



**PROPOSITION AA
INDEPENDENT CITIZENS' OVERSIGHT
COMMITTEE MEETING**

Board of Trustees
Joyce Dalessandro
Beth Hergesheimer
Amy Herman
Maureen "Mo" Muir
John Salazar

Superintendent
Rick Schmitt

Union High School District

Independent Citizens' Oversight Committee Members:
Rhea Stewart, Chair, Michael Kenny, Representative, Lorraine Kent,
Secretary, Kim Bess, Clarke Caines, Mary Farrell, Scott Seidenverg,
Jeffery Thomas

Supported by the Business Services Division
Eric R. Dill, Associate Superintendent
Fax (760) 943-3508

**MONDAY, MARCH 9, 2015
6:00 PM**

**DISTRICT OFFICE, BOARD ROOM 101
710 ENCINITAS BLVD, ENCINITAS, CA. 92024**

Welcome to the meeting of the Independent Citizens' Oversight Committee of the San Dieguito Union High School District.

PUBLIC COMMENTS

If you wish to speak regarding an item on the agenda, please complete a speaker slip located at the sign-in desk and present it to the Secretary to the Committee prior to the start of the meeting. When the Committee Presiding Officer invites you to speak, please state your name before making your presentation.

Persons wishing to address the Committee on any bond program-related issue not elsewhere on the agenda are invited to do so under the "Public Comments" item. If you wish to speak under Public Comments, please follow the same directions (above) for speaking to agenda items.

In the interest of time and order, presentations from the public are limited to three (3) minutes per person, per topic. The total time for agenda and non-agenda items shall not exceed twenty (20) minutes. An individual speaker's allotted time may not be increased by a donation of time from others in attendance.

In accordance with the Brown Act, unless an item has been placed on the published agenda, there shall be no action taken. They may 1) acknowledge receipt of the information, 2) refer to staff for further study, or 3) refer the matter to the next agenda.

PUBLIC INSPECTION OF DOCUMENTS

In compliance with Government Code 54957.5, agenda-related documents that have been distributed to the Committee less than 72 hours prior to the Meeting will be available for review on the Committee website, www.sduhsd.net/ICOC and/or at the district office. Please contact the [Business Services Office](#) for more information.

CELL PHONES / ELECTRONIC DEVICES

As a courtesy to all meeting attendees, please set cellular phones and/or electronic devices to silent mode and engage in conversations outside the meeting room.

In compliance with the Americans with Disabilities Act, if you need special assistance, disability-related modifications, or accommodations, including auxiliary aids or services, in order to participate in the public meetings of the District's Independent Citizens' Oversight Committee, please contact the [Business Services Office](#). Notification 72 hours prior to the meeting will enable the staff to make reasonable arrangements to ensure accommodation and accessibility to this meeting. Upon request, the staff shall also make available this agenda and all other public records associated with the meeting in appropriate alternative formats for persons with a disability.

**MEETING OF THE INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE
OF THE SAN DIEGUITO UNION HIGH SCHOOL DISTRICT**

SPECIAL MEETING

AGENDA

**MONDAY, MARCH 9, 2015
6:00 PM**

**DISTRICT OFFICE, BOARD ROOM 101
710 ENCINITAS BLVD., ENCINITAS, CA. 92024**

PRELIMINARY FUNCTIONS (ITEMS 1-3)

- 1. CALL TO ORDER 6:00 PM
 * WELCOME / MEETING PROTOCOL REMARKS..... COMMITTEE PRESIDENT
- 2. PLEDGE OF ALLEGIANCE
- 3. CALL FOR PUBLIC COMMENTS

In accordance with the Brown Act, unless an item has been placed on the published agenda, there shall be no action taken. The Committee may 1) acknowledge receipt of the information, 2) refer to staff for further study, or 3) refer the matter to the next agenda. (*See Agenda Cover Sheet*)

DISCUSSION / ACTION..... (ITEMS 4-6)

- 4. REVIEW OF 2013/14 PROPOSITION AA BUILDING FUND AUDIT REPORT
- 5. FACILITIES / SERIES B BOND UPDATE
- 6. ICOC 2014 ANNUAL REPORT – SPECIAL MEETING DATES
- 7. ADJOURNMENT

San Dieguito Union High School District

INFORMATION REGARDING ICOC AGENDA ITEM

TO: INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE

DATE OF REPORT: March 4, 2015

ICOC MEETING DATE: March 9, 2015

PREPARED BY: Delores Perley, Director of Finance
John Addleman, Director of Planning Svcs.

SUBMITTED BY: Eric R. Dill, Assoc. Superintendent, Business

SUBJECT: REVIEW OF THE 2013-14 ANNUAL PROPOSITION AA BUILDING FUND AUDIT REPORT

EXECUTIVE SUMMARY

In November 2012, the San Dieguito community approved the passage of Proposition AA, a General Obligation Bond initiative. Proposition 39 General Obligation bonds require an independent performance audit to ensure that funds have been expended only on the specific purposes listed in the ballot measure and a financial audit of the bond proceeds. The audit also includes an evaluation of procedures including internal controls and the formation, composition and purpose of the Independent Citizens' Oversight Committee.

The District entered into an agreement for the annual Proposition AA audit 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.

Findings and recommendations are noted on page 19 of the audit report. The report does not contain any negative findings or identify any material weaknesses in the District's internal controls. In addition, review of the Proposition AA procedures and Independent Citizens' Oversight Committee compliance requirements revealed no areas of noncompliance.

The District is required to present the Prop 39 Independent Audit Report to the Independent Citizens Oversight Committee before March 30 of each year. The Board of Trustees will review and accept the Proposition AA audit report at its next scheduled meeting on March 19, 2015.

ITEM 4

RECOMMENDATION:

It is recommended that the Committee review the 2013-14 annual Proposition AA Building Fund audit of the San Dieguito Union High School District, as prepared by Wilkinson, Hadley, King, & Co. LLP, as shown in the attached supplement.

ITEM 4

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
GENERAL OBLIGATION BONDS**

AUDIT REPORT

JUNE 30, 2014

ITEM 4

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
GENERAL OBLIGATION BONDS
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ITEM 4

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
PROPOSITION AA
INTRODUCTION AND CITIZENS' OVERSIGHT COMMITTEE MEMBER LISTING**

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

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

The San Dieguito Union High School District Proposition AA Independent Citizens' Oversight Committee as of June 30, 2014 was comprised of the following members:

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Rhea Stewart	President-At Large Member	June 2015
Michael Kenny	Representative-Business Organization Member	June 2015
Lorraine Kent	Secretary-Taxpayer Association Member	June 2015
Larry Lugo	Member-Parent of SDUHSD Student	June 2015
Clarke Caines	Member-Parent and Active in PTA	June 2015
Mary Farrell	Member-Senior Citizen Organization	June 2015
Kim Bess	Member-At-Large	June 2015
Scott Seidenverg	Member-At Large	June 2015
Jeffery Thomas	Member-At Large	June 2015

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Natalie C. Azzam, CPA



ITEM 4

Aubrey W. King, CPA
Richard K. Savage, CPA
Kevin A. Sproul, CPA

INDEPENDENT AUDITOR'S REPORT

**Governing Board Members and
Citizens' Oversight Committee
San Dieguito Union High School District
Encinitas, California**

Report on Financial Statements

We have audited the accompanying financial statements of Proposition AA Building Fund (21-39) of San Dieguito Union High School District, which comprise the balance sheet as of June 30, 2014, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 entity'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 entity'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 consolidated financial statements.

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

ITEM 4

Emphasis of Matter

As discussed in Note B, the financial statements present only the Building Fund (21-39) which is specific to Proposition AA and is not intended to present fairly the financial position and results of operations of San Dieguito Union High School District in conformity with accounting principles generally accepted in the United States of America.

Also, described in Note B to the financial statements, in 2014, the District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Proposition AA Building Fund (21-39) of San Dieguito Union High School District as of June 30, 2014, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2015, on our consideration of San Dieguito Union High School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Wilkinson Hadley King & Co., LLP

El Cajon, California
February 12, 2015

ITEM 4

FINANCIAL SECTION

ITEM 4

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
GENERAL OBLIGATION BONDS
BALANCE SHEET
JUNE 30, 2014**

ASSETS

CURRENT ASSETS

Cash in County Treasury	\$ 112,992,398
Investments - Cash With Fiscal Agent	787,405
Accounts Receivable	<u>214,218</u>

TOTAL ASSETS	\$ <u>113,994,021</u>
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LIABILITIES AND FUND BALANCE

Accounts Payable	<u>\$ 5,672,922</u>
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TOTAL LIABILITIES	5,672,922
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FUND BALANCE

Restricted for Capital Projects	<u>108,321,099</u>
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TOTAL LIABILITIES AND FUND BALANCE	\$ <u>113,994,021</u>
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The accompanying notes are an integral part of these financial statements

ITEM 4

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
GENERAL OBLIGATION BONDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

REVENUES	
Interest Income	\$ 449,870
Refund - Appraisal Fees	3,500
	<hr/>
TOTAL REVENUES	453,370
EXPENDITURES	
Classified Salaries	634,316
Employee Benefits	205,484
Materials and Supplies	4,339
Other Operating Expenses	22,056
Capital Outlay:	
Site Construction	11,673,476
Land Improvements	8,896,369
New Construction	10,307,092
Construction Improvement	9,801,024
Equipment	332,027
Technology Equipment	101,736
Equipment Replacement	1,467,784
	<hr/>
TOTAL EXPENDITURES	43,445,703
EXCESS OF EXPENDITURES OVER REVENUES	<hr/> (42,992,333)
OTHER FINANCING SOURCES (USES)	
Lease Payment Adjustment	300
Debt Service Transfer	(7,110,148)
Lease Revenue Bond Payment	(2,024,838)
Transfer to General Fund	(765,588)
	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	(9,900,274)
NET CHANGE IN FUND BALANCE	<hr/> (52,892,607)
FUND BALANCE, BEGINNING OF YEAR	<hr/> 161,213,706
FUND BALANCE, END OF YEAR	<hr/> <hr/> \$ 108,321,099

The accompanying notes are an integral part of these financial statements

ITEM 4

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

A. Definition of the Fund

The Building Fund (21-39) was formed to account for property acquisition and construction of new schools as well as renovation of current schools for the San Dieguito Union High School District (District), through expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2012. Fund (21-39) is one of the Building Funds of the District.

B. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

Fund Structure

The accompanying financial statements are used to account for the transactions of the Building Fund (21-39) specific to Proposition AA as defined in Note A and are not intended to present fairly the financial position and results of operations of San Dieguito Union High School District in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Building Fund (21-39) is maintained on the modified accrual basis of accounting. Its revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

The Board of Trustees adopts an operating budget no later than July 1 in accordance with state law. This budget is revised by the Board of Trustees during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

B. Summary of Significant Accounting Policies (Continued)

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Cash in County Treasury

In accordance with Education Code §41001, the District maintains a substantial amount of 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 fair value, in accordance with the requirements of GASB Statement No. 31.

Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

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

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. Accounts receivable are recorded net of estimated uncollectible amounts. There were no significant receivables that are not scheduled for collection within one year of year-end.

ITEM 4

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

B. Summary of Significant Accounting Policies (Continued)

Fund Balance Reserves and Designations

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

ITEM 4

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

B. Summary of Significant Accounting Policies (Continued)

GASB 65 Implementation

In March 2012, the GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The District has implemented the provisions of this Statement for the year ended June 30, 2014.

Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or 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. At June 30, 2014 the District's Building Fund (21-39) did not have any Deferred Inflows or Deferred Outflows of Resources.

C. Cash and Investments

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains significantly all of its cash in the San Diego County Treasury as part of the common investment pool. As of June 30, 2014, the portion of cash in county treasury attributed to Building Fund (21-39) was \$112,992,398. The fair value of Building Fund (21-39)'s portion of this pool as of that date, as provided by the pool sponsor, was \$113,137,877. 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 investment in the pool is reported in the accounting financial statement at 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 that 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.

ITEM 4

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

C. Cash and Investments (Continued)

Investments

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposits placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies; certificates of participation; obligations with first priority security; and collateralized mortgage obligations.

The District's investments attributed to Building Fund (21-39) at June 30, 2014 are shown below.

<u>Investment or Investment Type</u>	<u>Average Days to Maturity*</u>	<u>Amount Reported</u>	<u>Fair Value</u>
San Diego County Pooled Investment Funds	366 Days	\$ 112,992,398	\$ 113,137,877
Federated Treasury Obligations	44 Days	29,819	29,819
US Treasury Notes	<30 Days	757,586	735,549
Total Investments		<u>\$ 113,779,803</u>	<u>\$ 113,903,245</u>

*Represents an average of the days to maturity.

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 their 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. The San Diego County Investment Pool is rated AAA by Standard & Poors. U.S. Treasury Notes have a Moody's rating of AAA and Federated Treasury Obligations are rated AAAM by Standard & Poors.

ITEM 4

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

C. Cash and Investments (Continued)

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. At year end, the District's Building Fund (21-39) was not exposed to custodial credit risk.

c. *Concentration of Credit Risk*

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District's Building Fund (21-39) 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 exposures 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.

f. *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 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.

ITEM 4

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

D. Accounts Receivable

Accounts receivable at June 30, 2014 consisted of:

Interest	\$ 116,768
Cancelled Warrant	<u>97,450</u>
Total	<u><u>\$ 214,218</u></u>

E. Accounts Payable

Accounts payable at June 30, 2014 consisted of:

Vendors Payable	<u><u>\$ 5,672,922</u></u>
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F. Interfund Transactions

Interfund transfers to and from other funds at June 30, 2014 are as follows:

Transfer to General Fund	<u><u>\$ 765,588</u></u>
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The amount transferred to the General Fund represents the portion of lease principal payment due on the solar facilities project in accordance with the authorized purpose under the facility lease agreement with the San Dieguito Public Facilities Financing Authority in conjunction with the Bond Project List as listed in the full text of the Proposition AA Ballot Measure.

G. Other Financing Uses:

Other financing uses as of June 30, 2014 are as follows:

Debt Service Transfer	\$ 7,110,148
Lease Revenue Bond Payment	<u>2,024,838</u>
	<u><u>\$ 9,134,986</u></u>

The debt service transfer of \$7,110,148 represents initial proceeds from the 2012 Election, Series A, General Obligation Bonds that were designated for deposit to the Bond Interest and Redemption Fund (Fund 52) which were inadvertently deposited to the Building Fund (21-39) in the prior year. The amount transferred represents the designated balance due to the Bond Interest and Redemption Fund (Fund 52) as stated in the sources and uses section of the official bond statement. The funds will be utilized for future debt service payments on the bonds.

ITEM 4

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

G. Other Financing Uses: (Continued)

The lease revenue bond payment in the amount of \$2,024,838 represents a partial payment made from the escrow account to pay off the San Dieguito Public Facilities Authority Series 2012A lease revenue bonds principal balance of \$2,500,000. The remaining portion of principal balance in the amount of \$475,162 was paid from the escrow account in the Capital Project Fund for Blended Component Units (Fund 49). The partial principal payment from Building Fund (21-39) was paid in conjunction with the approved ballot measure with respect to purchasing the San Dieguito Public Facilities Authority's interest in the lease payments due on the Torrey Pines High School Projects.

H. Long-Term Debt

The outstanding bonded debt as of June 30, 2014 is as follows:

Date of Issuance	Interest Rate	Maturity Date	Amounts Outstanding Issue	Amounts Outstanding July 1, 2013	Issued Current Year	Redeemed Current Year	Amounts Outstanding June 30, 2014
4/11/13	1.00-5.00%	08/01/38	\$160,000,000	\$160,000,000	\$ -	\$ -	\$ 160,000,000
4/11/13	Premium	08/01/38	\$ 8,336,717	8,336,717	-	320,643	8,016,074
4/11/13	Discount	08/01/38	\$ (744,000)	(744,000)	-	(28,615)	(715,385)
Totals				\$167,592,717	\$ -	\$ 292,028	\$ 167,300,689

General Obligation Bonds

In April 2013, the District issued \$2,320,000 taxable, 2012 Election, Series A-1, General Obligation Bonds and \$157,680,000 tax-exempt, 2012 Election, Series A-2 General Obligation Bonds. The issue consisted of \$93,035,000 of current interest bonds with interest rates ranging from 1.00% to 5.00% with annual maturities from August 2014 through August 2033 and \$66,965,000 in a term bond with an interest rate of 4.00% with an annual maturity date of August 1, 2038. Interest on the bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2014. The bonds were authorized at an election of the registered voters held on November 6, 2012 at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of bonds in order to finance specific construction, acquisition and modernization projects approved by the voters including lease payments with respect to such facilities in addition to purchasing the San Dieguito Public Facilities Authority's interest in, and pay and prepay lease payments due on the Torrey Pines High School Projects.

Bond Premium and Discount

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 as interest. 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 as interest.

ITEM 4

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
GENERAL OBLIGATION BONDS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

H. Long-Term Debt (Continued)

Debt service requirements on the general obligation bonds, net of premium and discount, as of June 30, 2014 is as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 10,245,000	\$ 6,115,361	\$ 16,360,361
2016	5,535,000	6,042,725	11,577,725
2017	-	6,015,050	6,015,050
2018	-	6,015,050	6,015,050
2019	935,000	5,996,350	6,931,350
2020-2024	11,185,000	28,904,850	40,089,850
2025-2029	24,595,000	24,561,125	49,156,125
2030-2034	40,540,000	17,799,600	58,339,600
2035-2039	66,965,000	7,194,900	74,159,900
Totals	<u>\$ 160,000,000</u>	<u>\$ 108,645,011</u>	<u>\$ 268,645,011</u>

I. Construction Commitments

As of June 30, 2014, the Building Fund had the following commitments with respect to unfinished capital projects:

Construction in Process:	Commitment	*Expected Date of Final Completion
Carmel Valley Middle School-Media Center Imp.	\$ 153,670	08/15/2014
Canyon Crest Academy Stadium and Fields Phase 2	\$ 15,528,955	04/07/2015
Diegueno Middle School Front Entry/Media Center Imp.	\$ 3,094,776	08/15/2014
Diegueno Middle School Technology Infrastructure	\$ 554,032	08/15/2014
Earl Warren Middle School Data Center Phase 1	\$ 3,094,776	04/16/2015
La Costa Canyon High School Media Center/800 Buildings Imp.	\$ 4,732,259	08/15/2014
Pacific Trails Middle School (formerly Middle School #5)	\$ 46,427,499	02/05/2016
Oak Crest Middle School Art/C-Smart, ADA Pathway and Field	\$ 3,576,919	08/15/2014
San Dieguito Academy Stadium Phase 1B and Interim Housing	\$ 6,240,350	08/15/2015
TPHS Stadium Lighting/Science Classroom/Weight Room	\$ 9,323,767	09/01/2015

*Expected date of final completion subject to change.

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OTHER INDEPENDENT AUDITOR'S REPORTS

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Natalie C. Azzam, CPA



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Aubrey W. King, CPA
Richard K. Savage, CPA
Kevin A. Sproul, CPA

**INDEPENDENT AUDITORS' 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***

**Governing Board Members and
Citizens Oversight Committee
San Dieguito Union High School District
Encinitas, California**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Proposition AA Building Fund (21-39) of San Dieguito Union High School District, which comprise the balance sheet as of June 30, 2014, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Dieguito Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co., LLP

El Cajon, California
February 12, 2015



P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Natalie C. Azzam, CPA

ITEM 4

Aubrey W. King, CPA
Richard K. Savage, CPA
Kevin A. Sproul, CPA

INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

**Governing Board Members and
Citizens Bond Oversight Committee
San Dieguito Union High School District
Encinitas, California**

We have audited the financial statements of the Proposition AA Building Fund (21-39) of San Dieguito Union High School District as of and for the fiscal year ended June 30, 2014 and have issued our report thereon dated February 12, 2015. Our audit was made in accordance with generally accepted auditing standards in the United States of America and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements for the Proposition 39 Proposition AA General Obligation Bonds for the fiscal year ended June 30, 2014. The objective of the audit of compliance applicable to San Dieguito Union High School District is to determine with reasonable assurance that:

- The proceeds from the sale of the Proposition AA Bonds were only used for the purposes set forth in the ballot measure and not for any other purpose, such as teacher and administrative salaries.
- The Governing Board of the District, in establishing the approved projects set forth in the ballot measure, will modernize, replace, renovate, construct, acquire, equip, furnish, and otherwise improve facilities of the District as noted in the bond project list.

In performing our audit of compliance, we performed procedures including but not limited to those listed as follows:

Internal Control Evaluation

Procedure Performed:

Inquiries were made of management regarding internal controls to:

- Prevent fraud, waste, or abuse regarding Proposition AA resources
- Prevent material misstatement in the Proposition AA Building Fund (21-39) financial statements
- Ensure all expenditures are properly allocated
- Ensure adequate separation of duties exists in the accounting of Proposition AA funds

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All purchase requisitions are reviewed for proper supporting documentation. The Project Manager or the Director of Planning Services gives directions and submits documentation to the Construction and Facilities Coordinator to initiate a purchase requisition. The budget is verified by the Facilities Planning Analyst and supporting documents are reviewed by the Construction Contracts Analyst. This requisition is forwarded to the finance office where the Budget Analyst verifies the budget string and the requisition is subsequently reviewed and approved by the Chief Financial Officer, Chief Facilities Officer, and the Director of Purchasing to ensure the requested purchase is an allowable project cost in accordance with the Proposition AA ballot measure initiative approved by local voters as well as the board approved budget, and that all expenditures are properly recorded by project and expense category. Once the purchase requisition has gone through the approval process, the Construction Contracts Analyst creates a purchase order, which is provided to the vendor, who proceeds to provide the requested services or goods. Other copies of the purchase order are also submitted to the finance office, purchasing office, and to the Facilities Planning Analyst for monitoring and review.

When the invoice is received the Director of Planning Services and Facilities Planning Analyst verify that the charges are consistent with the amounts on the approved contract/purchase order, then the invoice is subsequently signed and approved by the Project Manager and Chief Facilities Officer and either e-mailed or scanned to the finance office for subsequent approval. Invoices are approved by the Accounting Specialist and monitored by the Chief Financial Officer in the finance office and subsequently processed through the accounts payable system of the District for payment. The invoices and support documents are submitted to the San Diego County Office of Education’s Commercial Warrant Unit for audit to ensure compliance with procurement regulations and good business practices before payment is released. The commercial warrants are routed back to the District finance office where they are signed by the Chief Financial Officer and then forwarded to the Facilities Planning and Construction Office for appropriate distribution.

Results of Procedures Performed

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

Facilities Site Review

Procedures Performed:

We reviewed the Independent Citizens’ Oversight Committee minutes and agenda including the information on the tour of Proposition AA ongoing projects and determined that Proposition AA funds expended for the year ended June 30, 2014 were for valid facilities acquisition and construction purposes as stated in the Bond Project List.

Results of Procedures Performed:

Based on our review, of the Independent Citizens’ Oversight Committee meetings, the documentation of the Proposition AA projects tour, and the explanation of management, it appears the construction work performed was consistent with the Bond Project List.

Tests of Contracts and Bid Procedures

Procedures Performed:

We reviewed the District’s board minutes for approval of construction contracts and change orders, if any, to determine compliance with the District’s policy and Public Contract Code provisions related to biddings and contracting.

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Results of Procedures Performed:

We noted no instances where the District was out of compliance with respect to contracts and bidding procedures.

Tests of Expenditures

Procedures Performed:

We tested expenditures to determine whether Proposition AA funds were spent solely on voter and Board approved school facilities projects as set forth in the Bond Project List and the Proposition AA ballot measure language. Our testing included a sample of vendor and payroll payments totaling approximately \$37,015,178 or approximately 85% of total expenditures for the year. Our testing included \$36,392,937 of capital outlay expenditures which was 85% of capital outlay expenses.

Results of Procedures Performed:

We found no instances where expenditures tested were not in compliance with the terms of the Proposition AA ballot measure and applicable state laws and regulations.

Citizens' Oversight Committee

Procedures Performed:

We have reviewed the minutes of the Citizens' Oversight Committee meetings to verify compliance with Education Code sections 15278 through 15282.

Results of Procedures Performed:

We have determined the San Dieguito Union High School District's Proposition AA Citizens' Oversight Committee and its involvement is in compliance with Education Code sections 15278 through 15282.

Our audit of compliance made for the purposes set forth in the second and third paragraphs of this report above would not necessarily disclose all instances of noncompliance. In our opinion, the District complied, in all material respects, with the compliance requirements for the Proposition AA Building Fund, for the fiscal year ended June 30, 2014.

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
February 12, 2015

ITEM 4

FINDINGS AND RESPONSES SECTION

ITEM 4

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2014**

There were no findings to report.

ITEM 4

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014**

There were no audit findings noted for the fiscal year ended June 30, 2013.



Prop AA
Independent Citizens' Oversight Committee

Board of Trustees
Joyce Dalessandro
Beth Hergesheimer
Amy Herman
Maureen "Mo" Muir
John Salazar

Superintendent
Rick Schmitt

Union High School District

Independent Citizens' Oversight Committee (ICOC) Members:
Kim Bess, Clarke Caines, Mary Farrell, Michael Kenny,
Representative, Lorraine Kent, Secretary, Scott Seidenverg, Rhea
Stewart, President, Jeffery Thomas

Business Services Division
Eric R. Dill, Associate Superintendent
Fax (760) 943-3508

INFORMATION REGARDING ICOC AGENDA ITEM

TO: Independent Citizens' Oversight Committee

DATE OF REPORT: February 25, 2015

ICOC MEETING DATE: March 9, 2015

PREPARED & SUBMITTED BY: John Addleman, Director of Planning Services
Russ Thornton, Chief Facilities Officer
Eric R. Dill, Associate Superintendent, Business

SUBJECT: **FACILITIES / SERIES B BOND UPDATE**

EXECUTIVE SUMMARY

The Board of Trustees held a workshop on March 5, 2015 in which staff presented an update on Proposition AA project timelines, cost estimates, and financing options for future projects. Staff will give a brief update to the Independent Citizens Oversight Committee on the workshop discussion. The workshop presentation is attached for reference.

Facilities / Prop AA Update

**San Dieguito Union High School District
Board Workshop – March 5, 2015**

Agenda

- ▶ Current Projects
- ▶ Upcoming Projects
- ▶ Internal Coordination Schedule
- ▶ History of Financing
- ▶ Series B – Parameters of Structure & Proposed Projects
- ▶ Financing
- ▶ Next Steps

Current Projects

CCA – Play Fields/Stadium



EWMS – Data Center



PTMS



TPHS – Science Bldg.



Upcoming Projects – North End

▶ OCMS

- ▶ Landscaping - Est. start date: 6/15/15
- ▶ Media Center – Est. start date: 6/15/15
- ▶ Balour St. Improvements – Est. start date: 6/15/15

▶ LCV Site

- ▶ Play Fields – Est. start date: 3/1/15

▶ LCC

- ▶ HVAC – Est. start date: 6/15/15
- ▶ Flooring - Est. start date: 6/15/15

▶ SDHSA

- ▶ Interim Housing - Est. start date: 3/20/15
- ▶ Tennis Courts Prep - Est. start date: 3/20/15
- ▶ Math & Science Bldg. - Est. start date: 6/15/15

Upcoming Projects – South End

▶ EWMS

- ▶ Interim Housing – Est. start date: 4/1/15

▶ CCA

- ▶ Data/Media Center Upgrade – Est. start date: 2/15/15

▶ TPHS

- ▶ Interim Housing - Est. start date: 2/9/15
- ▶ Data Upgrade - Est. start date: 2/1/15
- ▶ B Bldg. - Est. start date: 4/1/15

Internal Coordination Schedule for Interim Housing ITEM 5

ID	Site	Area	Project Description	Dept	Duration	Start	Finish	February	March	April	May	June	July	August	September	October	November
1	LCC	Rm 900	Move Tech to 901	T	6 days	Tue 2/17/15	Tue 2/24/15										
2	LCC	Rm 900	Move/Demo/Floors	F	16 days	Mon 2/9/15	Sat 2/28/15										
3	LCC	Rm 900	Order and Install FF&E	FF	44 days	Mon 2/9/15	Thu 4/9/15										
4	LCC	Rm 900	Install Computers & Printer	T	5 days	Mon 4/6/15	Fri 4/10/15										
5	LCC	Rm 900	Data Work	FE	8 days	Fri 2/13/15	Tue 2/24/15										
6	LCC	Rm 900	Electrical work	FE	8 days	Fri 2/13/15	Tue 2/24/15										
7	LCC	Rm 800	Audio/Visual	B	20 days	Wed 4/1/15	Tue 4/28/15										
8	LCC	Rm 800	Order and Install FF&E	FF	44 days	Tue 2/17/15	Fri 4/17/15										
9	LCC	Rm 800	Move/Demo/Floors	F	11 days	Mon 2/9/15	Mon 2/23/15										
10	LCC	Rm 800	Install computers/printers	T	6 days	Tue 4/21/15	Tue 4/28/15										
11	LCC	Rm 800	Data Work	FE	6 days	Tue 4/21/15	Tue 4/28/15										
12	LCC	Trans	Fence/Trailer/Portable Restroom/Power and Data	B	12 days	Sun 3/1/15	Mon 3/16/15										
13	LCC	Trans	Facilities Move	F	6 days	Sun 3/8/15	Fri 3/13/15										
14	LCC	Trans	Move Computers	T	10 days	Mon 3/2/15	Fri 3/13/15										
15	LCC	Trans	Data to trailer	FE	16 days	Mon 2/23/15	Sun 3/15/15										
16	LCC	Trans	Electrical to trailer	FE	16 days	Mon 2/23/15	Sun 3/15/15										
17	LCC	Trans	Pave/Seal/Stripe	F	1 day	Mon 3/2/15	Mon 3/2/15										
18	LCC	Trans	Move analog phone pri	B	1 day	Wed 2/18/15	Wed 2/18/15										
19	OC	Media Center	Move out	F	10 days	Mon 6/1/15	Fri 6/12/15										
20	OC	Media Center	Remodel/summer Mod	B	45 days	Mon 6/15/15	Fri 8/14/15										
21	OC	Media Center	FF&E Delivery	FF	89 days	Wed 4/15/15	Mon 8/17/15										
22	OC	Media Center	Install Computers/Printers	T	5 days	Mon 8/17/15	Fri 8/21/15										
23	OC	Media Center	Data work	FE	11 days	Mon 7/20/15	Mon 8/3/15										
24	OC	Media Center	Move back in	F	5 days	Mon 8/17/15	Fri 8/21/15										
25	SDHSA	Flex Lab	Order and Install FF&E	FF	37 days	Tue 2/10/15	Wed 4/1/15										
26	SDHSA	Flex Lab	Interior improvements	F	38 days	Mon 2/9/15	Wed 4/1/15										
27	SDHSA	Flex Lab	Install computers/printers	T	38 days	Mon 2/9/15	Wed 4/1/15										
28	SDHSA	Flex Lab	Data	FE	44 days	Wed 4/1/15	Mon 6/1/15										
29	SDHSA	Flex Lab	Elec	FE	44 days	Wed 4/1/15	Mon 6/1/15										
30	SDHSA	Interim Housing	Delivery/Setup	B	22 days	Wed 4/1/15	Thu 4/30/15										
31	SDHSA	Interim Housing	Wireless lab/tech setup	T	22 days	Fri 5/1/15	Mon 6/1/15										
32	SDHSA	Interim Housing	Order and Install FF&E	FF	46 days	Sun 3/1/15	Fri 5/1/15										
33	SDHSA	Interim Housing	Relocate rooms to interim housing	F	5 days	Tue 6/16/15	Mon 6/22/15										
34	SDHSA	Interim Housing	Data work	FE	22 days	Fri 5/1/15	Mon 6/1/15										
35	SDHSA	Interim Housing	Elec work	FE	99 days	Wed 4/1/15	Sat 8/15/15										
36	SDHSA	Rm 97	Tech move	T	1 day	Mon 6/15/15	Mon 6/15/15										
37	SDHSA	90s & 100s	Elec Demo	FE	5 days	Mon 6/15/15	Fri 6/19/15										
38	EW	NOC	Tech Move	T	6 days	Mon 5/4/15	Mon 5/11/15										
39	EW	NOC	Facilities Move	F	6 days	Mon 5/4/15	Mon 5/11/15										
40	EW	NOC	Cutover	T	6 days	Mon 7/6/15	Mon 7/13/15										

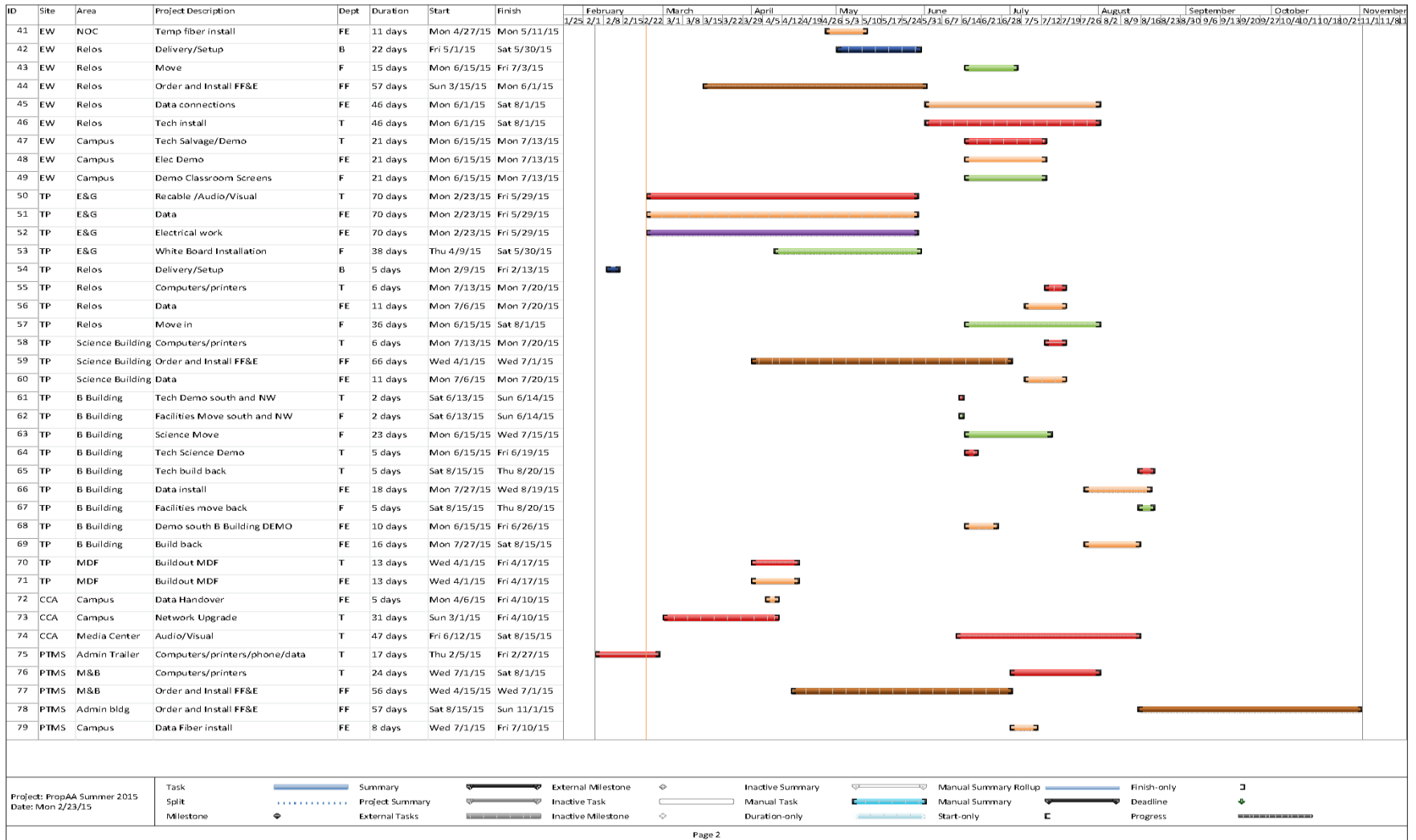
Project: PropAA Summer 2015
Date: Mon 2/23/15

Task		Summary		External Milestone		Inactive Summary		Manual Summary Rollup		Finish-only	
Split		Project Summary		Inactive Task		Manual Task		Manual Summary		Deadline	
Milestone		External Tasks		Inactive Milestone		Duration-only		Start-only		Progress	

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Internal Coordination Schedule for Interim Housing ITEM 5



History of Financing

- ▶ On November 6, 2012 the District’s voters authorized \$449 million of general obligation bonds. After analyzing a variety of potential financing scenarios, the District settled upon an estimated tax rate of \$25.00 per \$100,000 of assessed value (AV). The original plan was to use both current interest bonds (CIBs) and capital appreciation bonds (CABs), a term of repayment of 30-32 years per bond series, and for bonds issued every two years through 2019.

	Issue Date	Term	Bond Type	Par	Debt Service	Payback Ratio
Series A	2013	30-32 years	CIB/CAB	\$ 160,000,000.00		
Series B	2015	30-32 years	CIB/CAB	\$ 125,000,000.00		
Series C	2017	30-32 years	CIB/CAB	\$ 100,000,000.00		
Series D	2019	30-32 years	CIB/CAB	\$ 64,000,000.00		
				\$ 449,000,000.00	\$ 1,257,200,000.00	2.8:1

History of Financing

- ▶ In 2013, in response to proposed Assembly Bill 182, the District revised its plan to shorten the term of repayment to 25-year per series which resulted in a slower issuance pace with the final series not expected to be issued until 2023 to stay within the tax rate target of \$25.00 per \$100,000 of AV.

- ▶ In April 2013, the Series A Bonds were issued in two tranches for \$160 million with a final maturity of 25 years.
 - ▶ The \$2.32 million taxable A-1 Bonds were flexible funds usable to pay for short life assets and expenses, and lease principal payments through May 1, 2015.
 - ▶ The \$157.68 million tax-exempt A-2 Bonds paid off the 2012 Lease Revenue Bonds (used as bridge financing to replace an aging field and track at Torrey Pines High School), and funded roughly \$156 million of new projects.

History of Financing

▶ 2013 Program Financing Plan

	Issue Date	Term	Bond Type	Par	Debt Service	Payback Ratio
Series A	2013	25 Years	CIB	\$ 160,000,000.00	\$ 266,497,345.13	1.67:1
Series B	2015	25 Years	CIB/CAB	\$ 125,000,000.00	\$ 241,745,625.00	1.93:1
Series C	2018	25 Years	CIB/CAB	\$ 75,000,000.00	\$ 204,352,400.00	2.72:1
Series D	2023	25 Years	CIB/CAB	\$ <u>89,000,000.00</u>	\$ <u>322,225,000.00</u>	3.62:1
				\$ 449,000,000.00	\$ 1,034,820,370.13	2.30:1

- ▶ Cost escalation impact extending from 2019 to 2023: \$10.37M less in projects.
- ▶ Delay in program delivery: 4 years

History of Financing – AV Growth

- ▶ At the time Series A was issued, we conservatively assumed an AV growth rate of 1% for 2013-14 escalating each year until it capped out at 5% in 2017-2018.
- ▶ Actual AV growth has surpassed these assumptions with growth of 3.76% in 2013-2014 and 7.24% in 2014-2015.
- ▶ As a result, the tax rate was set below the \$25 target at \$23.11 for 2013-2014 and \$21.49 for 2014-2015.

Series B - Parameters of Structure

- ▶ Continued pledge of a tax rate not to exceed \$25.00 per \$100,000 AV.
- ▶ Continued practice of a repayment term not to exceed 25 years per series.
- ▶ Continued practice to use a financing plan that eliminates or reduces the use of CABs.
- ▶ Increased conservative view of projected yearly AV growth by decreasing the projected growth from 5% to 4%.

Parameters Impact Proposed Projects By Draw (October 2014)

2015

2017

2019

Site	Cost
EWMS - New Campus Construction	\$41,412,586
OCMS - New Science Classrooms, Crest Hall/Music Renovations, and Classroom Mod.	\$13,264,999
TPHS - B Bldg. Renovation, Tech Infrastructure, and Interim Housing	\$21,169,597
CCA - B Bldg. Expansion	\$11,451,855
SDHSA - New 2-Story English, Social Sciences, and Arts Bldg.	\$24,536,348
PTMS - 2 nd Classroom Bldg. (Design and have ready to construct if needed in 2017-2019)	\$1,505,560

Site	Cost
DNO - Classroom Mod./Exp., Science Renovation, Remove Portables	\$8,913,874
LCC - New 2-Story 12 Classroom Bldg., New 1-Story 2 Science Classroom Bldg. and Admin Mod.	\$21,948,689
Renovate 200's & Industrial Arts (900's)	
CVMS - Music/PAC Quad/Food Service	\$5,767,426
TPHS - New PAC	\$18,636,213
SDHSA - Modernize Ind. Arts, and Modernize A & B Bldgs.	\$3,324,647
PTMS - 2 nd Classroom Bldg.	\$17,162,602

Site	Cost
CCA - Black Box, Dance Room, and Media Center Renovation	\$3,784,899
DNO - Parking Lot, Traffic Circulation, Admin, and Multi-Purpose Room	\$13,261,567
SSHS - New Campus	\$10,739,437
SDHSA - New Gym, and Mustang Center Remodel	\$20,796,047
TPHS - Arts & Industrial Arts, Technology Classrooms, and Field House	\$18,343,366
OCMS - Multi-Purpose Room/Athletics	\$2,290,202
LCV Site - Admin/Multi-Purpose Room	\$6,835,296
TPHS - Remodel Admin and Existing Gymnasium	\$11,501,443
LCC - Field House	\$7,111,295

Proposed Projects By Draw (March 2015)

2015

2018

2024

Site	Cost
EWMS - New Campus Construction	\$41,412,586
OCMS – Balour St Imp., Media Center Mod., Storm Water Imp.	\$3,963,441
TPHS - B Bldg. Renovation, Tech Infrastructure, and Interim Housing	\$21,169,597
CCA - B Bldg. Expansion	\$11,451,855
SDHSA - New 2-Story English, Social Sciences, and Arts Bldg.	\$24,536,348
PTMS - 2 nd Classroom Bldg. (Design)	\$1,505,560
LCC – HVAC 200's and minor renovation 900's	\$1,868,967

Site	Cost
DNO - Classroom Mod./Exp., Science Renovation, Remove Portables	\$8,913,874
LCC - Renovate 200's & Industrial Arts (900's)	\$6,125,009
CVMS - Music/PAC Quad/Food Service	\$5,767,426
TPHS - New PAC	\$18,636,213
SDHSA - Modernize Ind. Arts, and Modernize A & B Bldgs.	\$3,324,647
PTMS - 2 nd Classroom Bldg.	\$17,162,602
OCMS - New Science Classrooms, Crest Hall/Music Renovations, and Classroom Mod.	\$9,301,558

Site	Cost
CCA - Black Box, Dance Room, and Media Center Renovation	\$3,784,899
DNO - Parking Lot, Traffic Circulation, Admin, and Multi-Purpose Room	\$13,261,567
SSHS - New Campus	\$10,739,437
SDHSA - New Gym, and Mustang Center Remodel	\$20,796,047
TPHS - Arts & Industrial Arts, Technology Classrooms, and Field House	\$18,343,366
OCMS - Multi-Purpose Room	\$2,290,202
LCV Site - Admin/Multi-Purpose Room	\$6,835,296
TPHS - Remodel Admin and Existing Gymnasium	\$11,501,443
LCC – New 2-Story 12 Classroom Bldg., New 1- Story Science Classroom Bldg., Admin, and Field House	\$21,066,008

Proposed Projects for Series B

EWMS	Campus Reconstruction	\$41,412,585.98
OCMS	Balour St. Improvements Media Center Storm Drain Improvements	\$3,963,441.27
TPHS	Bldg. B Front Entry	\$21,169,597.40
CCA	Bldg. B	\$11,451,854.78
SDHSA	Art English Social Science Bldg.	\$24,536,348.44
LCC	HVAC 200's Minor Renovation 900's	\$1,868,967.88
PTMS	2 nd Classroom Bldg. (Design)	\$1,505,560.00
District Wide	Technology Infrastructure	\$5,393,713.23
Solar Lease Payments		\$2,296,674.00
Program Management		\$3,806,257.02
		Total \$117,405,000.00

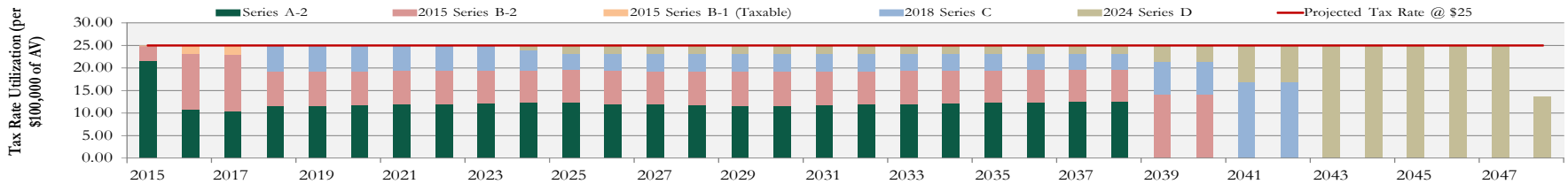
Financing



2012 Prop AA Bond Program (25-year term at 4% growth)

- The District has sufficient tax rate capacity to fund \$117 million in 2015 to finance additional facilities and have the option to pay on-going lease payments, fund \$74.6 million in 2018 and \$96 million by 2024 using a combination of 25-year CIBs and CABs to fully issue the remaining Prop AA authorization

Tax Rates Under Election of 2012⁽¹⁾⁽²⁾



	Year Ending August 1						
	Series A-1	Series A-2	2015 Series B-1	2015 Series B-2	2018 Series C	2024 Series D	Total
Issue Date	4/11/2013	4/11/2013	4/15/2015	4/15/2015	2/1/2018	2/1/2024	-
Par Amount	\$2,320,000	\$157,680,000	\$2,310,000	\$115,095,000	\$75,385,405	\$96,209,595	\$449,000,000
Project Amount	\$2,301,953	\$155,655,138	-	\$114,795,472	\$74,657,588	\$95,384,671	\$442,794,822
Lease Payment	-	-	\$2,296,765	-	-	-	\$2,296,765
Final Maturity Date	8/1/2014	8/1/2038	8/1/2017	8/1/2040	8/1/2042	8/1/2048	8/1/2048
Projected Repayment Ratio	1.01	1.68	1.01	1.70	2.02	3.18	2.05
Total Net Debt Service	\$2,333,933	\$264,163,412	\$2,344,554	\$195,755,384	\$152,196,865	\$305,714,671	\$922,508,819
Percentage of CIBs	100%	100%	100%	100%	94%	32%	84%
Percentage of CABs	0%	0%	0%	0%	6%	68%	16%

⁽¹⁾Assumes 4% growth in A.V. for FY 15-16 and 4% growth every year thereafter.

⁽²⁾ Series B-1/B-2 scale provided by Stifel, Nicolaus & Company as of 2-18-15. Series C-D assumes MMD 10-year 'AA' average per maturity.

Financing

▶ 2015 Program Financing Plan

	Issue Date	Term	Bond Type	Par	Debt Service	Payback Ratio
Series A	2013	25 Years	CIB	\$ 160,000,000	\$ 266,497,345	1.67:1
Series B	2015	25 Years	CIB	\$ 117,405,000	\$ 198,099,938	1.69:1
Series C	2018	25 Years	CIB/CAB	\$ 75,385,405	\$ 152,196,865	2.02:1
Series D	2024	25 Years	CIB/CAB	\$ 96,209,595	\$ 305,714,671	3.18:1
				\$ 449,000,000	\$ 922,508,819	2.05:1

- ▶ Cost escalation impact extending from 2019 to 2024: \$14.53M less in projects.
- ▶ Delay in program delivery: 5 years

Looking Ahead to the Future

▶ If same parameters persist:

	Issue Date	Term	Bond Type	Par	Debt Service	Payback Ratio
Series A	2013	25 Years	CIB	\$ 160,000,000	\$ 266,497,345	1.67:1
Series B	2015	25 Years	CIB	\$ 117,405,000	\$ 198,099,938	1.69:1
Series C	2018	25 Years	CIB	\$ 70,695,000	\$ 123,716,250	1.75:1
Series D	2021	20 Years	CIB	\$ 25,320,000	\$ 43,297,200	1.71:1
Series E	2025	17 Years	CIB	\$ 25,435,000	\$ 40,950,350	1.61:1
Series F	2041	2 Years	CIB	\$ 50,145,000	\$ 51,649,350	1.03:1
				\$ 449,000,000	\$ 724,210,433	1.62:1

- ▶ Cost escalation impact extending from 2019 to 2040: \$50.6M less in projects.
- ▶ Delay in program delivery: 22 years

Next Steps

Date	Description	Responsible Parties
Tuesday, March 17, 2015	Submit Credit Package to Rating Agency	FA
Thursday, March 19, 2015	School Board Meeting: Consider Resolution of Issuance of Bonds	I, FA
Tuesday, March 24, 2015	Agenda deadline for County Board Meeting on April 7, 2015	ALL
+/- Wednesday, March 25, 2015	Meeting/Conference Call @ TBD with Rating Agency(ies)	I, FA, U
Friday, April 03, 2015	Receive credit rating from Rating Agency	RA
Tuesday, April 07, 2015	County Board of Supervisors Meeting: Consider Resolution of Issuance of Bonds	I, FA
Wednesday, April 08, 2015	Post & Distribute Preliminary Official Statement	DC
Tuesday, April 14, 2015	Pre-pricing	I, U, FA
Wednesday, April 15, 2015	Pricing	I, FA, U
Wednesday, April 22, 2015	Post and Distribute Final Official Statement	DC
Tuesday, April 28, 2015	Pre-close	ALL
Wednesday, April 29, 2015	Close	ALL
		DC = Disclosure Counsel FA = Financial Advisor I = Issuer RA = Rating Agency U = Underwriter