



**PROPOSITION AA
INDEPENDENT CITIZENS OVERSIGHT
COMMITTEE MEETING**

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

Superintendent
Eric R. Dill

Union High School District

Independent Citizens Oversight Committee Members:
Rhea Stewart/President, Clarke Caines/Representative,
Kim Bybee/Secretary, Robin Duveen, Mary Farrell, Amy Flicker
Jerylson Larson, Kristina Leyva, Robert Nascenzi, Jeffery Thomas

Supported by the Business Services Division
(760) 753-6491

**TUESDAY, MARCH 13, 2018
6:00 PM**

**District Office / Board Room
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 the podium, 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.

Canyon Crest Academy • Carmel Valley MS • Diegueño MS • Earl Warren MS • La Costa Canyon HS
Oak Crest MS • Pacific Trails MS • San Dieguito HS Academy • Sunset HS • Torrey Pines HS

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

SPECIAL MEETING

AGENDA

**TUESDAY, MARCH 13, 2018
6:00 PM**

**District Office / Board Room
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. 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*)

INFORMATION ITEMS (ITEMS 4 - 5)

- 4. STAFF REPORT..... TINA DOUGLAS
- 23rd Annual Goldens - 2018 Nomination / SD County Taxpayers Association
- 5. REVIEW OF THE PROP AA 2016/17 ANNUAL AUDITWILKINSON HADLEY KING & Co. LLP

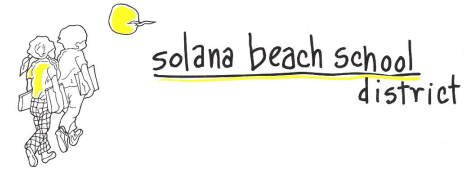
DISCUSSION/ACTION ITEMS (ITEMS 6 - 8)

- 6. DRAFTING AND APPROVAL OF ICOC 2017 ANNUAL REPORT RHEA STEWART
 - Moved by _____, second by _____, to approve the Prop AA Independent Citizens Oversight Committee 2017 Annual Report, in substantially the form being presented, subject to any corrections, as needed.
- 7. FUTURE AGENDA ITEMS
 - Election of Officers (April)
 - Scheduling of future meetings (April)
- 8. MEETING ADJOURNMENT

The next regularly scheduled Independent Citizens Oversight Committee meeting will be held on [April 17, 2018, at 6:00 PM](#) in the San Dieguito Union H.S. District Office Board Room 101. The District Office is located at 710 Encinitas Blvd., Encinitas, CA, 92024.



***San Diego County Taxpayers Association
23rd Annual Goldens – 2018
Nomination Form***



**San Dieguito Union High School District and Solana Beach School District
Attachment to 2018 Nomination Form**

About the School Districts:

San Dieguito Union High School District

The award-winning San Dieguito Union High School District is one of the nation's finest districts, offering a wealth of academic and extracurricular opportunities in which its students can engage and excel. The SDUHSD educates over 12,900 7th–12th grade students within an 85 square mile area that services the coastal North San Diego County communities of Cardiff-by-the-Sea, Encinitas, Leucadia, and Olivenhain in the City of Encinitas; the cities of Del Mar and Solana Beach; the community of La Costa in the City of Carlsbad; the communities of Carmel Valley and Pacific Highlands Ranch in the City of San Diego; and the communities of Rancho Santa Fe and Fairbanks Ranch. The District operates five middle schools, four comprehensive high schools, and an alternative high school.

Solana Beach School District

Solana Beach School District is nestled on the north coast of San Diego, the District's enrollment is approximately 3,100 students in grades Pre K-6. Founded in 1925, the District serves communities in the City of Solana Beach, Carmel Valley, Fairbanks Ranch, and Rancho Santa Fe. The District has a long-standing tradition of academic success coupled with innovative, experiential learning opportunities designed to maximize learning for each student. The District has seven elementary schools and a Child Development Center with programs for toddler, preschool, before and after school support and services. The elementary schools are: Solana Vista (K-3); Skyline (4-6 and the K-6 Global Education Program); Solana Santa Fe (K-6); Carmel Creek (K-3); Solana Highlands (K-3); Solana Pacific (4-6); and, Solana Ranch (K-6).

Project/Program Description

Both school districts were successful in the passing of GO Bonds under Prop 39. San Dieguito passed Prop AA in November 2012 and Solana Beach School District passed Measure JJ in November 2016. Both districts have Long Range Facilities Master Plans with identified projects to provide safe, modern schools to prepare students for success in and beyond high school. As well, both districts have Independent Citizen's Oversight Committees identified under the Prop 39 guidelines to ensure that all funds are used in support of the projects, to inspect facilities and grounds, review cost-saving measures, and review annual independent audits that are required of general obligation bond funds.

Reason for Nomination

Solana Beach School District is a feeder district to San Dieguito Union High School District – serving the same community and rebuilding some of the oldest facilities in the region. Earl Warren Middle School (a SDUHSD project) had a two-year construction period where students were housed at an interim campus on the Earl Warren campus. Once construction of Earl Warren was complete and the middle school students vacated the interim campus, space could be made available for SBSD Skyline School 4th-6th grade students from Skyline School. Working collaboratively, the districts agreed to a partnership whereby SBSD would be a tenant of SDUHSD during the 2017-18 school year required to rebuild Skyline School – a win-win for the community. This partnership kept students in the same community thus reducing traffic on the I-5 corridor, saved Measure JJ the expense of building an interim campus, and shortened the overall construction duration to fourteen months. Total savings is estimated at \$10M to Solana Beach School District's Measure JJ with no additional costs to San Dieguito Union High School District. Once Skyline students vacate the interim classrooms, SDUHSD will complete the remaining construction at the Earl Warren Middle School campus by returning the interim campus to a general purpose playfield and student drop-off.

END

San Dieguito Union High School District

INFORMATION REGARDING ICOC AGENDA ITEM

TO: INDEPENDENT CITIZENS OVERSIGHT
COMMITTEE

DATE OF REPORT: March 8, 2018

ICOC MEETING DATE: March 13, 2018

PREPARED BY: Delores Perley, Chief Financial Officer
John Addleman, Exec. Director of Planning Svcs.
Tina Douglas, Assoc. Supt. of Business Services

SUBMITTED BY: Eric R Dill, Superintendent

SUBJECT: REVIEW OF THE 2016-17 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 presents the audit report for your review and acceptance.

Findings and recommendations are noted on page 51 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 31 of each year. The Proposition AA audit report will be presented to the Board of Trustees for their review and acceptance at its regularly scheduled meeting on March 15, 2018.

RECOMMENDATION:

It is recommended that the Committee review the 2016-17 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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

PROPOSITION AA

**BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEAR ENDED JUNE 30, 2017

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA
BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
Financial Statements and Supplemental Information
Year Ended June 30, 2017

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SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA
BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
Financial Statements and Supplemental Information
Year Ended June 30, 2017

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Introduction

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS**

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 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, 2017 was comprised of the following members:

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Rhea Stewart	President-Member-At-Large	April 2019
Clarke Caines	Representative-Member-At-Large	April 2019
Kim Bybee	Secretary-Member-At-Large	April 2019
Robin Duveen	Taxpayer Association Member	April 2019
Kristina Leyva	Member-Parent of SDUHSD Student	April 2019
Robert Nascenzi	Member-Business Organization	April 2019
Mary Farrell	Member-Senior Citizen Organization	April 2019
Amy Flicker	Teacher-Parent Organization	April 2019
Jeffery Thomas	Member-At-Large	April 2019
Jerilyn Larson	Member-At-Large	April 2019

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



Aubrey W. King, 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 the 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, 2017, 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 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 financial statements.

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

El Cajon Office

218 W. Douglas Avenue ♦ El Cajon, CA 92020
Tel. (619) 447-6700 ♦ Fax (619) 447-6707

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Emeryville Office

1900 Powell Street, Suite 600 ♦ Emeryville, CA 94608
Tel. (510) 588-8729 ♦ Fax (510) 588-8701

Emphasis of Matter

Scope of Opinion

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. 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, 2017, 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 Matters

Other Information

The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as required by the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Dieguito Union High School District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated February 26, 2018 on our consideration of the District's compliance with the requirements of Proposition 39 with regards to the Proposition AA Building Fund (21-39). That report is an integral part of our audit of the District's Proposition AA Building Fund (21-39) for the fiscal year ended June 30, 2017 and should be considered in assessing the results of our financial audit.

El Cajon, California
February 26, 2018

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS**

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

This section of San Dieguito Union High School District's (District) Proposition AA Building Fund annual financial and performance audit report presents management's discussion and analysis of the Proposition AA Bond Program during the year ending June 30, 2017. 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 Proposition AA Bond Program's financial and program performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's Proposition AA Building Fund basic financial statements. The Fund's financial statements comprise three components: 1) management's discussion and analysis; 2) the Proposition AA Building Fund's financial statements; and 3) the performance audit required by law.

The District accounts for Proposition AA General Obligation Bond activity in the District's Building Fund. The Building Fund is a governmental fund type accounted for on a modified accrual basis of accounting that does not include fixed assets or long-term liabilities.

On November 6, 2012, the voters of the San Dieguito Union High School District community voted to approve Proposition AA to authorize the District to issue up to \$449 million of general obligation bonds to finance certain specified capital projects and facilities. In April 2013, the district issued the first series of those bonds, in the amount of \$160 million to fund projects. The second series of those bonds were issued in April 2015, in the amount of \$117 million. The latest series of bonds, in the amount of \$62 million, were issued were in July 2016. The District currently has \$316.3 million outstanding in general obligation bonds, as of June 30, 2017.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 are as follows:

- The fund balance for Proposition AA Building Fund is \$100.7 million, as of June 30, 2017, which is \$6.2 million higher than June 2016 as projects continue and new bond issuances are added to the fund
- Revenues consisted of bond proceeds, interest earned, and other local income. Revenue totaled \$63.8 million as of June 30, 2017, as compared to \$736,632 in June 2016
- Expenditures and other outgo as of June 30, 2017, totaled \$57.6 million, as compared to \$60.4 million in June 2016

FINANCIAL ANALYSIS OF THE PROPOSITION AA BUILDING FUND

Balance Sheet

The District’s Proposition AA Building Fund balance as of June 30, 2017 was \$100.7 million (see Table A-1 below).

Table A-1

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
GENERAL OBLIGATION BONDS
June 30, 2017**

	Building Fund		Total % Change over 15-16
	2015-16	2016-17	
Cash	99,016,030	102,662,062	3.7%
Accounts Recievable	152,976	866,669	466.5%
Total Assets	\$ 99,169,006	\$ 103,528,731	4.4%
Accounts Payable	3,887,250	2,818,289	-27.5%
Due to Other Funds	770,413	-	-100.0%
Total Liabilities	\$ 4,657,663	\$ 2,818,289	-39.5%
Fund Balance	94,511,343	100,710,442	6.6%
Total Liabilities and Fund Balance	\$ 99,169,006	\$ 103,528,731	4.4%

Fund Balance

The interest income reported represents funds earned on the cash held by the San Diego County Treasurer. The total expenditures of \$57.6 million are only for Proposition AA voter authorized expenses (see Table A-2 below).

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
GENERAL OBLIGATION BONDS
June 30, 2017**

	<u>Building Fund</u>		<u>% change over 15-16</u>
	<u>2015-16</u>	<u>2016-17</u>	
<u>Revenues</u>			
Other State Income	9,377	11,844	26.3%
Interest Income	725,640	1,300,563	79.2%
Other Local Income	1,615	301,803	18587.5%
Total revenues	\$ 736,632	\$ 1,614,210	119.1%
<u>Expenditures</u>			
Classified Salaries	713,142	815,973	14.4%
Employee Benefits	222,311	247,284	11.2%
Operating Expenses	98,907	485,799	391.2%
Capital Outlay:			
Architect Fees			
Land Improvements	7,168,387	(37,036)	-100.5%
New Construction	37,009,010	46,672,316	26.1%
Construction Improvement	11,156,738	6,505,595	-41.7%
Equipment	1,877,895	804,174	-57.2%
Equipment Replacement	1,379,318	1,384,691	-
	\$ 59,625,708	\$ 56,878,796	-4.6%
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sales of Bonds	-	62,000,000	
Bond Premium	-	229,274	
Interfund Transfer to General Fund	(765,589)	(765,589)	0.0%
	\$ (765,589)	\$ 61,463,685	
Net Change in Fund Balance	\$ (59,654,665)	\$ 6,199,099	-110.4%
Fund Balance as of June 30, 2016	\$ 154,166,008	\$ 94,511,343	
Fund Balance as of June 30, 2017	\$ 94,511,343	\$ 100,710,442	6.6%

Long-Term Debt Comparison: At the end of the year, San Dieguito Union High School District had \$316,250,000 in long-term debt outstanding. This is an increase of \$54,990,000 from the prior year.

	<u>Building Fund</u>		<u>% change over 15-16</u>
	<u>2015-16</u>	<u>2016-17</u>	
General Obligation Bonds Payable			
Due within one year	\$ 7,010,000	\$ 4,295,000	-38.7%
Due in more than one year	254,250,000	311,955,000	22.7%
Total General Obligation Bonds Payable	\$ 261,260,000	\$ 316,250,000	21.0%

PROPOSITION AA BUILDING FUND PLANNING AND CONSTRUCTION YEAR IN REVIEW

The 2016-2017 fiscal year began with the following nine school construction projects underway throughout the San Dieguito Union High School District:

- Canyon Crest Academy – Building B
- La Costa Canyon High School – HVAC 200's/Gym/Performing Arts Center
- Earl Warren Middle School – Campus Re-Construction
- Oak Crest Middle School – Landscape and Balour Street Improvements
- San Dieguito High School Academy – Math & Science Building
- San Dieguito High School Academy – Technology Infrastructure Upgrade
- Torrey Pines High School – Building B Science Wing Classrooms Renovation
- Torrey Pines High School – B Building Student Center and Front Entry
- Torrey Pines High School – Multi-media and audio-visual improvements – Buildings E and G

In addition, planning was in progress at the start of 2016-2017 for the upcoming school projects:

- Carmel Valley Middle School – Performing Arts Center and Drama Classroom Modernization and New Music Classroom Building
- Diegueno Middle School - Building B and G Modernization and New Building P
- Oak Crest Middle School – Interim Housing and New Science Classroom Building
- Pacific Trails Middle School – Second Classroom Building
- San Dieguito High School Academy – Culinary Arts Classroom
- San Dieguito High School Academy – Arts and Humanities Building
- Torrey Pines High School – Interim Housing (Arts) and Culinary Arts Classroom
- Torrey Pines High School – Performing Arts Center Complex

By the Fall of 2016-2017 four of the nine construction projects were complete or nearly complete:

- La Costa Canyon High School – HVAC 200's/Gym/Performing Arts Center
- San Dieguito High School Academy – Technology Infrastructure Upgrade
- Torrey Pines High School – Building B Science Wing Classrooms Renovation
- Torrey Pines High School – Multi-media and audio-visual improvements – Buildings E and G

As well in the Fall, planning had begun on the La Costa Canyon High School – Media Center Landscaping project.

Over the Winter of 2016-2017, the Torrey Pines High School B Building Student Center and Front Entry Project and Oak Crest Middle School – Landscape and Balour Street Improvements were completed.

In the Spring of 2016-2017, construction had started on:

- Oak Crest Middle School – Interim Housing
- Torrey Pines High School – Interim Housing (Arts)

Joining the remaining three construction projects still underway:

- Canyon Crest Academy – Building B
- Earl Warren Middle School – Campus Re-Construction
- San Dieguito High School Academy – Math & Science Building

At the close of 2016-2017, the following four school construction projects originally under planning at the beginning of the year started construction:

- Carmel Valley Middle School – Performing Arts Center and Drama Classroom Modernization and New Music Classroom Building
- Torrey Pines High School – Culinary Arts Classroom
- Oak Crest Middle School – New Science Classroom Building
- San Dieguito High School Academy – Culinary Arts Classroom

Joining the remaining five projects still underway:

- Oak Crest Middle School – Interim Housing
- Torrey Pines High School – Interim Housing (Arts)
- Canyon Crest Academy – Building B
- Earl Warren Middle School – Campus Re-Construction
- San Dieguito High School Academy – Math and Science Building

In looking forward to the 2017-2018 year, planning was nearing completion on four school construction projects for construction start dates in 2017-2018:

- La Costa Canyon High School – Media Center Landscaping
- Pacific Trails Middle School – Second Classroom Building
- San Dieguito High School Academy – Arts and Humanities Building
- Torrey Pines High School – Performing Arts Center

As well as, starting planning of the Oak Crest Middle School Administration Building Re-Construction, and continued planning on the Diegueno Middle School - Building B and G Modernization and New Building P Project for construction starts in 2018-2019 year.

Overall, the six school construction projects completed in 2016-2017 were delivered on time and under budget with a projected savings of \$3.9 million to be used towards other voter approved Prop AA projects.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the existing circumstances that could affect its financial health in the future:

- Possible increases in building costs during construction

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 Proposition AA Building Fund finances and to demonstrate the District's accountability for the money it receives. 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.

Financial Statements

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS**

Balance Sheet
June 30, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 102,662,062
Accounts receivable	<u>866,669</u>
Total Current Assets	<u><u>103,528,731</u></u>

TOTAL ASSETS	<u><u>\$ 103,528,731</u></u>
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LIABILITIES AND FUND BALANCE

Current Liabilities

Accounts payable	<u>\$ 2,818,289</u>
Total Current Liabilities	<u><u>2,818,289</u></u>

Fund Balance

Restricted for capital projects	<u>100,710,442</u>
Total Fund Balance	<u><u>100,710,442</u></u>

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 103,528,731</u></u>
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The accompanying notes are an integral part of this statement.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS**

Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2017

REVENUES	
Other state income	\$ 11,844
Interest income	1,300,563
Other local income	<u>301,803</u>
TOTAL REVENUES	<u>1,614,210</u>
EXPENDITURES	
Classified salaries	815,973
Taxes and employee benefits	247,284
Professional and consulting services	485,799
Capital Outlay:	
Land improvements	(37,036)
New Construction	46,672,316
Construction improvement	6,505,595
Equipment	804,174
Equipment replacement	<u>1,384,691</u>
TOTAL EXPENDITURES	<u>56,878,796</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(55,264,586)
OTHER FINANCING SOURCES (USES):	
Interfund transfer to General Fund	(765,589)
Proceeds from sale of bonds	62,000,000
Other sources	<u>229,274</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>61,463,685</u>
NET CHANGE IN FUND BALANCE	6,199,099
FUND BALANCE, BEGINNING OF YEAR	<u>94,511,343</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 100,710,442</u></u>

The accompanying notes are an integral part of this statement.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)**

Notes to the Financial Statements
Year Ended June 30, 2017

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 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 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 specific to Proposition AA Building Fund (21-39) 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.

The Building Funds are maintained on the modified accrual basis of accounting. 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 (21-39)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2017

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.

Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2017

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.

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 inflow of resources are recorded in accordance with GASB Statement numbers 63 and 65. Deferred outflows of resources and deferred inflow of resources are shown on the statement of net position for the government-wide statements on San Dieguito Union High School District’s audit report dated December 13, 2017. Deferred outflows of resources and deferred inflow of resources are not reported on the fund financials.

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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2017

Changes in Accounting Policies

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

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

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

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

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

1. Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
2. OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
3. OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

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

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

GASB Statement No. 77 - Tax Abatement Disclosures

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2017

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

1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
2. The gross dollar amount of taxes abated during the period.
3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

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

GASB Statement No. 80 - Blending Requirements for Certain Component Units

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

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

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

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

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

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

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2017

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

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

C. Cash and Investments

Cash in County Treasury

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, 2017, the portion of cash in the San Diego County Treasury attributed to Building Fund (21-39) was \$102,662,062. The fair value of Building Fund (21-39)'s portion of this pool as of that date, as provided by the pool sponsor, was \$102,662,062. 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.

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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2017

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

c. Concentration of Credit Risk

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2017

D. Accounts Receivable

As of June 30, 2017 accounts receivable consisted of:

	Accounts Receivable
Local Sources:	
Interest	\$ 329,063
Other local sources	537,606
Total Accounts Receivable	\$ 866,669

All receivables are expected to be collected within one year and as such no allowance for doubtful accounts has been established.

E. Accounts Payable

As of June 30, 2017 accounts payable consisted of:

	Accounts Payable
Vendors payable	\$ 2,807,071
Payroll and related liabilities	2,069
Pension related benefits	9,094
Use tax payable	55
Total Accounts Payable	\$ 2,818,289

F. Interfund Balances and Activities

Interfund transfers to and from other funds at June 30, 2017 are as follows:

Transfer to General Fund	\$ 765,589
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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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2017

G. General Obligation Bonds

2013 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.

2015 General Obligation Bonds

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 0.60% 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 annuity maturity date of February 1, 2040. Interest on the bond 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.

2016 General Obligation Bonds

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 0.80% 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 4.00% with an annuity maturity date of February 1, 2041. Interest on the bond 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.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2017

The outstanding bonded debt of Proposition AA Building Fund (21-39) is as follows:

Description	Date of Issuance	Interest Rate	Maturity Date	Original Issue Amount	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Election 2012 Series A	4/11/2013	1.00-5.00%	8/1/2038	\$ 160,000,000	\$ 144,220,000	\$ -	\$ -	\$ 144,220,000	\$ -
2012 A Premium	4/11/2013		8/1/2038	8,336,717	7,374,788	-	320,643	7,054,145	320,643
Total 2012 Series A				<u>\$ 168,336,717</u>	<u>\$ 151,594,788</u>	<u>\$ -</u>	<u>\$ 320,643</u>	<u>\$ 151,274,145</u>	<u>\$ 320,643</u>
Election 2012 Series B	4/15/2015	3.00-4.50%	8/1/2040	\$ 117,040,000	\$ 117,040,000	\$ -	\$ 7,010,000	\$ 110,030,000	\$ 3,500,000
2012 B Premium	4/15/2015		8/1/2040	6,379,386	6,060,417	-	255,175	5,805,242	255,175
Total 2012 Series B				<u>\$ 123,419,386</u>	<u>\$ 123,100,417</u>	<u>\$ -</u>	<u>\$ 7,265,175</u>	<u>\$ 115,835,242</u>	<u>\$ 3,755,175</u>
Election 2012 Series C	7/14/2016	0.80-4.75%	8/1/2041	\$ 62,000,000	\$ -	\$ 62,000,000	\$ -	\$ 62,000,000	\$ 795,000
2012 C Premium	7/14/2016		8/1/2041	2,970,848	-	2,970,848	118,834	2,852,014	118,834
Total 2012 Series C				<u>\$ 64,970,848</u>	<u>\$ -</u>	<u>\$ 64,970,848</u>	<u>\$ 118,834</u>	<u>\$ 64,852,014</u>	<u>\$ 913,834</u>
TOTAL				<u>\$ 356,726,951</u>	<u>\$ 274,695,205</u>	<u>\$ 64,970,848</u>	<u>\$ 7,704,652</u>	<u>\$ 331,961,401</u>	<u>\$ 4,989,652</u>

The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2017 is as follows:

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

H. Bond Premium

Bond premium arises when the market rate of interest is lower 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 District has issued bonds at a premium. The premiums are being amortized over the life of the debt using the straight-line method.

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2017

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

	2013 Series A Bonds	2015 Series B Bonds	2016 Series C Bonds
	<u> </u>	<u> </u>	<u> </u>
Total Interest Payments on Bonds	\$ 113,607,493	\$ 88,265,753	\$ 42,624,776
Less Bond Premium	<u>(8,336,717)</u>	<u>(6,379,386)</u>	<u>(2,852,014)</u>
Net Interest Payments	<u>\$ 105,270,776</u>	<u>\$ 81,886,367</u>	<u>\$ 39,772,762</u>
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%

I. Construction Commitments

As of June 30, 2017 the Building Fund (21-39) had the following commitments with respect to unfinished capital projects:

<u>Project</u>	<u>Commitment</u>	<u>*Expected Date of Final Completion</u>	<u>Percentage Complete</u>
Canyon Crest Academy Building B	\$ 13,283,892	8/21/2017	71%
Earl Warren Middle School New Campus	45,643,158	8/21/2018	88%
San Dieguito HS Academy Math and Science Building	19,214,309	8/21/2017	82%

J. Pension Plans

The following information presented below is the District's government-wide pension plan amounts for CalPERS. As of June 30, 2017, the bond fund was 0.17% of the District's total State Teachers' Retirement System expenditures and 3.21% of the District's total Public Employee's Retirement System expenditures.

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.

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b. Benefits Provided

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

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

	CalSTRS	
	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, 2017)	10.250%	9.205%**
Required Employer Contribution Rates (at June 30, 2017)	12.580%	12.580%
Required State Contribution Rates (at June 30, 2017)	8.602%	8.602%

*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%*	1.0-2.5%*
Required Employee Contribution Rates (at June 30, 2017)	7.000%	6.000%
Required Employer Contribution Rates (at June 30, 2017)	13.888%	13.888%

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

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c. Contributions

CalSTRS

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

CalPERS

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

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2016 (measurement date) the State contributed 8.602% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contribution reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Contribution</u> <u>Rate</u>	<u>Contribution</u> <u>Amount</u>
2015	5.679%	\$ 7,408
2016	7.126%	9,377
2017	8.602%	11,844

d. Contributions Recognized

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

	<u>District Share of</u> <u>CalSTRS</u>	<u>Bond Share of</u> <u>CalSTRS</u>
Contributions - Employer	\$ 6,446,021	\$ 15,011
Contributions - State On Behalf Payments	5,145,466	11,844
Total Contributions	<u>\$ 11,591,487</u>	<u>\$ 26,855</u>

	<u>District Share of</u> <u>CalPERS</u>	<u>Bond Share of</u> <u>CalPERS</u>
Contributions - Employer	\$ 2,188,359	\$ 67,346
Contributions - State On Behalf Payments	-	-
Total Contributions	<u>\$ 2,188,359</u>	<u>\$ 67,346</u>

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

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

	<u>District</u> <u>Proportionate</u> <u>Share of Net</u> <u>Pension Liability</u>	<u>Bond</u> <u>Proportionate</u> <u>Share of Net</u> <u>Pension Liability</u>
CalSTRS	\$ 97,797,306	\$ 227,743
CalPERS	30,126,345	927,127
Total Net Pension Liability	<u>\$ 127,923,651</u>	<u>\$ 1,154,870</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The District's 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, actuarially determined.

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

	District Share for CalSTRS			Bond Share for CalSTRS		
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	Bond Proportionate Share	State's Proportionate Share	Total For Bond Employees
Proportion - June 30, 2016	0.1196%	0.0750%	0.1946%	0.0003%	0.0002%	0.0005%
Proportion - June 30, 2017	0.1209%	0.0748%	0.1957%	0.0003%	0.0002%	0.0005%
Change in Proportion	0.0013%	-0.0002%	0.0011%	0.0000%	0.0000%	0.0000%

	District Share CalPERS	Bond Share CalPERS
Proportion - June 30, 2016	0.1448%	0.0049%
Proportion - June 30, 2017	0.1525%	0.0047%
Change in Proportion	0.0077%	-0.0002%

a. Pension Expense

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

Pension expense for the CalSTRS plan was as follows:

	District Share of CalSTRS	Bond Share of CalSTRS
Change in Net Pension Liability (Asset)	\$ 17,261,976	\$ 38,286
Contributions - State On Behalf Payments	5,145,466	11,844
Increase/(Decrease) resulting from changes in Deferred Outflows and Deferred Inflows of Resources for:		
Contributions - Employer made subsequent to measurement date	(2,228,111)	(4,955)
Difference between actual & expected experiences	(4,040)	(10)
Changes in assumptions	-	-
Changes in proportionate shares	(1,471,098)	(3,059)
Net difference between projected and actual earnings	(11,696)	(27)
Total Pension Expense	\$ 18,692,497	\$ 42,079

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Pension expense for the CalPERS plan was as follows:

	<u>District Share of</u> <u>CalPERS</u>	<u>Bond Share of</u> <u>CalPERS</u>
Change in Net Pension Liability (Asset)	\$ 8,789,899	\$ 203,169
Contributions - State On Behalf Payments	-	-
Increase/(Decrease) resulting from changes in Deferred Outflows and Deferred Inflows of Resources for:		
Contributions - Employer made subsequent to measurement date	(595,868)	(22,230)
Difference between actual & expected experiences	(160,268)	(3,897)
Changes in assumptions	(352,606)	(11,964)
Changes in proportionate shares	(981,814)	30,730
Net difference between projected and actual earnings	<u>(5,443,015)</u>	<u>(166,158)</u>
Total Pension Expense	<u>\$ 1,256,328</u>	<u>\$ 29,650</u>

b. Deferred Outflows and Inflows of Resources

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

	<u>District Share of Deferred Outflows of Resources</u>			<u>Bond Share of Deferred Outflows of Resources</u>		
	<u>CaSTRS</u>	<u>CalPERS</u>	<u>Total</u>	<u>CaSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Pension contributions subsequent to measurement date	\$ 8,674,132	\$ 2,784,227	\$ 11,458,359	\$ 19,966	\$ 89,576	\$ 109,542
Differences between actual and expected experience	-	1,472,184	1,472,184	-	48,411	48,411
Changes in assumptions	-	-	-	-	-	-
Changes in employer's proportionate share	695,366	918,242	1,613,608	90	15,358	15,448
Net difference between projected and actual earnings	<u>27,389</u>	<u>7,508,373</u>	<u>7,535,762</u>	<u>64</u>	<u>239,362</u>	<u>239,426</u>
 Total Deferred Outflows of Resources	 <u>\$ 9,396,887</u>	 <u>\$ 12,683,026</u>	 <u>\$ 22,079,913</u>	 <u>\$ 20,120</u>	 <u>\$ 392,707</u>	 <u>\$ 412,827</u>
	<u>District Share of Deferred Inflows of Resources</u>			<u>Bond Share of Deferred Inflows of Resources</u>		
	<u>CaSTRS</u>	<u>CalPERS</u>	<u>Total</u>	<u>CaSTRS</u>	<u>CalPERS</u>	<u>Total</u>
Pension contributions subsequent to measurement date	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Differences between actual and expected experience	(19,005)	-	(19,005)	(45)	-	(45)
Changes in assumptions	-	(1,057,818)	(1,057,818)	-	(35,893)	(35,893)
Changes in employer's proportionate share	(2,327,197)	(190,716)	(2,517,913)	(8,907)	(25,610)	(34,517)
Net difference between projected and actual earnings	<u>-</u>	<u>(2,877,852)</u>	<u>(2,877,852)</u>	<u>-</u>	<u>(91,397)</u>	<u>(91,397)</u>
 Total Deferred Inflows of Resources	 <u>\$ (2,346,202)</u>	 <u>\$ (4,126,386)</u>	 <u>\$ (6,472,588)</u>	 <u>\$ (8,952)</u>	 <u>\$ (152,900)</u>	 <u>\$ (161,852)</u>

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

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

Year Ended June 30	Bond Share of Deferred Outflows of Resources		Bond Share of Deferred Inflows of Resources		Net Effect On Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2018	\$ 20,007	\$ 176,852	\$ (2,987)	\$ (64,066)	\$ 129,806
2019	41	87,276	(2,986)	(64,065)	20,266
2020	42	87,279	(2,979)	(18,368)	65,974
2021	30	41,300	-	(6,401)	34,929
Total	\$ 20,120	\$ 392,707	\$ (8,952)	\$ (152,900)	\$ 250,975

c. Actuarial Assumptions

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

	CalSTRS	CalPERS
Valuation Date	June 30, 2015	June 30, 2015
Measurement Date	June 30, 2016	June 30, 2016
Actuarial Cost Method	Entry Age - Normal Cost Method	Entry Age - Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Payroll Growth	3.75%	3.00%
Projected Salary Increase	0.05%-5.60% (1)	3.20%-10.80% (1)
Investment Rate of Return	7.60% (2)	7.65% (2)
Mortality	0.013%-0.435% (3)	0.00125%-0.45905% (3)

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

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d. Discount Rate

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

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

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

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

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

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

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

CalSTRS

Asset Class	Assumed Allocation 6/30/2016	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

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

CalPERS

Asset Class	Assumed Allocation 6/30/2016	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	51.00%	5.25%	5.71%
Global Debt Securities	20.00%	0.99%	2.43%
Inflation Assets	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

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

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

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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:

	<u>District Share</u>		<u>Bond Share</u>	
	<u>CalSTRS</u>	<u>CalPERS</u>	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.60%	6.65%	6.60%	6.65%
Net Pension Liability	\$ 140,752,379	\$ 44,948,676	\$ 327,773	\$ 1,383,280
Current Discount Rate	7.60%	7.65%	7.60%	7.65%
Net Pension Liability	\$ 97,797,306	\$ 30,126,345	\$ 227,743	\$ 927,127
1% Increase	8.60%	8.65%	8.60%	8.65%
Net Pension Liability	\$ 62,121,318	\$ 17,783,840	\$ 144,663	\$ 547,292

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

<u>CalSTRS - District Share</u>	<u>Increase (Decrease)</u>				
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>State's Share of Net Pension Liability</u>	<u>District's Share of Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>	<u>(c)</u>	<u>(a) - (b) - (c)</u>
Balance at June 30, 2016	\$ 504,359,934	\$ 373,331,667	\$ 131,028,267	\$ 50,492,934	\$ 80,535,333
Changes for the year:					
Change in Proportionate Share	2,827,501	2,092,941	734,560	(134,648)	869,208
Service cost	11,496,284	-	11,496,284	4,393,752	7,102,532
Interest	37,835,576	-	37,835,576	14,460,336	23,375,240
Differences between expected and actual experience	(2,366,191)	-	(2,366,191)	(904,332)	(1,461,859)
Contributions - Employer	-	6,636,970	(6,636,970)	(2,536,576)	(4,100,394)
Contributions - Employee	-	5,788,211	(5,788,211)	(2,212,190)	(3,576,021)
State On Behalf	-	3,796,674	(3,796,674)	(1,451,046)	(2,345,628)
Net investment income	-	4,511,143	(4,511,143)	(1,724,109)	(2,787,034)
Other income	-	81,259	(81,259)	(31,056)	(50,203)
Benefit payments, including refunds of employee contributions	(25,733,668)	(25,733,668)	-	-	-
Administrative expenses	-	(352,397)	352,397	134,682	217,715
Other expenses	-	(29,810)	29,810	11,393	18,417
Net Changes	<u>24,059,502</u>	<u>(3,208,677)</u>	<u>27,268,179</u>	<u>10,006,206</u>	<u>17,261,973</u>
Balance at June 30, 2017	<u>\$ 528,419,436</u>	<u>\$ 370,122,990</u>	<u>\$ 158,296,446</u>	<u>\$ 60,499,140</u>	<u>\$ 97,797,306</u>

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<u>CalSTRS - Bond Share</u>	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	Bond's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2016	\$ 1,247,558	\$ 923,453	\$ 324,105	\$ 134,648	\$ 189,457
Changes for the year:					
Change in Proportionate Share	431	319	112	-	112
Service cost	28,288	-	28,288	11,748	16,540
Interest	93,098	-	93,098	38,664	54,434
Differences between expected and actual experience	(5,822)	-	(5,822)	(2,418)	(3,404)
Contributions - Employer	-	16,331	(16,331)	(6,782)	(9,549)
Contributions - Employee	-	14,243	(14,243)	(5,915)	(8,328)
State On Behalf	-	9,342	(9,342)	(3,880)	(5,462)
Net investment income	-	11,100	(11,100)	(4,610)	(6,490)
Other income	-	200	(200)	(83)	(117)
Benefit payments, including refunds of employee contributions	(63,320)	(63,320)	-	-	-
Administrative expenses	-	(867)	867	360	507
Other expenses	-	(73)	73	30	43
Net Changes	<u>52,675</u>	<u>(12,725)</u>	<u>65,400</u>	<u>27,114</u>	<u>38,286</u>
Balance at June 30, 2017	<u>\$ 1,300,233</u>	<u>\$ 910,728</u>	<u>\$ 389,505</u>	<u>\$ 161,762</u>	<u>\$ 227,743</u>

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2017

<u>CalPERS - Bond Share</u>	<u>Increase (Decrease)</u>		
	<u>Total</u>	<u>Plan</u>	<u>Net</u>
	<u>Pension</u>	<u>Fiduciary</u>	<u>Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance at June 30, 2016	\$ 3,519,139	\$ 2,795,181	\$ 723,958
Changes for the year:			
Adjustment for Change in Proportionate Share	(155,616)	(123,602)	(32,014)
Service cost	80,586	-	80,586
Interest	255,460	-	255,460
Differences between expected and actual experience	18,782	-	18,782
Changes in assumptions	-	-	-
Contributions - Employer	-	67,346	(67,346)
Contributions - Employee	-	39,955	(39,955)
Net plan to plan resource movement	-	-	-
Net investment income	-	13,966	(13,966)
Benefit payments, including refunds of employee contributions	(166,499)	(166,499)	-
Administrative expenses	-	(1,622)	1,622
Net Changes	<u>32,713</u>	<u>(170,456)</u>	<u>203,169</u>
Balance at June 30, 2017	<u>\$ 3,551,852</u>	<u>\$ 2,624,725</u>	<u>\$ 927,127</u>

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

K. Postemployment Benefits Other Than Pension Benefits

The following information presented below is the District's government-wide liability for OPEB. As of June 30, 2017, the bond fund was 0.7133% of the District's OPEB contribution for the year.

1. Plan Description

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2017

2. Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District and the Teachers Association (SDFA) and the local California School Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-17, the District contributed \$979,045 to the Plan, all of which was used for current premiums.

3. Annual OPEB Cost and Net OPEB Obligation

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

	<u>District Wide</u>	<u>Bond Fund</u>
Annual required contribution	\$ 3,072,111	\$ 21,915
Interest on net OPEB obligation	108,365	773
Adjustment to annual required contribution	<u>(615,759)</u>	<u>(4,392)</u>
Annual OPEB cost (expense)	2,564,717	18,296
Contribution made	<u>(979,045)</u>	<u>(6,984)</u>
Increase in net OPEB obligation	1,585,672	11,312
Net OPEB obligation, beginning of year	<u>10,582,541</u>	<u>75,490</u>
Net OPEB obligation, end of year	<u><u>\$ 12,168,213</u></u>	<u><u>\$ 86,802</u></u>

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

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

<u>Bond Fund</u>			
<u>Year Ended</u> <u>June 30,</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2015	\$ 12,859	41.01%	\$ 65,259
2016	17,438	58.67%	75,490
2017	18,295	38.20%	86,802

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2017

4. Funding Status and Funding Progress

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

5. Actuarial Methods and Assumptions

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

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

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

Medical cost trend rates ranged from an initial rate of 7.0% reduced to a rate of 5.0% after six years. The UAAL is being amortized at a level dollar method with the remaining amortization period at June 30, 2017 of 21 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

L. Subsequent Events

Implementation of New Accounting Guidance

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2017

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

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

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

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

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

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

GASB Statement No. 81 - Irrevocable Split Interest Agreements

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

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2017

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

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

GASB Statement No. 85 - Omnibus 2017

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

1. Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
2. Reporting amounts previously reported as goodwill and “negative” goodwill.
3. Classifying real estate held by insurance entities.
4. Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
5. Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
6. Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
7. Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
8. Classifying employer-paid member contributions for OPEB.
9. Simplifying certain aspects of the alternative measurement method for OPEB.
10. Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
Notes to the Financial Statements (Continued)
Year Ended June 30, 2017

GASB Statement No. 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 the proceeds of refunding debt--- are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes financial statements for debt that is defeased in substance.

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

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

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

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

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

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)**

Schedule of the Bond's Proportionate Share of the Net Pension Liability
California State Teachers' Retirement System (CalSTRS)
Last Ten Fiscal Year*

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Bond's proportion of the net pension liability (asset)	0.0003%	0.0003%	0.0003%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bond's proportionate of the net pension liability (asset)	\$227,743	\$189,457	\$179,292	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate of the net pension liability (asset) associated with the Bond	161,762	134,648	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$389,505	\$324,105	\$179,292	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond's covered-employee payroll	\$158,712	\$139,897	\$130,045	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bond's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	143.49%	135.43%	137.87%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule:

- 1) Benefit Changes: In 2015, 2016, & 2017 there were no changes to benefits.
- 2) Changes in Assumptions: In 2015, 2016, & 2017 there were no changes in assumptions.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)**

Schedule of Bond's Contributions
California State Teachers' Retirement System (CalSTRS)
Last Ten Fiscal Year*

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 19,966	\$ 15,011	\$ 11,548	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(19,966)	(15,011)	(11,548)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Bond's covered-employee payroll	\$ 158,712	\$ 139,897	\$ 130,045	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule:

1) Actuarial methods and assumptions

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

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

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

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)**

Schedule of the Bond's Proportionate Share of the Net Pension Liability
California Public Employee Retirement System (CalPERS)
Last Ten Fiscal Year*

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Bond's proportion of the net pension liability (asset)	0.0047%	0.0049%	0.0047%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bond's proportionate share of the net pension liability (asset)	\$ 927,127	\$ 723,958	\$ 531,976	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bond's covered-employee payroll	\$ 644,988	\$ 568,465	\$ 546,190	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bond's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	143.74%	127.35%	97.40%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule:

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

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

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)**

Schedule of the Bond's Proportionate Share of the Net Pension Liability
California Public Employee Retirement System (CalPERS)
Last Ten Fiscal Year*

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 89,576	\$ 67,346	\$ 64,292	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(89,576)	(67,346)	(64,292)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Bond's covered-employee payroll	\$ 644,988	\$ 568,465	\$ 546,190	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule:

1) Actuarial methods and assumptions

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

Valuation Date	June 30, 2014	June 30, 2015	June 30, 2016
Experience Study	07/01/96 - 06/30/10	07/01/97 - 06/30/11	07/01/98 - 06/30/12
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.50%	7.50%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

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

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)**

**Schedule of Funding Progress – Other Post Employment Benefits
Year Ended June 30, 2017**

District Wide

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2009	\$ -	\$ 13,005,147	\$ 13,005,147	-	\$ 71,991,005	18.1%
6/30/2011	-	15,210,567	15,210,567	-	60,639,000	25.1%
6/30/2013	-	16,153,467	16,153,467	-	51,334,000	31.5%
6/30/2015	-	26,746,596	26,746,596	-	51,854,000	51.6%

Bond Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2009	\$ -	\$ 92,772	\$ 92,772	-	\$ 513,545	18.1%
6/30/2011	-	108,504	108,504	-	432,566	25.1%
6/30/2013	-	115,230	115,230	-	366,189	31.5%
6/30/2015	-	190,796	190,796	-	369,899	51.6%

Supplementary Information

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)**

General Obligation Bonds Project List
Year Ended June 30, 2017

Bond proceeds will be expended to modernize, replace, renovate, construct, acquire, equip, furnish and otherwise improve the facilities of the District located at the following locations:

Canyon Crest Academy	Carmel Valley Middle School
Diegueño Middle School	Earl Warren Middle School
La Costa Canyon High School	La Costa Valley Site
Pacific Trails Middle School	Oak Crest Middle School
San Dieguito Academy	Sunset High School/North Coast Alternative
Torrey Pines High School	

<u>Project Name</u>	<u>Location of Project</u>	<u>Status of Project</u>
Building B	Canyon Crest Academy	In Progress
Performing Arts Center and Drama Classroom Modernization and New Music Classroom Building	Carmel Valley Middle School	In Progress
Building B & G Modernization and New Building P	Diegueño Middle School	In Progress
Campus Re-Construction	Earl Warren Middle School	In Progress
HVAC 200's/Gym/Performing Arts Center	La Costa Canyon High School	In Progress
Media Center Landscaping	La Costa Canyon High School	In Progress
Landscape and Balour Street Improvements	Oak Crest Middle School	Completed
Interim Housing and New Science Classroom Building	Oak Crest Middle School	In Progress
Second Classroom Building	Pacific Trails Middle School	In Progress
Math & Science Building	San Dieguito High School Academy	In Progress
Technology Infrastructure Upgrade	San Dieguito High School Academy	In Progress
Culinary Arts Classroom	San Dieguito High School Academy	In Progress
Arts and Humanities Building	San Dieguito High School Academy	In Progress
Building B Science Wing Classrooms Renovation	Torrey Pines High School	In Progress
B Building Student Center and Front Entry	Torrey Pines High School	Completed
Multi-media and audio-visual-improvements - Buildings E & G	Torrey Pines High School	In Progress
Interim Housing (Arts) and Culinary Arts Classroom	Torrey Pines High School	In Progress
Performing Arts Center Complex	Torrey Pines High School	In Progress

Other Independent Auditors' Reports

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



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

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

**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, 2017, 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 26, 2018.

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 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 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

El Cajon, California
February 26, 2018



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

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

Independent Auditor's Report on Performance

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

We were engaged to conduct a performance audit of the San Dieguito Union High School District Proposition AA Building Fund (21-39) for the year ended June 30, 2017.

Management's Responsibility for Performance Compliance

Our audit was limited to the objectives listed with the report which includes the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

Auditor's Responsibility

We conducted this performance audit in accordance with the standards applicable to performance 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 sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives.

In planning and performing our performance audit, we obtained an understanding of the Fund's internal control in order to determine if the internal controls were adequate to help ensure the Fund's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of the Proposition AA Building Fund (21-39) 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.

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements for the Proposition AA General Obligation Bond for the fiscal year ended June 30, 2017. 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 to 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. All purchase requisitions are reviewed for proper supporting documentation. The Project Manager or the Executive 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 (Budget) and supporting documents are reviewed by a second Facilities Planning Analyst (Contracts). This requisition is first forwarded to the Executive Director of Planning Services for an initial review and then 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 by the Accounting Specialist that all expenditures are properly recorded by the project and expense category. Once the purchase requisition has gone through the approval process, the Facilities Planning Analyst (Contracts) 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 the Facilities Planning Analyst (Budget) for monitoring and review.

When the invoice is received the Executive Director of Planning Services and Facilities Planning Analyst (Budget) 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 Technician 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 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 principles and applicable laws and regulations.

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 Lists and language of the Proposition AA ballot measure language. Our testing included \$49,666,221 of expenditures which was 87.3% of total bond expenditures for the year.

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.

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.

Results of Procedures Performed

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

Facilities Site Review

Procedures Performed

We reviewed the Independent Citizens' Oversight Committee minutes and agenda and other pertinent information on Proposition AA designated projects and determined the Proposition AA funds expended for the year ended June 30, 2017 were for valid facilities acquisition and construction purposes as stated in the Bond Project List. Auditors performed walk through of significant bond projects.

Results of Procedures Performed:

Based on our review of the minutes and agenda of the Independent Citizens' Oversight Committee, the documentation and pertinent information of the Proposition AA designated projects, and walkthrough of project site, it appears the construction work performed was consistent with the Bond Project List.

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 Building Fund (21-39) 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.

Opinion on Performance

In our opinion, the District complied, in all material respects, with the compliance requirements of Proposition 39 outlined in Article XIII A, Section 1(b)(3)(c) of the California Constitution, and with Proposition AA approved by the voters in the San Dieguito Union High School District on November 9, 2013.

Purpose of the Report

This report is intended solely for the information and use of the District's Governing Board, the Proposition AA 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.

El Cajon, California
February 26, 2018

Auditor's Results, Findings & Recommendations

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)**

Schedule of Findings and Responses
Year Ended June 30, 2017

There were no findings to report.

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)**

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

There were no audit findings noted for the fiscal year ended June 30, 2016.



Prop AA
Independent Citizens Oversight Committee

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

Union High School District

Superintendent
Eric R. Dill

Independent Citizens Oversight Committee (ICOC) Members:
Rhea Stewart/President, Clarke Caines/Representative,
Kim Bybee/Secretary, Robin Duveen, Mary Farrell, Amy Flicker,
Jerilyn Larson, Kristina Leyva, Robert Nascenzi, Jeffery Thomas

Business Services Division
Fax (760) 943-3508

INFORMATION REGARDING ICOC AGENDA ITEM

TO: Independent Citizens Oversight Committee

DATE OF REPORT: March 8, 2018

ICOC MEETING DATE: March 13, 2018

PREPARED & SUBMITTED BY: Limited Term Ad Hoc Committee: Rhea Stewart, Robin Duveen, Kim Bybee, Kristina Leyva, Jeffery Thomas

SUBJECT: **DRAFTING & APPROVAL OF INDEPENDENT CITIZENS OVERSIGHT COMMITTEE 2017 ANNUAL REPORT**

EXECUTIVE SUMMARY

The Limited Term Ad Hoc Committee will present a working draft of the 2017 Independent Citizens Oversight Committee annual report at the March 13, 2018, Special Meeting, as shown in the attached supplement.

RECOMMENDATION:

It is recommended that the Independent Citizens Oversight Committee approve the 2017 Annual Report, in substantially the form being presented, subject to any corrections, as needed.

San Dieguito

Union High School District

**Proposition AA Independent Citizens Oversight
Committee[RTS1]**

2017 Annual Report

April 5, 2018

San Dieguito Union High School District

**710 Encinitas Blvd.
Encinitas, California 92024**

(760) 753-6491

<http://www.sduhsd.net>

Dear Community Members,

The Independent Citizens Oversight Committee (ICOC) of the San Dieguito Union High School District (District) is pleased to present our fourth annual report. The 2017 Annual report covers activity for the period ending December 31, 2017.

Building on the commitment from the voters in 2012, the District has issued \$339 million in general obligation bonds and has expended \$257,559,649 on projects through December 31, 2017.

The ICOC wishes to thank the District staff and project management team for their support, their detailed updates and transparency of information, not only to the Committee, but also to the public.

We welcome your questions and comments. You will find ICOC members' e-mail addresses within this report.

For more information about Proposition AA and the ICOC, please visit:
[link here]

Sincerely,
Rhea A. Stewart
President,
San Dieguito Union High School District Independent Citizens Oversight Committee [RTS2]

INTRODUCTION

Proposition AA is a \$449 million bond initiative approved by over 55% of District voters in November 2012. The Abbreviation section of the Proposition AA Bond Measure stated that Proposition AA is to "provide safe, modern schools and prepare students for success in college and careers by repairing and upgrading outdated classrooms and schools, construction and upgrading school facilities, including classrooms, science labs, and libraries, improving safety and security, and supporting career training and math, science, and technology instruction with 21st Century instructional technology and facilities." See "Full Text of Measure" in **Exhibit A**.

Proposition AA was passed under the rules of California Proposition 39 (passed in November 2000). California Assembly Bill 1908 (executed July 2000) required school districts that passed Proposition 39 bonds appoint an Independent Citizens Oversight Committee (ICOC) "to assure that funds are spent only on school and classroom improvements and for no other purposes." The purpose of the ICOC is "to inform the public concerning the expenditure of bond revenues."

For additional information about the ICOC and Proposition AA projects, visit the ICOC page at [insert link] and the Proposition AA page at [insert link].

The projects mentioned in this annual report, including the Performance Audit, Project Status, Master Plans, and ICOC actions can be found at the ICOC page.

INDEPENDENT CITIZENS OVERSIGHT COMMITTEE (ICOC)

Members of the ICOC listed below were appointed by the District's Board of Trustees on March 21, 2017 for terms that end in March 2019. ICOC officers were elected at the April 18, 2017 meeting.

Name	Affiliation	Email Address
Rhea Stewart, President	At-Large Member	rhea.stewart@sduhsd.net
Clarke Caines, Representative	At-Large Member	clarke.caines@sduhsd.net
Kim Byee, Secretary	At-Large Member	kim.bybee@sduhsd.net
Robin Duveen	Taxpayer Association Member	robin.duveen@sduhsd.net
Mary Farrell	Senior Citizen Organization Member	mary.farrell@sduhsd.net
Amy Flicker	Teacher-Parent Organization	amy.flicker@sduhsd.net
Jerilyn Larson	At-Large Member	jerilyn.larson@sduhsd.net
Kristina Leyva	Parent of SDUHSD Student Member	Kristina.leyva@sduhsd.net
Robert Nascenzi	Business Organization Member	robert.nascenzi@sduhsd.net
Jeffery Thomas	At-Large Member	jeffery.thomas@sduhsd.net

To fulfill its duty the ICOC will:

- Understand the District's priority setting process for Proposition AA projects.
- Compare the initiative's language with the District's project plans to verify compliance with voter approved Proposition AA improvements.
- Maintain trust with District representatives - but, verify the appropriateness of District bond expenditures.
- Ensure that the District's information is transparent and open to the public.
- Review the annual independent performance and financial audit of Proposition AA funds.
- Remain current on all matters pertaining to the District's implementation of the Proposition AA projects.

ROLE OF THE ICOC

The ICOC provides only after-the-fact review and monitoring of how the District spends bond funds. The ICOC does not have the authority to approve or determine how the bonds funds are spent, the rate of taxes collected, bond financing or the contracting process (requirements definition, contract modeling and strategy, bid solicitation, contractor or consultant selection, contract negotiations, authorizing contract changes, etc.).

The ICOC is required to advise the public on the District's compliance with the requirements of Article 13A, Section 1(b)(3) of the California Constitution, including:

- Expenditure of bond funds only for the construction, reconstruction, rehabilitation, or replacement of school facilities;
- Prohibiting the expenditure of bond funds for any teacher or administrative salaries or other school operating expenses;
- Requiring annual independent performance audits to ensure that bond funds have been expended only on the specific projects listed; and
- Requiring annual independent financial audits of the proceeds from the sale of the bonds until all those proceeds have been expended for the school facilities projects.

INDEPENDENT PERFORMANCE AND FINANCIAL AUDIT

California Senate Bill 1473 (SB 1473), signed September 22, 2010, requires that the financial and performance audits required by Article 13A, Section 1(b)(3)(c) of the California Constitution for bond funds approved under Proposition 39 be conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS), also known as the Yellow Book, issued by the Comptroller General of the United States.

The required independent performance audit and independent financial audit for Proposition AA was conducted by WILKINSON HADLEY KING & CO. LLP (Independent Auditor) for the year ending June 30, 2017. The complete report is included as **EXHIBIT B**. The report included no findings of noncompliance by the Independent Auditor for the use of Proposition AA bond funds during the review period. This report and all prior audit reports are available on the District's Proposition AA page at [insert link].

ICOC AUDIT REVIEW

California Senate Bill 581 (SB 581), signed August 12, 2013, requires that independent performance and financial audits for the preceding year be conducted and submitted to the citizens oversight committee no later than March 31 of each year for its review. SB 581 also requires that the District provide the ICOC with responses, within three months, to any finding, recommendation, or concern addressed in the annual independent performance and financial audits.

The ICOC held a special meeting on March 14, 2017, to receive and review the 2015-16 Proposition AA Annual Audit report and ask questions of the Independent Auditor's representative. On the basis of this review the ICOC concurred with the Independent Auditor's conclusion of no findings of noncompliance and that the District complied with the requirements of Article 13A, Section 1(b)(3) of the California Constitution as it pertains to Proposition AA.

PROPOSITION AA DELIVERY METHODS

In the construction industry, delivery methods are used as the means of organizing and financing the design, construction, operations and maintenance of construction projects.

Construction projects funded by Proposition AA are accomplished using one of the following delivery methods:

- Construction Management-Multiple Prime (CM Multi Prime): The District becomes the general contractor and competitively bids out and manages each trade contract^[RTS5].
- District Forces (District):: Smaller projects which can be accomplished using district staff or through contracting under existing competitive bids.
- Design-Bid-Build (DBB): The District engages an architect to develop plans and specifications that are then the basis of a competitive bid process conducted by the District to hire either a general contractor and sub-contractors or a series of trade contractors who are assigned to a construction manager.
- Lease-Leaseback (LLB): The District engages an architect and a construction manager through a competitive proposal process. The architect drafts plans and specifications in cooperation with the District and the construction manager. The District then leases the construction site to the construction manager who then leases the site back to the district for a guaranteed maximum price that represents the cost of construction.

Use of the LLB method^[RTS6] under the authorization granted by the California Education Code Section 17406(a) is an often-litigated issue. The concerns surrounding this authority relates to the possibility that school districts will not receive the lowest price, and that the process lends itself to accusations of favoritism or improprieties. In 2015, the ICOC examined the District's LLB implementation and determined that the District's LLB partners being selected on a best value basis, and not necessarily based on the lowest bid basis, was consistent with the methodology traditionally employed with the design-build delivery method and was an acknowledged best practice at the time.

On September 23, 2016¹, Assembly Bill 2316 (AB2316) imposed changes to the LLB method, effective January 1, 2017, because of litigation in Fresno. AB2316 added a competitive bidding process to the LLB method and included a provision authorizing contractors used in pre-construction consulting to remain eligible for the award of the project.

AB2316 mandates that the District adopt and make public new policies detailing the processes for bid solicitations that might utilize the LLB method. Additionally, the District must adopt criteria that will be used to determine what gives the District the "best value", which allows the District to select a contractor other than the lowest

¹ Cota Cole & Huber LLP article entitled "Governor Signs New Law Affecting School District "Lease-Leaseback" Programs", dated October 20, 2016.

bidder for the project by incorporating experience and other intangibles into their evaluation process.

AB2316 also dealt with a call for the forfeiture of fees deemed excessive to be recovered from developers and contractors earned on contracts utilizing the LLB method back to the school districts. To eliminate the need to review prior LLB projects, for contracts awarded prior to July 1, 2015, AB2316 allowed entities that acted in good faith to retain payments for services rendered, excluding profits, under the LLB provisions in place prior to December 31, 2016.

After the passage of AB2316, the District modified its policies and procedures to comply with the new requirements.

DRAFT

PROPOSITION AA FINANCING

Proposition AA included the District's commitment to:

- Sell the bonds in 4 series over a period of approximately 6 years;
- Principal and interest on the bonds being payable from the proceeds of tax levies made upon the taxable property in the District; and
- The maximum tax rate levied to fund Proposition AA from the first fiscal year after the sale of the first series of bonds, based on estimated assessed valuations available at the time of filing of this statement, through 2019-20 is no more than two and one-half cents per \$100 (\$25.00 per \$100,000) of assessed valuation.

When Proposition AA was approved by the voters, California school districts were able to finance school facility projects through the issuance of capital appreciation bonds (CABs) with a maturity of up to 40 years and with an interest of up to 12%. Additionally, CABs were not required to have a mandatory call or tender feature.

At the District Board's March 13, 2013 District Board Workshop (Update on Financing Options for Series A General Obligation Bonds), the District's originally proposed structure was summarized to include:

- 32-year bond maturity structure;
- \$149.2M Tax Exempt Bonds; and
- \$10.8M of Taxable Bonds to pay off Qualified School Construction Bonds (QSCBs) issued in 2010 for LCC and CCA solar projects.

In October 2013, after Proposition AA's approval, California's legislature approved Assembly Bill 182 (AB 182) that:

- Reduced the maximum maturity of CABs from 40 to 25 years; and
- Limited school district's repayment ratio to no more than \$4 for every \$1 borrowed;
- Include call features for all term structures greater than 1 years; and
- Restricted yields on capital appreciation bonds no greater than 8%.

As a result, the District modified its bonding strategy to comply with the requirements of California AB 182. The net effect of these changes has been the lengthening of the timeline for bond issuance and construction. It should also be noted that a critical criterion when assessing the timing and amount of financing is dictated by the assessed property values in the district to maintain the \$25.00 per \$100,000 of assessed valuation.

\$339,040,000 of financing has been secured by the District for Proposition AA.

- Series A (2013) \$160,000,000
- Series B (2015) \$117,040,000
- Series C (2016) \$ 62,000,000

PROPOSITION AA BASELINE BUDGETS

Since its inception, the ICOC has been working with the District to adjust project status reports to reflect the budget baselines for each project based on the estimates that existed when the voters passed Proposition AA. In 2015, the District published revised status reports that now included the budgets on which the Proposition AA vote was based.

The baseline budgets established for authorized Proposition AA, summarized by Project Sites, are summarized later in this report.

At the September 14, 2017 District Board Workshop, it was discussed that due to the lengthening of the timeline for bond issuance and construction, many projects will be postponed to a future date. The following chart was presented at the Workshop.

	Initial Year	Est. Cost	Est. Escalation	Projected Yr.	Added Escalation	Revised Est. Cost
La Costa Canyon High School						
Renovate 200's & 900's 2-Story Classroom Bldg., Science Classroom Bldg., Admin. Remodel	2015	\$ 6,125,009	\$ 291,667	2019	\$ 965,455	\$ 7,090,464
Field House	2013	\$ 13,954,713	\$ 536,720	2021	\$ 5,869,774	\$ 19,824,487
	2015	\$ 7,111,295	\$ 402,526	2025	\$ 3,816,583	\$ 10,927,878
San Dieguito High School Academy						
Modernize Industrial Arts & Modernize A&B Bldgs.	2016	\$ 3,324,647	\$ 217,500	2019	\$ 272,264	\$ 3,596,911
Reconstruct Gym and Remodel Mustang Center	2016	\$ 20,796,047	\$ 799,848	2035	\$ 29,733,352	\$ 50,529,399
Torrey Pines High School						
New Arts & Industrial Arts, Technology Bldg., and Field House	2015/2016	\$ 18,343,366	\$ 1,135,706	2021	\$ 4,160,803	\$ 22,504,169
Remodel Gym and Admin	2015	\$ 11,501,443	\$ 651,025	2035	\$ 17,287,946	\$ 28,789,389
Canyon Crest Academy						
New Black Box Theater, Dance Room & Media Center Renovations	2014	\$ 3,784,899	\$ 180,233	2025	\$ 2,380,303	\$ 6,165,202
Sunset High School						
Campus Reconstruction	2014	\$ 10,739,437	\$ 511,402	2025	\$ 6,753,974	\$ 17,493,411
Oak Crest Middle School						
Classroom Modernization	2014	\$ 3,816,750	\$ 181,750	2021	\$ 1,298,060	\$ 5,114,810
Multi-Purpose Room	2015	\$ 2,290,202	\$ 129,634	2025	\$ 1,229,135	\$ 3,519,337
Diegueno Middle School						
Parking Lot, Traffic Circ., Admin, and Multi-Purpose Room	2014	\$ 13,261,567	\$ 631,503	2035	\$ 21,925,318	\$ 35,186,885
La Costa Valley						
Admin/Multipurpose Room	2014	\$ 6,835,296	\$ 325,490	2035	\$ 11,300,779	\$ 18,136,075
TOTALS		\$ 121,884,671	\$ 5,995,004		\$ 106,993,745	\$ 228,878,416

The chart also shows that cost escalation associated with the delays will be significant.

Previously, the ICOC was briefed that budgets established for the Proposition AA projects included normal construction contingencies. However, in 2015, the ICOC also learned that the project budgets did not include allowances to deal with costs that result from legislatively mandated requirements (for example, storm water mitigation, green initiatives, and new electrical code requirements). These unanticipated challenges, and future mandates, must be dealt with by the District through utilization

of savings from other Proposition AA projects or, as a last resort, scaling back future Proposition AA projects.

Based on the limitations imposed by Proposition AA along with the associated District commitment to the voters, the impacts of subsequent State legislative constraints, and the economics of implementing multi-year construction bonds when the State and Federal economies are creating demands not contemplated when the Proposition was planned, the District may not be able to accomplish all of the projects originally identified when Proposition AA was voted on.

DRAFT

SUPPLEMENTAL FUNDING SOURCES [CS7]

Although not a part of the Proposition AA effort, the District has been able to utilize local and state funding sources to augment the facilities improvements within the District. The ICOC does not monitor the activities associated with these supplemental funding sources but includes them in this report since they may appear on supplemental materials included with this report. Some of these supplemental funding sources include:

- North City West Funding — A Facilities Funding Agreement financed through a combination of state funds, developer mitigation and fees and special taxes, to facilitate acquisition, construction and installation of school facilities to serve the northern San Diego County area known as Carmel Valley.
- 2016 CFD Bond Funding — Mello-Roos Community Facilities District (CFD) financing of community facilities through the levy of a parcel tax.
- County of San Diego /FOTL [JT8]
- CVMS PTSA — Carmel Valley Middle School Parent Teacher Association funding for specific projects accomplished in conjunction with Proposition AA facilities modifications.
- Building Fund 21-09 [JT9]
- Solana Beach School District — Funding to modify and rent the temporary facilities established during the Earl Warren construction during the reconstruction of Skyline Elementary School in Solana Beach.

ICOC ACTIVITIES IN 2017

The ICOC reviews plans, timelines, budgets, change orders, and management processes as a standing practice at each meeting.

The first meeting of the year was held on **January 10, 2017**, at the District Office. The ICOC received information about reconstruction from the Oak Crest fires from Superintendent Eric Dill, who also led a discussion about Proposition 51/Public School Facility Bonds. Director of Planning, Dan Young, reviewed upcoming 2017 and 2018 projects. Executive Director of Planning Services, John Addleman reviewed change orders, project costs, budget, funding sources, and effects of future construction cost escalations. Eric Dill discussed new legislation regarding lease/leaseback and its effect on future Proposition AA projects. The ICOC established a process, a timeline, and meeting dates for completing the 2016 Annual Report.

At the special meeting on **March 14, 2017**, the ICOC met at the District Office to review the 2015-16 Proposition AA Annual Audit report. No deficiencies or material weaknesses were found for the Proposition AA financial and performance audits. The ICOC approved the 2016 Annual Report, presented by the ad hoc committee, in substantially the form presented, subject to any needed corrections. Eric Dill updated the ICOC on the upcoming special Board meeting, where 22 applicants would be interviewed to fill ICOC vacancies.

The ICOC met on **April 18, 2017** at San Dieguito High School Academy. The ICOC welcomed new members Robin Duveen, Amy Flicker, Jerilyn Larson, and Kristina Leyva. A visit to the under-construction SDA Math and Science visit was held to start the meeting. Project and Budget reports from John Addleman, Mike Coy, and Dan Young included reviews of current and upcoming projects. The ICOC elected Rhea Stewart to serve as President, Clarke Caines to serve as Representative, and Kim Bybee to serve as Secretary. Regular meetings for the 2017-2018 term were set for July 11, 2017, October 10, 2017, January 16, 2018, and April 17, 2018. A special meeting for the audit review and 2017 annual report was scheduled for March 13, 2018.

At the **July 11, 2017** meeting, held at Earl Warren Middle School, Eric Dill introduced Tina Douglas, new Associate Superintendent of Business Services. Mike Coy updated the ICOC on current projects. John Addleman reviewed change orders and budget/project updates for Series A and B budget and commitments. A facilities workshop was announced for September 14, 2017, where future Proposition AA project, funding options, and timelines for the issuance of Series D bonds will be discussed.

ICOC members were invited to attend the Earl Warren Middle School grand opening and ribbon cutting ceremony on **August 25, 2017**.

Several of the ICOC members attended the San Dieguito High School Academy ribbon cutting ceremony on **September 29, 2017**.

On **October 4, 2017**, the ICOC joined the Board and District staff for a tour of Proposition AA projects. The tour included Canyon Crest Academy, Carmel Valley Middle School, Earl Warren Middle School, and San Dieguito High School Academy. Mike Coy updated the ICOC on current projects. John Addleman reviewed change orders and budget/project updates. Dan Young provided a review of upcoming 2017 and 2018 projects. Jeffery Thomas and Rhea Stewart provided an update on the Solana Beach School District's initial ICOC meeting.

At the **October 10, 2017** meeting, Tina Douglas updated the ICOC on the September 14, 2017 Board facilities workshop, updated information about the La Costa Valley site and possible collaboration on oversight and maintenance with the City of Carlsbad.

Several of the ICOC members attended the Torrey Pines High School Performing Arts groundbreaking ceremony on **November 3, 2017**.

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FIRST^[RD10] BOND DRAW BUDGET AND COMMITMENTS SUMMARY

This is the overall Proposition AA bond program budget for 2017.

Project Sites	Budget 12/16/16	Budget 12/28/17	Commitments 12/28/17	Delta 12/28/17
Pacific Trails MS	66,955,788.55	66,209,795.95	63,981,108.23	2,228,687.72
Carmel Valley MS	6,478,686.51	7,419,974.39	7,074,534.92	345,439.47
Earl Warren MS	52,985,900.15	54,992,759.22	55,189,466.28	(196,707.06)
La Costa Valley Site	10,848,000.00	10,679,955.04	10,679,955.04	0.00
Diegueno MS	13,973,192.75	13,973,192.75	5,184,868.98	8,788,323.77
Oak Crest MS	24,649,690.23	21,389,942.22	20,845,491.27	544,450.95
Canyon Crest Academy	33,166,227.34	31,750,637.34	31,327,656.55	422,980.79
Torrey Pines HS	57,631,631.36	59,011,019.59	56,602,580.04	2,408,439.55
San Dieguito High School Academy	58,588,512.83	58,588,512.83	56,347,730.55	2,240,782.28
La Costa Canyon HS	9,370,144.78	9,282,324.96	9,235,693.24	46,631.72
Sunset HS	0.00	1,182,930.00	1,019,400.00	163,530.00
District-wide Tech Infrastructure	11,511,231.88	11,511,231.88	9,647,066.12	1,864,165.76
Solar Bonds - 3 yr. option	5,426,434.00	6,262,122.64	3,827,941.20	2,434,181.44
Administration	7,509,271.11	7,360,014.75	5,610,193.51	1,749,821.24
Subtotal Expense Budget	359,094,711.49	359,614,413.56	336,573,685.93	23,040,727.63
Project Funding				
Prop AA Project Fund	336,471,277.78	336,471,227.78		
North City West Funding	5,586,098.00	5,586,098.00		
2016 CFD Bond Funding	9,434,548.67	9,434,548.67		
State School Building Fund	5,268,508.00	0.00		
County of San Diego/FOTL	0.00	427,738.41		
CVMS PTSA	0.00	20,722.00		
Building Fund 21-09	0.00	3,499,155.76		
Solana Beach School District	0.00	461,718.43		
Estimated Interest Earnings	2,484,808.85	3,844,176.23		
Subtotal Funding Budget	359,245,191.30	359,745,385.28		
Excess / (Shortage of) Funding	150,479.81	130,971.72	Excess/(Shortage of) Funding	150,479.81

COMPLETED PROJECTS 2017

Project	Delivery Method	Budget	Actual Expenses	Estimated Savings ^[RD11]
Torrey Pines HS – Building B	LLB	23,176,973.00	19,485,717.25	(3,691,255.75)
Canyon Crest Academy – Building B	LLB	14,223,640.16	11,655,006.89	(2,578,633.27)
San Dieguito HS Academy – Stadium Phase 1b, and Math & Science Bldg	CM-MP	25,318,529.52	24,192,233.04	(1,126,296.48)
LCC Media Center Landscaping	Hard Bid ^[RD12]	275,000.00	109,423.18	(165,576.82)
Oak Crest MS – Media Center, Drainage and Frontage Improvements	LLB	4,831,722.00	3,999,929.99	(831,792.01)
Subtotal		66,461,015.00	60,387,686.68	(6,073,328.32)

2017 Amendments and Change Orders to Construction Contracts

These are the 2017 amendments and change orders to construction contracts approved by the Board and included in the Board minutes.

Board Date	Project	Contractor	Original	Amendments (Unforeseen)	Change Order (Owner Directed) ^[RD13]	Revised
2/2/2017	Oak Crest MS – Drain and Frontage Improvements	Erickson-Hall Construction Co.	3,616,581.82	-	(671,341.00)	2,945,240.82
3/9/2017	Earl Warren MS – Campus Re-Construction	McCarthy Building Companies, Inc	37,307,655.00	-	762,309.10	40,397,224.74
4/6/2017	San Dieguito HAS – Math & Science Bldg.	Precision Concrete Construction, Inc.	1,729,360.00	-	17,593.00	1,746,953.00
4/6/2017	Torrey Pines HS – Phase 1 – Weight Rm, Stadium Lights, Chemistry Bldg.	Erickson-Hall Construction Co.	7,983,867.00	-	(17,355.00)	7,966,512.00
4/6/2017	Torrey Pines HS – Phase 2B, 2C – Bldg B (North & Center)	Erickson-Hall Construction Co.	15,905,121.00	-	(647,003.00)	15,256,023.00
8/17/2017	Earl Warren MS – Campus Re-Construction	McCarthy Building Companies, Inc.	37,307,665.00	-	8,767.00	40,405,991.74
8/17/2017	Carmel Valley MS – Drama Clsrn and PAC Mod., New Music Bldg.	Chapman Air Systems, Inc.	273,000.00	4,744.00	-	277,744.00
9/14/2017	Torrey Pines HS – Culinary Arts Classroom	AO Reed	25,830.00	-	1,659.00	27,489.00
9/14/2017	Carmel Valley MS – Drama Clsrn and PAC Mod., New Music Bldg.	Fredricks Electric, Inc.	574,000.00	35,305.82	-	609,305.82
9/14/2017	Torrey Pines HS – Culinary Arts Classroom	Peltzer Plumbing, Inc.	81,478.00	7,382.79	-	88,860.79
10/12/17	Carmel Valley MS – Drama Clsrn and PAC Mod., New Music Bldg.	Brady SoCal, Inc.	1,057,330.00	12,734.00	-	1,070,064.00

10/12/17	Carmel Valley MS – Drama Clsrm and PAC Mod., New Music Bldg.	Sylvester Roofing Co., Inc.	75,000.00	11,652.00	-	86,652.00
11/2/2017	Earl Warren MS – Campus Re-Construction – Add Solar/Deduct Storm Water	McCarthy Building Companies, Inc.	37,307,665.00	-	461,718.43	40,867,710.00
12/14/17	Carmel Valley MS – Drama Clsrm and PAC Mod., New Music Bldg.	Brady SoCal, Inc.	1,070,064.00	-	20,722.00	1,090,786.00
12/14/17	Canyon Crest Academy – Building B	Balfour Beatty Construction, LLC	11,334,454.00	-	(954,648.00)	10,379,806.00
12/14/17	La Costa Canyon HS – Media Center Landscaping	Blue Pacific Engineering & Construction	118,000.00	-	(6,330.00)	111,670.00
Subtotal				71,818.61	(1,023,908.47)	
			Net (Deduct)/Add		(952,089.86)	

ONGOING PROJECTS AS OF DECEMBER 31, 2017 [RTS14]

Project	Delivery Method	Bond Series	Est. Start Date	Estimated Budget
CVMS Music & Performing Arts Renovations, New Music Bldg	CMMP	B/North City West/Building Fund 21-09	6/17	7,239,037.88
Diegueno MS New Classroom Building	LLB	C	6/18	8,913,873.77
Earl Warren MS Campus Reconstruction	LLB	B/County of San Diego/FOTL/CFD/SBSD	7/15	46,279,571.18
Earl Warren MS Interim Housing	LLB	A	4/15	4,732,785.00
La Costa Canyon HS - 200 Courtyard Renovation and 200 Classroom AV	District Forces/Hard Bid	C	8/17	62,000.00
Oak Crest MS - Science Classrooms	CMMP	C/CFD	6/17	13,001,223.25
Pacific Trails Middle School - Second Classroom Building	CMMP	C/CFD	8/17	19,403,133.55
SDHSA English, Arts, and Social Science Building/Culinary Arts	CMMP	C	1/18	29,217,814.00
Torrey Pines HS - Phase 3 - Performing Arts Center/Culinary Arts	CMMP	A/C/CFD/Building Fund 21-09	6/17	27,893,869.58

LEGEND:

DELIVERY METHOD:	FUNDING SOURCE:
LLB - Lease/Leaseback CMMP - Construction Manager Multi Prime	CFD - Community Facilities District FOTL - Friends of the Solana Beach Library SBSD - Solana Beach School District

OVERVIEW OF 2017 PROJECTS, BY SCHOOL

The following represents the status of the projects under ICOC oversight upon publication of this annual report.

For more information about each site's projects, and to view photos from 2017 work, visit [insert link].

CANYON CREST ACADEMY

- Science classroom/B building – **complete**
- Black Box theater & dance room, planning & design – **in progress**

CARMEL VALLEY MIDDLE SCHOOL

- Music classroom building & Drama classroom and Performing Arts Center renovations – **in progress**

DIEGUENO MIDDLE SCHOOL

- New P Building, planning & design – **in progress**
- Renovation of A and G classrooms, planning & design – **in progress**

EARL WARREN MIDDLE SCHOOL

- Campus reconstruction – **in progress**
- Redesign of Warren Hall with shared-use spaces for the County Library – **complete**

LA COSTA CANYON HIGH SCHOOL

- Building 200 classroom audio/visual improvements - **complete**
- Building courtyard improvements, planning and design – **in progress**
- Media Center landscaping, planning & design – **complete**

PACIFIC TRAILS MIDDLE SCHOOL

- Construction of second classroom building – **in progress**

OAK CREST MIDDLE SCHOOL

- Balour Street and landscape – **complete**
- Science classroom building – **in progress**

SAN DIEGUITO HIGH SCHOOL ACADEMY

- Construction of two-story math and science building – **complete**
- Culinary Arts - **complete**
- Arts and Humanities building (formerly English, Arts, and Social Science) – **in progress**

SUNSET HIGH SCHOOL

- Campus reconstruction, planning and design – **in progress**

TORREY PINES HIGH SCHOOL

- Learning Commons and front entry renovations – **complete**
- Culinary Arts - **complete**
- Performing Arts Complex – **in progress**

Proposition AA Independent Citizens Oversight Committee 2017 Annual Report

EXHIBIT A

PROPOSITION AA BALLOT MEASURE

The San Dieguito Union High School District Proposition AA Ballot Measure follows. The Proposition AA ballot measure can also be found at [insert link].

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EXHIBIT B

2016-17 AUDIT REPORT

The San Dieguito Union High School District Proposition AA Building Fund General Obligation Bonds Audit Report, dated June 30, 2017, follows. The report can also be found at [insert link].

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