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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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

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, 2018. Those newly implemented pronouncements are as follows:

GASB 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 (OPEB). This statement replaces the requirements of GASB 45 and GASB 57. This statement establishes standards for recognizing and measuring OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also 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 for defined benefit OPEB.

The District provides a defined benefit OPEB plan that is not administered through a trust, but meets the criteria specified in GASB 75. As a result, the District has adjusted measurement of OPEB liability, OPEB expense, and related deferred outflows and inflows of resources in compliance with GASB 75. The change in accounting policies resulted in an adjustment to beginning net position in order to accurately reflect current period transactions. Additional note disclosures regarding OPEB liability, OPEB expense, and related deferred inflows and outflows of resources are located in Note N. Additional note disclosures regarding the adjustment to beginning net position resulting from this change in accounting policy are located in Note P.

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GASB 81 - Irrevocable Split-Interest Agreements

The primary 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. This statement requires that a government receiving resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This statement also 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. In addition, this statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The District does not receive resources pursuant to an irrevocable split-interest agreement, nor does the District have any beneficial interests in irrevocable split interest agreements as of June 30, 2018. The District has adopted the accounting policies in the event that the District obtains a beneficial interest in a future split-interest agreement. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 81.

GASB 85 - Omnibus 2017

The primary objective of this statement is to address practice issues that were 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 OPEB). The statement was issued as a clarifying measure to previously issued statements.

The implementation of this statement resulted in a change in how the District recognizes on-behalf payments for the special funding situation for CalSTRS pension. The results of implementing these accounting policies did not have a material effect on the financial statements and did not affect previous periods.

GASB 86 - Certain Debt Extinguishment Issues

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, other than proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial statements for debt that is defeased in substance.

The District does not have any in-substance defeasance of debt as of June 30, 2018. The District has adopted the accounting policies in the event that the District extinguishes debt through use of a legal extinguishment or through an in-substance defeasance in a future period. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 86.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
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2. Deficit Fund Balance or Fund Net Position of Individual Funds

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

<u>Fund Name</u>	<u>Deficit Amount</u>
Self Insurance Fund	12,743,677

Remarks

Consistent with the requirements in GASB Statement No. 75 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 (\$129,488,018 as of June 30, 2018). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$129,488,018. 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 (\$8,932,085 as of June 30, 2018) and in the revolving fund (\$175,388) 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. Cash with Fiscal Agent

The District's cash with fiscal agent at June 30, 2018 is shown below.

<u>Account Type</u>	<u>Maturity</u>	<u>Fair Value</u>
U.S. Treasury Bonds	<30 Days	\$ 754,502
Money Market Funds	<30 Days	26,778,948
Total Cash with Fiscal Agent		<u>\$ 27,533,450</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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4. Investments Authorized by the California Government Code and the District's Investment Policy

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

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

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. At year end the District was not exposed to credit risk.

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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, 2018, the District's bank balances (including revolving cash) of \$9,107,473 was not exposed to custodial credit risk. \$9,027,407 is insured with a federal credit union.

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. Investment Accounting Policy

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

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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, 2018 consisted of:

	Major Governmental Funds				Total Governmental Funds
	General Fund	Building Fund	Blended Component Unit Fund	Nonmajor Governmental Funds	
Federal Government:					
Title I Part A	\$ 630,507	\$ -	\$ -	\$ -	\$ 630,507
Workability	115,881	-	-	-	115,881
Other Federal Programs	76,963	-	-	22,855	99,818
State Government:					
Mental Health	189,873	-	-	-	189,873
Lottery	506,432	-	-	-	506,432
Other State Programs	123,607	-	-	1,767	125,374
Local Sources:					
Busses Reimbursement	-	-	-	866,396	866,396
Interest	169,122	382,710	-	10,625	562,457
Other Local Revenues	876,112	2,344	89,332	114,184	1,081,972
Totals	<u>\$ 2,688,497</u>	<u>\$ 385,054</u>	<u>\$ 89,332</u>	<u>\$ 1,015,827</u>	<u>\$ 4,178,710</u>
	Self Insurance Fund				
Local Sources:					
Interest	\$ 4,301				
Other Local Revenues	21,541				
Totals	<u>\$ 25,842</u>				

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

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E. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 66,592,151	\$ -	\$ -	\$ 66,592,151
Work in progress	20,026,419	52,610,276	-	72,636,695
Total capital assets not being depreciated	<u>86,618,570</u>	<u>52,610,276</u>	<u>-</u>	<u>139,228,846</u>
Capital assets being depreciated:				
Buildings	328,067,855	1,980,038	-	330,047,893
Improvements	70,628,402	1,763,652	-	72,392,054
Equipment	25,113,887	1,316,718	-	26,430,605
Total capital assets being depreciated	<u>423,810,144</u>	<u>5,060,408</u>	<u>-</u>	<u>428,870,552</u>
Less accumulated depreciation for:				
Buildings	(89,317,088)	(11,973,621)	-	(101,290,709)
Improvements	(27,114,713)	(4,802,611)	-	(31,917,324)
Equipment	(14,355,771)	(1,371,263)	-	(15,727,034)
Total accumulated depreciation	<u>(130,787,572)</u>	<u>(18,147,495)</u>	<u>-</u>	<u>(148,935,067)</u>
Total capital assets being depreciated, net	<u>293,022,572</u>	<u>(13,087,087)</u>	<u>-</u>	<u>279,935,485</u>
Governmental activities capital assets, net	<u>\$ 379,641,142</u>	<u>\$ 39,523,189</u>	<u>\$ -</u>	<u>\$ 419,164,331</u>

Depreciation was charged to functions as follows:

Instruction	\$ 2,142,067
Instruction-Related Services	1,511
Pupil Services	137,680
Ancillary Services	1,455
General Administration	115,181
Plant Services	15,749,601
	<u>\$ 18,147,495</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2018 consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Self Insurance Fund	\$ 3,284	Clear suspense
General Fund	Cafeteria Fund	149,778	Indirect/Temporary loan
General Fund	Adult Education Fund	1,129	Expense reimburse/loan
General Fund	Capital Facilities Fund	28,032	Administrative fees
Adult Education Fund	General Fund	5	Expense reimbursement
Cafeteria Fund	General Fund	181,947	Cover program costs
Self Insurance Fund	General Fund	611,149	OPEB contribution
General Fund	Pupil Transportation Fund	550,250	Cover commercial warrants
Self Insurance Fund	Capital Facilities Fund	1	OPEB contribution
Self Insurance Fund	Cafeteria Fund	3,888	OPEB contribution
General Fund	Capital Facilities Fund	6,555	OPEB contribution
	Total	<u>\$ 1,536,018</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2018, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Self Insurance Fund	\$ 30,000	Insurance reimbursement
General Fund	Cafeteria Fund	181,039	Contribution
Building Fund	General Fund	765,589	Transfer debt service principal
Component Units Fund (49)	Component Units Fund (52)	7,022,891	Debt service
	Total	<u>\$ 7,999,519</u>	

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. During the year ended June 30, 2018 the District did not enter into any short-term agreements.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

H. Accounts Payable

Accounts payable at June 30, 2018 consisted of:

	Major Governmental Funds				
	General Fund	Building Fund	Blended Component Unit Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	\$ 1,461,188	\$ 6,383,171	\$ 17,339	\$ 411,942	\$ 8,273,640
Payroll and related benefits	1,162,475	9,450	5,184	15,628	1,192,737
Pension related benefits	480,028	286	39,076	9,552	528,942
LCFF state aid	700,926	-	-	-	700,926
Other payables	20,172	148	57	26	20,403
Totals	<u>\$ 3,824,789</u>	<u>\$ 6,393,055</u>	<u>\$ 61,656</u>	<u>\$ 437,148</u>	<u>\$ 10,716,648</u>
	Self Insurance Fund				
Other payables	<u>\$ 13</u>				

I. Unearned Revenue

Unearned revenue for the year ended June 30, 2018 was as follows:

	General Fund	Cafeteria Fund	Total Governmental Funds
Federal Government:			
Categorical programs	\$ 26,086	\$ -	\$ 26,086
State Government:			
CTE Incentive Grant	1,271,370	-	1,271,370
TUPE Grant	222,437	-	222,437
Local Sources:			
Prepaid cafeteria meals	-	126,049	126,049
Total	<u>\$ 1,519,893</u>	<u>\$ 126,049</u>	<u>\$ 1,645,942</u>

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.

In accordance with GASB Statement No. 75, payments made subsequent to the total OPEB liability measurement date, and other items are recorded as deferred outflows of resources.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A summary of the deferred outflows of resources as of June 30, 2018 is as follows:

Description	Amortization Term	Balance July 1, 2017	Additions	Current Year Amortization	Balance June 30, 2018
Pension related	Varies	\$ 22,079,913	\$ 55,172,144	\$ 22,826,758	\$ 54,425,299
OPEB related	Varies	969,332	614,983	969,332	614,983
Total Deferred Outflows of Resources		\$ 23,049,245	\$ 55,787,127	\$ 23,796,090	\$ 55,040,282

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Pension Related	OPEB Related	Total
2019	\$ 24,485,463	\$ 614,983	\$ 25,100,446
2020	11,368,397	-	11,368,397
2021	10,160,424	-	10,160,424
2022	8,411,015	-	8,411,015
Total	\$ 54,425,299	\$ 614,983	\$ 55,040,282

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, 2018 is as follows:

Description	Amortization Term	Balance July 1, 2017	Additions	Current Year Amortization	Balance June 30, 2018
Pension related	Varies	\$ 6,472,588	\$ 17,689,187	\$ 6,176,001	\$ 17,985,774
Total Deferred Inflows of Resources		\$ 6,472,588	\$ 17,689,187	\$ 6,176,001	\$ 17,985,774

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related
2019	\$ 6,176,001
2020	4,733,441
2021	3,538,496
2022	3,537,826
Total	\$ 17,985,774

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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, 2018 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 316,250,000	\$ 25,000,000	\$ 4,295,000	\$ 336,955,000	\$ 3,035,000
Unamortized discount	(629,540)	-	(28,615)	(600,925)	(28,615)
Unamortized premium	15,711,401	939,590	694,652	15,956,339	733,802
Capital leases	-	866,396	-	866,396	134,482
Special tax bonds	96,740,000	-	2,460,000	94,280,000	2,795,000
Unamortized premium	448,405	-	15,200	433,205	15,200
Unamortized discount	(1,138,550)	-	(45,542)	(1,093,008)	(45,542)
Lease revenue bonds	12,730,000	-	-	12,730,000	-
Unamortized discount	(245,959)	-	(27,329)	(218,630)	(27,329)
Net pension liability	127,923,651	29,029,896	-	156,953,547	-
Total OPEB liability	28,254,606	1,138,359	-	29,392,965	-
Compensated absences	1,679,580	151,865	-	1,831,445	1,831,445
State school building loan	1,213,500	-	310,805	902,695	318,786
Total governmental activities	\$ 598,937,094	\$ 57,126,106	\$ 7,674,171	\$ 648,389,029	\$ 8,762,229

2. General Obligation Bonds

General obligation bonds at June 30, 2018 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2012 Series A-2 Tax-Exempt	April 2013	1.00-5.00%	8/1/2038	157,680,000
2012 Series B-2 Tax-Exempt	April 2015	3.00-4.50%	8/1/2040	110,030,000
2016 Series C-2 Tax Exempt	July 2016	3.00-4.75%	8/1/2041	61,205,000
2018 Series D-1 Taxable	May 2018	2.59-2.79%	8/1/2020	3,100,000
2018 Series D-2 Tax Exempt	May 2018	3.00-4.00%	8/1/2042	21,900,000
Total GO Bonds				\$ 353,915,000

	Beginning Balance	Increases	Decreases	Ending Balance
2012 Series A-2 Tax-Exempt	\$ 144,220,000	\$ -	\$ -	\$ 144,220,000
2012 Series B-2 Tax-Exempt	110,030,000	-	3,500,000	106,530,000
Unamortized Discount	(629,540)	-	(28,615)	(600,925)
Unamortized Premium	12,859,387	-	575,818	12,283,569
2012 Series C-1 Taxable	795,000	-	795,000	-
2012 Series C-2 Tax Exempt	61,205,000	-	-	61,205,000
Unamortized Premium	2,852,014	-	118,834	2,733,180
2012 Series D-1 Taxable	-	3,100,000	-	3,100,000
2012 Series D-2 Tax Exempt	-	21,900,000	-	21,900,000
Unamortized Premium	-	939,590	-	939,590
Total GO Bonds	\$ 331,331,861	\$ 25,939,590	\$ 4,961,037	\$ 352,310,414

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 of 3.40% 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.

In May 2018, the District issued \$3,100,000 taxable, 2012 Election, Series D-1, General Obligation Bonds and \$21,900,000 tax-exempt, 2012 Election, Series D-2, General Obligation Bonds. The issue consisted of \$25,000,000 of current interest bonds with interest rates ranging from 2.59% to 4.00% with annual maturities from August 2019 through August 2042. Interest on the bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2019. The bonds were authorized at an election of the registered voters held on November 6, 2012 at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of the bonds in order to finance specific construction, acquisition and modernization projects approved by the voters including lease payments with respect to such facilities in addition to purchasing the San Dieguito Public Facilities Authority's interest in and pay and prepay lease payments due on the Torrey Pines High School Projects.

The annual requirements to amortize the bonds outstanding at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,035,000	\$ 12,209,725	\$ 15,244,725
2020	3,590,000	13,228,794	16,818,794
2021	3,835,000	12,947,441	16,782,441
2022	4,645,000	12,808,225	17,453,225
2023	2,685,000	12,599,100	15,284,100
2024-2028	29,840,000	59,701,750	89,541,750
2029-2033	60,155,000	50,104,900	110,259,900
2034-2038	99,305,000	34,261,875	133,566,875
2039-2043	129,865,000	11,448,450	141,313,450
Totals	\$ 336,955,000	\$ 219,310,260	\$ 556,265,260

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

3. Special Tax Bonds

Special tax bonds at June 30, 2018 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				<u>\$ 112,950,000</u>

	Beginning Balance	Increases	Decreases	Ending Balance
2008 Special Tax Bonds	\$ 72,920,000	\$ -	\$ 2,305,000	\$ 70,615,000
Unamortized Discount	(1,138,550)	-	(45,542)	(1,093,008)
2016 Special Tax Bonds	23,820,000	-	155,000	23,665,000
Unamortized Premium	448,405	-	15,200	433,205
Total Special Tax Bonds	<u>\$ 96,049,855</u>	<u>\$ -</u>	<u>\$ 2,429,658</u>	<u>\$ 93,620,197</u>

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, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	3,290,000	3,815,737	7,105,737
2024-2028	18,770,000	16,608,741	35,378,741
2029-2033	23,565,000	11,527,700	35,092,700
2034-2038	21,575,000	5,757,581	27,332,581
2039-2043	10,750,000	2,021,000	12,771,000
2044-2048	4,455,000	439,800	4,894,800
Totals	<u>\$ 94,280,000</u>	<u>\$ 56,774,120</u>	<u>\$ 151,054,120</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

4. Lease Revenue Bonds

Lease revenue bonds at June 30, 2018 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	(245,959)	-	(27,329)	(218,630)
Total Lease Revenue Bonds	\$ 12,484,041	\$ -	\$ (27,329)	\$ 12,511,370

The annual requirements to amortize the bonds outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ -	\$ 822,231	\$ 822,231
2020	-	822,231	822,231
2021	-	822,231	822,231
2022	-	822,231	822,231
2023	-	822,231	822,231
2024-2028	12,730,000	3,288,721	16,018,721
Totals	\$ 12,730,000	\$ 7,399,876	\$ 20,129,876

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 B	2016 Series C
Total Interest Payments on Bond	\$ 113,607,493	\$ 88,265,753	\$ 42,624,776
Less Bond Premium	(8,336,717)	(6,379,386)	(2,852,014)
Net Interest Payments	105,270,776	81,886,367	39,772,762
Par amount of Bonds	\$ 160,000,000	\$ 117,040,000	\$ 62,000,000
Periods	25	25	25
Effective Interest Rate	2.630%	2.790%	2.560%

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018

	Special Tax	2018 Series D
Total Interest Payments on Bond	\$ 18,468,936	18,093,285
Less Bond Premium	(456,005)	(939,590)
Net Interest Payments	<u>18,012,931</u>	<u>17,153,695</u>
Par amount of Bonds	\$ 23,820,000	25,000,000
Periods	30	25
Effective Interest Rate	2.520%	2.740%

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	2008 Special Tax Bonds
Total Interest Payments on Bond	\$ 113,607,493	\$ 76,647,411
Add Discount	744,000	1,548,428
Net Interest Payments	<u>114,351,493</u>	<u>78,195,839</u>
Par amount of Bonds	\$ 160,000,000	\$ 89,130,000
Periods	25	34
Effective Interest Rate	2.850%	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:

<u>Year Ending June 30,</u>	Principal	Interest	Total
2019	\$ 318,786	\$ 25,196	\$ 343,982
2020	326,973	17,009	343,982
2021	256,936	8,612	265,548
Totals	<u>\$ 902,695</u>	<u>\$ 50,817</u>	<u>\$ 953,512</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

8. Capital Leases

In January 2018, the District entered into a capital master tax-exempt lease-purchase agreement with U.S. Bancorp Government Leasing and Finance, Inc. to purchase six school buses. The total amount to be financed is \$866,396 and shall be for a period of six years at a fixed interest rate of 2.82% per year with semi-annual payments of \$78,987 consisting of principal and interest due July 31 and January 31 of each year, with the first payment due July 31, 2018.

The annual requirements to amortize the capital leases outstanding at June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 134,482	\$ 23,491	\$ 157,973
2020	138,301	19,672	157,973
2021	142,229	15,744	157,973
2022	146,268	11,705	157,973
2023	150,422	7,551	157,973
2024	154,694	3,279	157,973
Totals	<u>\$ 866,396</u>	<u>\$ 81,442</u>	<u>\$ 947,838</u>

9. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to \$1,831,445. This amount is included as part of long-term liabilities in the government-wide financial statements.

10. Net Pension Liability

The District's beginning net pension liability was \$127,923,651 and increased by \$29,029,896 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was \$156,953,547. See Note N for additional information regarding the net pension liability.

11. Total OPEB Liability

The District's beginning total OPEB liability was \$28,254,606 and increased during the year ended June 30, 2018 by \$1,138,359. The ending total OPEB liability at June 30, 2018 was \$29,392,965. See Note O for additional information regarding the total OPEB liability.

M. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreements (JPAs) entity, the San Diego County Schools Risk Management (SDCSR) 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 audited financial information of the District's share of the JPAs for the year ended June 30, 2018 is as follows:

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

	Workers Compensation Fund	Property & Liability Fund	Miscellaneous Property Fund	Total SDCSR
Total Assets and Deferred Outflows of Resources	\$ 4,170,155	\$ 707,397	\$ 77,940	\$ 4,955,492
Total Liabilities and Deferred Inflows of Resources	2,826,580	513,351	1,677	3,341,608
Total Net Position	<u>\$ 1,343,575</u>	<u>\$ 194,046</u>	<u>\$ 76,263</u>	<u>\$ 1,613,884</u>
Total Cash Receipts	\$ 1,954,011	\$ 558,762	\$ 22,641	\$ 2,535,414
Total Cash Disbursements	1,564,544	316,456	15,298	1,896,298
Net Change in Net Position	<u>\$ 389,467</u>	<u>\$ 242,306</u>	<u>\$ 7,343</u>	<u>\$ 639,116</u>

	Dental Fund	Health & Welfare Fund	Vision Fund	Total FBC
Total Assets and Deferred Outflows of Resources	\$ 291,279	\$ N/A	\$ N/A	\$ 291,279
Total Liabilities and Deferred Inflows of Resources	86,141	N/A	N/A	86,141
Total Net Position	<u>\$ 205,138</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ 205,138</u>
Total Cash Receipts	\$ 320,922	\$ N/A	\$ N/A	\$ 320,922
Total Cash Disbursements	275,323	N/A	N/A	275,323
Net Change in Net Position	<u>\$ 45,599</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ 45,599</u>

N/A- The District does not participate in the Health & Welfare or Vision Fund of the FBC JPA.

N. 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 Paid

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

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The Plans' provisions and benefits in effect at June 30, 2018 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
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, 2018)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2018)	14.430%	14.430%
Required State Contribution Rates (at June 30, 2018)	7.429%	7.429%

*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 Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
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	52-67
Monthly Benefits as a % of Eligible Compensation	1.1-2.5%	1.1-2.5%*
Required Employee Contribution Rates (at June 30, 2018)	7.000%	6.500%
Required Employer Contribution Rates (at June 30, 2018)	15.531%	15.531%

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2017 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 9.205% (if hired on or after January 1, 2013) or 10.25% (if hired before January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 12.58% of creditable compensation for the measurement period ended June 30, 2017 and 14.43% for the fiscal year ended June 30, 2018. 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.

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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 ending June 30, 2017 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid in 6.00%, and the employer contribution rate was 13.888% of covered payroll. For the fiscal year ending June 30, 2018, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 6.50%, and the employer's contribution rate was 15.531%.

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, 2017 (measurement date) the State contributed 7.429% of salaries creditable to CalSTRS. In accordance with GASB 85 the District recorded these contributions as revenue and expense in the fund financial statements based on contributions made for the measurement period (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). 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. Contributions reported each fiscal year are based on the District's proportionate share of the States contribution for the measurement period.

Contributions made by the State on behalf of the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	4.350%	\$ 2,613,726
2017	5.390%	3,687,442
2018	7.429%	5,111,403

The State's pension expense associated with District employees for the past three fiscal years are as follows:

Year Ended June 30,	On Behalf Pension Expense
2016	\$ 4,992,438
2017	8,721,036
2018	3,106,036

d. Contributions Recognized

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 8,607,389	\$ 2,785,419	\$ 11,392,808
Contributions - State On Behalf Payments	5,111,403	-	5,111,403
Total Contributions	<u>\$ 13,718,792</u>	<u>\$ 2,785,419</u>	<u>\$ 16,504,211</u>

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

As of June 30, 2018 the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Proportionate Share of Net Pension Liability - Governmental	\$ 119,674,988	\$ 37,278,559	\$ 156,953,547

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, 2017. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to measurement date June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, as actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2017 and June 30, 2018 were as follows:

	<u>CalSTRS</u>		
	<u>District's Proportionate Share</u>	<u>State's Proportionate Share</u>	<u>Total For District Employees</u>
Proportion June 30, 2017	0.1209%	0.0692%	0.1901%
Proportion June 30, 2018	0.1294%	0.0768%	0.2062%
Change in Proportion	<u>0.0085%</u>	<u>0.0076%</u>	<u>0.0161%</u>
	<u>CalPERS</u>		
	<u>District's Proportionate Share</u>		
Proportion June 30, 2017	0.1525%		
Proportion June 30, 2018	0.1562%		
Change in Proportion	<u>0.0037%</u>		

a. Pension Expense

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), pension expense was recognized as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Change in Net Pension Liability (Asset)	\$ 21,877,683	\$ 7,152,214	\$ 29,029,897
State On Behalf Pension Expense	3,106,036	-	3,106,036
Employer Contributions to Pension Expense	9,928,410	3,188,655	13,117,065
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(1,254,278)	(404,428)	(1,658,706)
Differences between actual and expected experiences	(413,064)	(214,385)	(627,449)
Changes in assumptions	(20,692,537)	(5,808,128)	(26,500,665)
Changes in proportionate share	(5,320,417)	(342,088)	(5,662,505)
Net difference between projected and actual earnings	7,828	2,096,111	2,103,939
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	(7,328)	-	(7,328)
Changes in assumptions	-	(352,606)	(352,606)
Changes in proportionate share	(775,732)	(63,572)	(839,304)
Net difference between projected and actual earnings	11,326,648	1,385,776	12,712,424
Total Pension Expense	<u>\$ 17,783,249</u>	<u>\$ 6,637,549</u>	<u>\$ 24,420,798</u>

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b. Deferred Outflows and Inflows of Resources

At June 30, 2018, 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	\$ 9,928,410	\$ 3,188,655	\$ 13,117,065
Differences between actual and expected experience	413,064	1,686,569	2,099,633
Changes in assumptions	20,692,537	5,808,128	26,500,665
Changes in employer's proportionate share	6,015,783	1,260,330	7,276,113
Net difference between projected and actual earnings	19,561	5,412,262	5,431,823
Total Deferred Outflows of Resources	<u>\$ 37,069,355</u>	<u>\$ 17,355,944</u>	<u>\$ 54,425,299</u>

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (11,677)	\$ -	\$ (11,677)
Changes in assumptions	-	(705,212)	(705,212)
Changes in employer's proportionate share	(1,551,465)	(127,144)	(1,678,609)
Net difference between projected and actual earnings	(11,326,648)	(4,263,628)	(15,590,276)
Total Deferred Inflows of Resources	<u>\$ (12,889,790)</u>	<u>\$ (5,095,984)</u>	<u>\$ (17,985,774)</u>

Pension contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2019. 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 June 30,	Governmental Activities				
	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2019	\$ 16,760,045	\$ 7,725,418	\$ (3,614,721)	\$ (2,561,280)	\$ 18,309,462
2020	6,831,634	4,536,763	(3,611,087)	(1,122,354)	6,634,956
2021	6,827,711	3,332,713	(2,832,320)	(706,176)	6,621,928
2022	6,649,965	1,761,050	(2,831,662)	(706,174)	4,873,179
Total	<u>\$ 37,069,355</u>	<u>\$ 17,355,944</u>	<u>\$ (12,889,790)</u>	<u>\$ (5,095,984)</u>	<u>\$ 36,439,525</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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, 2016	June 30, 2016
Measurement Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.75%
Wage Growth	3.50%	3.00%
Projected Salary Increase	0.5% - 6.4% (1)	3.10% - 9.00% (1)
Investment Rate of Return	7.10% (2)	7.50% (2)
Mortality	0.073%-22.86% (3)	0.466%-32.536% (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) RP2000 series tables adjusted to fit CalSTRS/CalPERS specific experience.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.1000% for CalSTRS and 7.1500% 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 CalPERS and CalSTRS websites.

The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts.

The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

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 valuation 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.

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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 reflect 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 06/30/2017	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 06/30/2017	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

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

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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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	6.10%	6.15%
Net Pension Liability	\$ 175,720,876	\$ 54,848,706
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 119,674,988	\$ 37,278,559
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 74,189,952	\$ 22,702,651

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

CalSTRS - Governmental Activities

	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, 2017 (Previously Reported)	\$ 513,216,036	\$ 359,474,011	\$ 153,742,025	\$ 55,944,720	\$ 97,797,305
Changes for the year:					
Change in proportionate share	43,653,412	30,576,339	13,077,073	6,209,250	6,867,823
Service cost	12,507,121	-	12,507,121	4,659,941	7,847,180
Interest	41,718,592	-	41,718,592	15,543,640	26,174,952
Differences between expected and actual experience	822,945	-	822,945	306,616	516,329
Change in assumptions	41,225,650	-	41,225,650	15,359,978	25,865,672
Contributions:					
Employer	-	8,607,380	(8,607,380)	(3,206,964)	(5,400,416)
Employee	-	7,096,890	(7,096,890)	(2,644,181)	(4,452,709)
State On Behalf	-	5,111,398	(5,111,398)	(1,904,420)	(3,206,978)
Net investment income	-	51,903,687	(51,903,687)	(19,338,434)	(32,565,253)
Other income	-	148,512	(148,512)	(55,333)	(93,179)
Benefit payments, including refunds of employee contributions	(28,674,275)	(28,674,275)	-	-	-
Administrative expenses	-	(376,136)	376,136	140,142	235,994
Borrowing costs	-	(119,540)	119,540	44,538	75,002
Other expenses	-	(21,143)	21,143	7,877	13,266
Net Changes	111,253,445	74,253,112	37,000,333	15,122,650	21,877,683
Balance at June 30, 2018	\$ 624,469,481	\$ 433,727,123	\$ 190,742,358	\$ 71,067,370	\$ 119,674,988

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CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	\$ 115,414,852	\$ 85,288,507	\$ 30,126,345
Changes for the year:			
Adjustment for change in proportionate share	2,737,504	2,022,943	714,561
Service cost	3,172,955	-	3,172,955
Interest	8,931,865	-	8,931,865
Differences between expected and actual experience	830,533	-	830,533
Changes in assumptions	7,260,160	-	7,260,160
Contributions - Employer	-	2,785,411	(2,785,411)
Contributions - Employee	-	1,401,404	(1,401,404)
Net plan to plan resource movement	-	(212)	212
Net investment income	-	9,700,069	(9,700,069)
Benefit payments, including refunds of employee contributions	(5,816,670)	(5,816,670)	-
Administrative expenses	-	(128,812)	128,812
Net Changes	<u>17,116,347</u>	<u>9,964,133</u>	<u>7,152,214</u>
Balance at June 30, 2018	<u>\$ 132,531,199</u>	<u>\$ 95,252,640</u>	<u>\$ 37,278,559</u>

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

O. Postemployment Benefits Other Than Pension Benefits

1. General Information about the OPEB Plan

Plan Description

The District's defined benefit OPEB plan, San Dieguito Union High School District Retiree Health Care Plan (the Plan) provides OPEB for retirees that meet eligibility requirements until age 65. Retirees in the plan are eligible for the same medical plans as active employees. The Plan is a single-employer defined benefit OPEB plan administered by the District. Authority to establish and amend the benefit terms and financing requirements lie with the District's board of directors. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

Plan Eligibility

The District provides medical and prescription drug benefits to its employees up to age 65. The District pays up to 100% of the retiree only cost up to a maximum which is based on the highest employee only medical premium in effect in the year of retirement. The District does not provide any retiree health benefits beyond age 65.

For certificated employees, the District provides retiree medical and prescription drug benefits to eligible retirees. The District's financial obligation is to pay for the retiree's medical coverage to age 65. The District pays up to 100% of the retiree only cost up to a maximum which is based on the highest employee only medical premium in effect in the year of retirement. Eligibility for retiree health coverage requires retirement with at least 10 years of service on or after age 55.

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For classified employees, other management, confidential, and administrative employees, the District provides medical and prescription drug benefits to the earlier of age 65 or the end of a period of ten years. The District pays up to 100% of the retiree only cost up to a maximum which is based on the highest employee only medical premium in effect in the year of retirement. The District does not provide any retiree health benefits beyond age 65 or after a period of 10 years, if earlier. Eligibility for retiree health coverage requires retirement with at least 10 years of District service.

Retirees also have the option to elect dental coverage for themselves and eligible dependents but must pay the entire cost of coverage. Dependent coverage (except COBRA continuation) ceases upon the death of the retiree or when the retiree reaches age 65. The retiree pays for any amounts above the District's maximum contribution, for the cost of covering any eligible dependents and for the cost of coverage for employee dental.

Employees Covered by Benefit Terms

At June 30, 2018, the following retirees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	63
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	950
Total number of participants	<u>1,013</u>

2. Total OPEB Liability

The District's total OPEB liability of \$29,392,965 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75% per annum
Salary Increases	3.00% per annum, in aggregate
Discount Rate	3.40% per annum
Healthcare Cost Trend Rates	6.50% decreasing to 5.00%
Retiree's Share of Costs	0.00% of projected premiums

The discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO 20 Year Bond Index.

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for pension valuations. The CalPERS mortality table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. The CalSTRS mortality table was developed based on CalSTRS specific data. The table includes mortality improvements set at 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
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The actuarial assumptions used in the June 30, 2017 valuation were based on the results of CalPERS actuarial experience study for the period July 1, 1997 through June 30, 2011 and the CalSTRS experience study for the period July 1, 2010 through June 30, 2015.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 28,254,606
Changes for the year:	
Service cost	2,524,714
Interest	863,398
Changes in assumptions or other inputs	(1,280,421)
Benefit payments	(969,332)
Net changes	<u>1,138,359</u>
Balance at June 30, 2018	\$ <u>29,392,965</u>

There were no changes in benefit terms for the fiscal year ended June 30, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.40%) or 1-percentage-point-higher (4.40%) than the current discount rate:

	<u>1% Decrease</u> <u>(2.40%)</u>	<u>Discount Rate</u> <u>(3.40%)</u>	<u>1% Increase</u> <u>(4.40%)</u>
Total OPEB Liability	\$ 31,750,726	\$ 29,392,965	\$ 27,173,615

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point-lower (5.50% decreasing to 4.00% per year) or 1-percentage-point higher (7.50% decreasing to 6.00% per year) than the current healthcare cost trend rates:

	<u>1% Decrease</u> <u>5.50%</u> <u>decreasing to</u> <u>4.00%</u>	<u>Healthcare</u> <u>Cost Trend</u> <u>Rate</u> <u>6.50%</u> <u>decreasing to</u> <u>5.00%</u>	<u>1% Increase</u> <u>7.50%</u> <u>decreasing to</u> <u>6.00%</u>
Total OPEB Liability	\$ 26,203,255	\$ 29,392,985	\$ 33,060,367

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2018

3. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018 the District recognized OPEB expense of \$3,388,112. At June 30, 2018 the District reported deferred outflows of resources related to the following sources:

	Deferred Outflows of Resources
Contributions made subsequent to measurement date	\$ <u>614,983</u>

At June 30, 2018 the District did not report any deferred inflows of resources relating to OPEB.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense during the fiscal year ending June 30, 2019.

P. Adjustments to Beginning Net Position

During the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Implementation of GASB Statement No. 75 resulted in a change in calculations of total OPEB liability as well as deferred outflows and deferred inflows of resources associated with OPEB. In addition, the District determined that OPEB would fully be accounted for in the government-wide financial statements. The result of applying the change in accounting policy is an adjustment to beginning net position on the government wide financial statements.

A summary of adjustments to beginning balance are as follows:

	Government Wide Financial Statements
Beginning Net Position - Originally Stated	\$ <u>(12,155,578)</u>
Adjustments for Accounting Policy Change:	
Total OPEB Liability	(15,593,697)
Deferred Outflows of Resources	969,332
Total Adjustments	<u>(14,624,365)</u>
Beginning Net Position - As Restated	\$ <u>(26,779,943)</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Q. Components of Ending Fund Balance

As of June 30, 2018 ending fund balance consisted of the following:

	Major Governmental Funds				Total Governmental Funds
	General Fund	Building Fund	Blended Component Unit Fund	Nonmajor Governmental Funds	
Nonspendable Fund Balances					
Revolving Cash	\$ 175,388	\$ -	\$ -	\$ -	\$ 175,388
Stores Inventories	207	-	-	66,498	66,705
Prepaid Items	4,570	-	-	344,205	348,775
Restricted Fund Balances					
California Clean Energy	294,438	-	-	-	294,438
Child Nutrition Program	-	-	-	37,562	37,562
Educational Programs	522,215	-	-	-	522,215
State School Facilities Projects	-	-	-	19,418	19,418
Lottery: Instructional Materials	1,701,861	-	-	-	1,701,861
Committed Fund Balances					
Deferred Maintenance	-	-	-	3,260	3,260
Assigned Fund Balances					
Capital Projects	-	85,478,610	34,539,046	1,787,610	121,805,266
Board Reserve	6,264,215	-	-	-	6,264,215
Debt Service	-	-	-	11,018,122	11,018,122
Pupil Transportation Equipment	-	-	-	23,092	23,092
Unassigned Fund Balances					
For Economic Uncertainty	13,213,927	-	-	-	13,213,927
Total Fund Balance	<u>\$ 22,176,821</u>	<u>\$ 85,478,610</u>	<u>\$ 34,539,046</u>	<u>\$ 13,299,767</u>	<u>\$ 155,494,244</u>

R. 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. Natural disasters,
- 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 losses 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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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.

S. Construction Commitments

As of June 30, 2018 the District had the following commitments with respect to unfinished capital projects:

Construction in Process:	Commitment	*Expected Date of Final Completion	Percentage Complete
Carmel Valley Middle School PAC, Drama Classroom and New New Music Building	\$ 7,012,944	08/24/2018	82%
Earl Warren Middle School New Campus	46,484,881	10/31/2018	96%
La Costa Canyon High School 200's Courtyard Improvements	366,027	09/30/2018	5%
Oak Crest Middle School Science Classroom Building and Quad	12,691,847	08/24/2018	47%
Pacific Trails Middle School New Classroom Building	17,157,148	08/24/2018	54%
San Dieguito High School Academy New Arts and Humanities Building	28,365,319	08/23/2019	24%
Torrey Pines High School Performing Arts Center	26,452,213	08/23/2019	34%

* Expected date of final completion subject to change

T. 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.

U. Subsequent Events

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, 2019. Those newly implemented pronouncements are as follows:

GASB 83 - Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

Issuance of Short-Term Debt

The District is participating in the County of San Diego and San Diego County School Districts Tax and Revenue Anticipation Notes Program, Series 2018, issued August 15, 2018. The notes are due on June 30, 2019 and bear an interest rate of 4.00%. The District's share of Tax and Revenue Anticipation Notes issued is \$10,700,000. The notes were issued to supplement cash flows of the District. The notes and interest will be repaid by the District on or before June 30, 2019.

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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 3,319,500	\$ 353,318	\$ 352,585	\$ (733)
Education Protection Account Funds	2,524,800	2,506,336	2,506,336	-
Local Sources	102,454,060	105,145,626	105,146,360	734
Federal Revenue	3,920,577	3,907,122	3,794,025	(113,097)
Other State Revenue	11,108,785	14,507,690	13,571,420	(936,270)
Other Local Revenue	6,822,067	8,033,300	9,895,603	1,862,303
Total Revenues	<u>130,149,789</u>	<u>134,453,392</u>	<u>135,266,329</u>	<u>812,937</u>
Expenditures:				
Current:				
Certificated Salaries	68,381,167	69,586,180	68,979,737	606,443
Classified Salaries	20,303,801	20,788,319	20,032,969	755,350
Employee Benefits	29,428,724	30,495,743	29,536,858	958,885
Books And Supplies	3,486,070	6,869,843	3,762,173	3,107,670
Services And Other Operating Expenditures	14,412,014	14,168,268	13,756,667	411,601
Other Outgo	745,096	713,153	452,600	260,553
Direct Support/Indirect Costs	(122,646)	(128,577)	(135,359)	6,782
Capital Outlay	70,000	1,316,586	1,020,356	296,230
Debt Service:				
Principal	765,588	765,588	765,588	-
Interest	822,231	822,231	822,150	81
Total Expenditures	<u>138,292,045</u>	<u>145,397,334</u>	<u>138,993,739</u>	<u>6,403,595</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,142,256)</u>	<u>(10,943,942)</u>	<u>(3,727,410)</u>	<u>7,216,532</u>
Other Financing Sources (Uses):				
Transfers In	765,589	765,589	765,589	-
Transfers Out	(30,000)	(30,000)	(211,039)	(181,039)
Total Other Financing Sources (Uses)	<u>735,589</u>	<u>735,589</u>	<u>554,550</u>	<u>(181,039)</u>
Net Change in Fund Balance	(7,406,667)	(10,208,353)	(3,172,860)	7,035,493
Fund Balance, July 1	22,806,577	22,806,577	22,806,577	-
Fund Balance, June 30	<u>\$ 15,399,910</u>	<u>\$ 12,598,224</u>	<u>\$ 19,633,717</u>	<u>\$ 7,035,493</u>

See Accompanying Notes to Required Supplementary Information

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.1294%	0.1209%	0.1196%	0.1263%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 119,674,988	\$ 97,797,306	\$ 80,535,333	\$ 73,782,939	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	71,067,638	60,499,140	50,492,934	46,983,210	N/A	N/A	N/A	N/A	N/A	N/A
Total	<u>\$ 190,742,626</u>	<u>\$ 158,296,446</u>	<u>\$ 131,028,267</u>	<u>\$ 120,766,149</u>	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 68,421,216	\$ 68,951,765	\$ 60,074,753	\$ 55,280,293	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	174.91%	141.83%	134.06%	133.47%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.02%	76.52%	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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 9,928,410	\$ 8,674,132	6,446,021	4,908,890	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(9,928,410)	(8,674,132)	(6,446,021)	(4,908,890)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	-	-	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 68,803,950	\$ 68,951,765	60,074,756	55,280,293	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	14.430%	12.580%	10.730%	8.880%	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

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 *

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.1562%	0.1525%	0.1448%	0.1476%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 37,278,559	\$ 30,126,345	\$ 21,336,448	16,750,628	N/A	N/A	N/A	N/A	N/A	\$ N/A
District's covered-employee payroll	\$ 20,056,300	\$ 20,047,717	\$ 18,471,841	16,097,264	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	185.87%	150.27%	115.51%	104.06%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	83.38%	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

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 3,188,655	\$ 2,784,227	\$ 2,188,359	1,894,809	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(3,188,655)	(2,784,227)	(2,188,359)	(1,894,809)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	-	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 20,530,906	\$ 20,047,717	\$ 18,471,841	16,097,264	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN THE DISTRICT'S
 TOTAL OPEB LIABILITY AND RELATED RATIOS
 SDUHSR RETIREE HEALTH PLAN
 LAST TEN FISCAL YEARS *

	Fiscal Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability:										
Service cost	\$ 2,524,714	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	863,398	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms and actual experience	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	(1,280,421)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(969,332)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	1,138,359	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	28,254,606	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	\$ 29,392,965	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Covered-employee payroll	\$ 51,854,000	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's OPEB liability as a percentage of covered-employee payroll	56.68%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2018

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	\$	22,176,821
Less Fund 17 Fund Balance		<u>(2,543,104)</u>
General Fund - Budgetary Comparison Schedule Ending Fund Balance	\$	<u>19,633,717</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$	(3,134,806)
Change in Fund Balance attributed to Fund 17		<u>(38,054)</u>
General Fund - Budgetary Comparison Schedule Change in Fund Balance	\$	<u>(3,172,860)</u>

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

- Benefit Changes: In 2015, 2016, 2017 & 2018 there were no changes to benefits
- Changes in Assumptions: In 2015, 2016 & 2017 there were no changes in assumptions. In 2018 there was a change in discount rate from 7.60% to 7.10%.

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

The total pension liability for California State Teachers Retirement System was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2013, 2014, 2015 & 2016 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016 & 2017 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Reporting Period	June 30, 2015	June 30, 2016	June 30, 2017
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/10
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

<u>Reporting Period</u>	<u>June 30, 2018</u>
Measurement Date	06/30/17
Valuation Date	06/30/16
Experience Study	07/01/10 - 06/30/15
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.50%
Post-retirement Benefit Increase:	2.00% Simple

CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 experience study adopted by the CalSTRS board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among CalSTRS members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries. Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on CalSTRS website.

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

- 1) Benefit Changes: In 2015, 2016, 2017 & 2018 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%. In 2018 the discount rate was changed from 7.65% to 7.15%.

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, 2013, 2014, 2015, & 2016 and rolling forward the total pension liabilities to June 30, 2014, 2015, 2016 & 2017 (measurement dates). The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, June 30, 2016 and June 30, 2017 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/11	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%	7.65%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increase:	2.00% Simple	2.00% Simple	2.00% Simple

<u>Reporting Period</u>	<u>June 30, 2018</u>
Measurement Date	06/30/17
Valuation Date	06/30/16
Experience Study	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.00%
Post-retirement Benefit Increase:	2.00% Simple

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

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

- 1) Benefit Changes: In 2018 there were no changes to benefits.
- 2) Changes in Assumptions: In 2018 there were no changes in assumptions.
- 3) No assets are accumulated in a trust that meets the criteria in GASB Statement No 75 Paragraph 4.
- 4) The following are the discount rates used for each period:

<u>Year</u>	<u>Discount Rate</u>
2018	3.40%

Combining Statements 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, 2018

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 31,147	\$ 11,018,122	\$ 1,840,591	\$ 12,889,860
Cash on Hand and in Banks	104,253	-	-	104,253
Accounts Receivable	913,570	-	102,257	1,015,827
Due from Other Funds	181,952	-	-	181,952
Stores Inventories	66,498	-	-	66,498
Prepaid Expenditures	223	-	343,982	344,205
Total Assets	<u>1,297,643</u>	<u>11,018,122</u>	<u>2,286,830</u>	<u>14,602,595</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 335,913	\$ -	\$ 101,235	\$ 437,148
Due to Other Funds	705,046	-	34,585	739,631
Unearned Revenue	126,049	-	-	126,049
Total Liabilities	<u>1,167,008</u>	<u>-</u>	<u>135,820</u>	<u>1,302,828</u>
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	66,498	-	-	66,498
Prepaid Items	223	-	343,982	344,205
Restricted Fund Balances	37,562	-	19,418	56,980
Committed Fund Balances	3,260	-	-	3,260
Assigned Fund Balances	23,092	11,018,122	1,787,610	12,828,824
Total Fund Balance	<u>130,635</u>	<u>11,018,122</u>	<u>2,151,010</u>	<u>13,299,767</u>
Total Liabilities and Fund Balances	<u>\$ 1,297,643</u>	<u>\$ 11,018,122</u>	<u>\$ 2,286,830</u>	<u>\$ 14,602,595</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 525,657	\$ -	\$ -	\$ 525,657
Other State Revenue	33,376	59,860	1,060	94,296
Other Local Revenue	2,316,728	14,684,465	1,760,907	18,762,100
Total Revenues	<u>2,875,761</u>	<u>14,744,325</u>	<u>1,761,967</u>	<u>19,382,053</u>
Expenditures:				
Current:				
Pupil Services	2,856,413	-	-	2,856,413
General Administration	135,359	-	53,770	189,129
Plant Services	-	-	809,680	809,680
Other Outgo	10,250	-	-	10,250
Capital Outlay	856,146	-	642,044	1,498,190
Debt Service:				
Principal	-	6,705,000	310,805	7,015,805
Interest	-	16,942,996	33,177	16,976,173
Total Expenditures	<u>3,858,168</u>	<u>23,647,996</u>	<u>1,849,476</u>	<u>29,355,640</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(982,407)</u>	<u>(8,903,671)</u>	<u>(87,509)</u>	<u>(9,973,587)</u>
Other Financing Sources (Uses):				
Transfers In	181,039	7,022,891	-	7,203,930
Other Sources	866,396	693,418	-	1,559,814
Total Other Financing Sources (Uses)	<u>1,047,435</u>	<u>7,716,309</u>	<u>-</u>	<u>8,763,744</u>
Net Change in Fund Balance	65,028	(1,187,362)	(87,509)	(1,209,843)
Fund Balance, July 1	65,607	12,205,484	2,238,519	14,509,610
Fund Balance, June 30	<u>\$ 130,635</u>	<u>\$ 11,018,122</u>	<u>\$ 2,151,010</u>	<u>\$ 13,299,767</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash in County Treasury	\$ 1,124	\$ 5,925
Cash on Hand and in Banks	-	104,253
Accounts Receivable	-	47,059
Due from Other Funds	5	181,947
Stores Inventories	-	66,498
Prepaid Expenditures	-	223
Total Assets	<u>1,129</u>	<u>405,905</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ -	\$ 21,906
Due to Other Funds	1,129	153,667
Unearned Revenue	-	126,049
Total Liabilities	<u>1,129</u>	<u>301,622</u>
Fund Balance:		
Nonspendable Fund Balances:		
Stores Inventories	-	66,498
Prepaid Items	-	223
Restricted Fund Balances	-	37,562
Committed Fund Balances	-	-
Assigned Fund Balances	-	-
Total Fund Balance	<u>-</u>	<u>104,283</u>
Total Liabilities and Fund Balances	<u>\$ 1,129</u>	<u>\$ 405,905</u>

Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 3,245	\$ 20,853	\$ 31,147
-	-	104,253
15	866,496	913,570
-	-	181,952
-	-	66,498
-	-	223
<u>3,260</u>	<u>887,349</u>	<u>1,297,643</u>
\$ -	\$ 314,007	\$ 335,913
-	550,250	705,046
-	-	126,049
<u>-</u>	<u>864,257</u>	<u>1,167,008</u>
-	-	66,498
-	-	223
-	-	37,562
3,260	-	3,260
-	23,092	23,092
<u>3,260</u>	<u>23,092</u>	<u>130,635</u>
<u>\$ 3,260</u>	<u>\$ 887,349</u>	<u>\$ 1,297,643</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:				
Federal Revenue	\$ 525,657	\$ -	\$ -	\$ 525,657
Other State Revenue	33,376	-	-	33,376
Other Local Revenue	2,316,339	49	340	2,316,728
Total Revenues	<u>2,875,372</u>	<u>49</u>	<u>340</u>	<u>2,875,761</u>
Expenditures:				
Current:				
Pupil Services	2,856,413	-	-	2,856,413
General Administration	135,359	-	-	135,359
Other Outgo	-	-	10,250	10,250
Capital Outlay	-	-	856,146	856,146
Total Expenditures	<u>2,991,772</u>	<u>-</u>	<u>866,396</u>	<u>3,858,168</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(116,400)</u>	<u>49</u>	<u>(866,056)</u>	<u>(982,407)</u>
Other Financing Sources (Uses):				
Transfers In	181,039	-	-	181,039
Other Sources	-	-	866,396	866,396
Total Other Financing Sources (Uses)	<u>181,039</u>	<u>-</u>	<u>866,396</u>	<u>1,047,435</u>
Net Change in Fund Balance	64,639	49	340	65,028
Fund Balance, July 1	39,644	3,211	22,752	65,607
Fund Balance, June 30	<u>\$ 104,283</u>	<u>\$ 3,260</u>	<u>\$ 23,092</u>	<u>\$ 130,635</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2018

	Bond Interest & Redemption	Total Nonmajor Debt Service Funds (See Exhibit C-1)
ASSETS:		
Cash in County Treasury	\$ 11,018,122	\$ 11,018,122
Total Assets	<u>11,018,122</u>	<u>11,018,122</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance:		
Assigned Fund Balances	\$ 11,018,122	\$ 11,018,122
Total Fund Balance	<u>11,018,122</u>	<u>11,018,122</u>
Total Liabilities and Fund Balances	<u>\$ 11,018,122</u>	<u>\$ 11,018,122</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Bond Interest & Redemption	Blended Component Unit	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:			
Other State Revenue	\$ 59,860	\$ -	\$ 59,860
Other Local Revenue	14,684,465	-	14,684,465
Total Revenues	<u>14,744,325</u>	<u>-</u>	<u>14,744,325</u>
Expenditures:			
Current:			
Debt Service:			
Principal	4,295,000	2,410,000	6,705,000
Interest	12,330,105	4,612,891	16,942,996
Total Expenditures	<u>16,625,105</u>	<u>7,022,891</u>	<u>23,647,996</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,880,780)</u>	<u>(7,022,891)</u>	<u>(8,903,671)</u>
Other Financing Sources (Uses):			
Transfers In	-	7,022,891	7,022,891
Other Sources	693,418	-	693,418
Total Other Financing Sources (Uses)	<u>693,418</u>	<u>7,022,891</u>	<u>7,716,309</u>
Net Change in Fund Balance	(1,187,362)	-	(1,187,362)
Fund Balance, July 1	12,205,484	-	12,205,484
Fund Balance, June 30	<u>\$ 11,018,122</u>	<u>\$ -</u>	<u>\$ 11,018,122</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2018

	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	\$ 1,793,546	\$ 19,330	\$ 27,715	\$ 1,840,591
Accounts Receivable	102,042	88	127	102,257
Prepaid Expenditures	343,982	-	-	343,982
Total Assets	<u>2,239,570</u>	<u>19,418</u>	<u>27,842</u>	<u>2,286,830</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 101,235	\$ -	\$ -	\$ 101,235
Due to Other Funds	34,585	-	-	34,585
Total Liabilities	<u>135,820</u>	<u>-</u>	<u>-</u>	<u>135,820</u>
Fund Balance:				
Nonspendable Fund Balances:				
Prepaid Items	343,982	-	-	343,982
Restricted Fund Balances	-	19,418	-	19,418
Assigned Fund Balances	1,759,768	-	27,842	1,787,610
Total Fund Balance	<u>2,103,750</u>	<u>19,418</u>	<u>27,842</u>	<u>2,151,010</u>
Total Liabilities and Fund Balances	<u>\$ 2,239,570</u>	<u>\$ 19,418</u>	<u>\$ 27,842</u>	<u>\$ 2,286,830</u>

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	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	\$ 1,060	\$ -	\$ -	\$ 1,060
Other Local Revenue	1,760,199	291	417	1,760,907
Total Revenues	<u>1,761,259</u>	<u>291</u>	<u>417</u>	<u>1,761,967</u>
Expenditures:				
Current:				
General Administration	53,770	-	-	53,770
Plant Services	809,680	-	-	809,680
Capital Outlay	642,044	-	-	642,044
Debt Service:				
Principal	310,805	-	-	310,805
Interest	33,177	-	-	33,177
Total Expenditures	<u>1,849,476</u>	<u>-</u>	<u>-</u>	<u>1,849,476</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(88,217)</u>	<u>291</u>	<u>417</u>	<u>(87,509)</u>
Net Change in Fund Balance	(88,217)	291	417	(87,509)
Fund Balance, July 1	2,191,967	19,127	27,425	2,238,519
Fund Balance, June 30	<u>\$ 2,103,750</u>	<u>\$ 19,418</u>	<u>\$ 27,842</u>	<u>\$ 2,151,010</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY

ORGANIZATION STRUCTURE

JUNE 30, 2018

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.

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

<u>Administration</u>
Eric R. Dill Superintendent
Tina Douglas Associate Superintendent Business Services
Michael Grove, Ed. D. Associate Superintendent Educational Services
Mark Miller Associate Superintendent Administrative Services
Cindy Frazee Associate Superintendent Human Resources

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2018

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
Grades 7 and 8:				
Regular ADA	3,914.39	N/A	3,913.17	N/A
Extended Year Special Education	3.79	N/A	3.79	N/A
Nonpublic, Nonsectarian Schools	3.45	N/A	3.20	N/A
Extended Year - Nonpublic	1.01	N/A	1.01	N/A
Grades 7 and 8 Totals	<u>3,922.64</u>	<u>N/A</u>	<u>3,921.17</u>	<u>N/A</u>
Grades 9-12:				
Regular ADA	8,553.93	N/A	8,496.06	N/A
Extended Year Special Education	8.91	N/A	8.91	N/A
Nonpublic, Nonsectarian Schools	36.90	N/A	36.02	N/A
Extended Year - Nonpublic	6.28	N/A	6.28	N/A
Grades 9-12 Totals	<u>8,606.02</u>	<u>N/A</u>	<u>8,547.27</u>	<u>N/A</u>
ADA Totals	<u>12,528.66</u>	<u>N/A</u>	<u>12,468.44</u>	<u>N/A</u>

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

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICTSCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018**TABLE D-2**

<u>Grade Level</u>	<u>Ed. Code 46207 Minutes Requirement</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Number of Days Multitrack Calendar</u>	<u>Status</u>
Grade 7	54,000	60,445	180	-	Complied
Grade 8	54,000	60,445	180	-	Complied
Grade 9	64,800	65,501	180	-	Complied
Grade 10	64,800	65,501	180	-	Complied
Grade 11	64,800	65,501	180	-	Complied
Grade 12	64,800	65,501	180	-	Complied

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

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2018

TABLE D-3

General Fund	Budget 2019 (See Note 1)	2018	2017	2016
Revenues and other financial sources	\$ 141,687,264	\$ 136,031,918	\$ 135,231,507	\$ 128,005,715
Expenditures, other uses and transfers out	145,400,746	139,204,778	138,085,432	123,745,499
Change in fund balance (deficit)	(3,713,482)	(3,172,860)	(2,853,925)	4,260,216
Ending fund balance	\$ 15,920,235	\$ 19,633,717	\$ 22,806,577	\$ 25,660,502
Available reserves (See Note 2)	\$ 13,190,509	\$ 16,935,038	\$ 19,931,760	\$ 23,190,296
Available reserves as a percentage of total outgo (See Note 4)	9.1%	12.6%	14.4%	18.7%
Total long-term debt	\$ 453,280,288	\$ 460,211,072	\$ 441,079,257	\$ 361,961,193
Average daily attendance at P-2	12,620	12,529	12,406	12,211

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 decreased by \$1,766,569 over the past three years. The fiscal year 2018-19 budget projects a decrease of \$3,713,482. 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 \$98,249,879 over the past two years.

Average daily attendance has increased by 318 over the past two years.

Notes:

- 1 Budget 2019 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 \$5,097,353, \$5,145,466, and \$3,986,733, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2018, 2017, and 2016.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

TABLE D-4

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

	General Fund	Special Reserve Fund for Other Than Capital Outlay (Fund 17)
June 30, 2018, annual financial and budget report fund balances	\$ 19,633,717	\$ 2,543,104
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Inclusion for reporting purposes under GASB 54	2,543,104	(2,543,104)
Net adjustments and reclassifications	2,543,104	(2,543,104)
June 30, 2018, audited financial statement fund balances	\$ 22,176,821	\$ -

	Schedule of Long-Term Debt
June 30, 2018 annual financial and budget report total liabilities	\$ 604,475,286
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
General obligation bonds overstatement	(694,652)
Total OPEB liability understatement	15,593,699
Special tax bonds overstatement	(15,200)
Net pension liability understatement	29,029,896
Net adjustments and reclassifications	43,913,743
June 30, 2018 audited financial statement total liabilities	\$ 648,389,029

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2018

TABLE D-5

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

<u>Charter Schools</u>	<u>Included In Audit?</u>
None	N/A

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2018

TABLE D-6

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>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	\$ -	\$ 109,181
Commodities	10.555	13396	-	98,867
National School Lunch Section 11	10.555	13396	-	269,291
National School Lunch Section 4	10.555	13523	-	48,317
Total Passed Through State Department of Education			-	525,656
Total U. S. Department of Agriculture			-	525,656
Total Child Nutrition Cluster			-	525,656
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Special Education Local Assistance	84.027	10119	-	92,235
Special Education IDEA	84.027	13379	-	1,660,225
Special Education Mental Health	84.027	14468	-	143,433
Total Passed Through State Department of Education			-	1,895,893
Total U. S. Department of Education			-	1,895,893
Total Special Education (IDEA) Cluster			-	1,895,893
OTHER PROGRAMS:				
<u>U. S. Department of Health and Human Services</u>				
Passed Through State Department of Education:				
Adolescent Health - Youth Risk Behavior	93.079	01031	-	500
Total U. S. Department of Health and Human Services			-	500
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Title I Part A	84.010	14109	-	640,707
Vocational Education	84.048	14894	-	118,911
Workability	84.158	10006	-	208,772
Advanced Placement Testing	84.330	14831	-	4,056
Title III	84.365	14346	-	79,263
Title II Supporting Effective Instruction	84.367	14341	-	172,960
Total Passed Through State Department of Education			-	1,224,669
Total U. S. Department of Education			-	1,224,669
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 3,646,718

The accompanying notes are an integral part of this schedule.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2018

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 4.87% 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	84.365	2.00%
Perkins Vocational Education	84.048	4.69%

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
Mark Bomediano, CPA

Aubrey W. Mann, 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, 2018, 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 12, 2018.

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*.

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 12, 2018



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

Aubrey W. Mann, 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, 2018. 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, 2018.

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 a 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 12, 2018



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

Aubrey W. Mann, 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 *2017-18 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, 2018.

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, *2017-18 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, *2017-18 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:

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	N/A
Independent Study	No
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials.....	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	N/A
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction.....	N/A
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
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, 2018.

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 *2017-18 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 12, 2018

Findings and Recommendations Section

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.158	Workability
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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
There were no audit findings for the fiscal year ended June 30, 2017.		