Financial Statements
June 30, 2020

Encinitas Union School District

EideBailly®

eidebailly.com

Independent Auditor's Report

To the Governing Board
Encinitas Union School District
Encinitas, California

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Encinitas Union School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Encinitas Union School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, budgetary comparison information on page 70, schedule of changes in the District's total OPEB liability and related ratios on page 71, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 72, schedule of the District's proportionate share of the net pension liability on page 73, and the schedule of District contributions on page 74, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Encinitas Union School District's financial statements. The combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 4, 2021 on our consideration of Encinitas Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Encinitas Union School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Encinitas Union School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
January 4, 2021

101 S. Rancho Santa Fe Road
Encinitas, CA 92024-4349
Phone: (760) 944-4300
FAX: (760) 944-4393
www.eusd.net

This section of Encinitas Union School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020, with comparative information for the year ending June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets and deferred outflows of resources of the District (including capital assets), as well as all liabilities and deferred inflows of resources (including long-term liabilities). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The Fund Financial Statements include statements for each of the two categories of activities: governmental and proprietary.

- The Governmental Funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

- The Proprietary Funds are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Encinitas Union School District.

Reporting the District as A Whole

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the Statement of Net Position and the Statement of Activities, the District reports all of its activities as follows:

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade six students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

Business-Type Activities – The District charges fees to help it cover the costs of certain services it provides. The District's child care programs and services are included here.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

Financial Highlights

- Total net position was $8,265,437 at June 30, 2020. This was a decrease of $6,118,757 from the prior year.
- Overall revenues were $75,635,804 which were exceeded by expenditures of $81,754,561.

The District as A Whole

Net Position

The District's net position was $8,265,437 for the fiscal year ended June 30, 2020. Of this amount, $(89,333,176) was unrestricted deficit. Restricted Net Position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the Net Position (Table 1) and change in Net Position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities		Business-Type Activities		Total District Activities	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	$ 45,625,881	$ 43,362,205	$ 63,652	$ 434,554	$ 45,689,533	$ 43,796,759
Capital assets	97,157,747	103,405,681	-	-	97,157,747	103,405,681
Total assets	142,783,628	146,767,886	63,652	434,554	142,847,280	147,202,440
Deferred outflows of resources	20,737,186	17,674,973	450,540	332,672	21,187,726	18,007,645
Liabilities						
Current liabilities	2,551,616	2,702,269	61,936	171,789	2,613,552	2,874,058
Long-term liabilities other than OPEB and Pensions	69,915,919	70,921,984	-	-	69,915,919	70,921,984
Other postemployment benefits (OPEB) liabilities	10,648,467	9,093,596	344,421	316,460	10,992,888	9,410,056
Aggregate net pension liability	64,772,207	60,514,817	1,407,472	816,718	66,179,679	61,331,535
Total liabilities	147,888,209	143,232,666	1,813,829	1,304,967	149,702,038	144,537,633
Deferred inflows of resources	6,035,364	6,269,864	32,167	18,394	6,067,531	6,288,258
Net Position						
Net investment in capital assets	85,407,074	87,226,467	-	-	85,407,074	87,226,467
Restricted	12,191,539	11,673,684	-	-	12,191,539	11,673,684
Unrestricted (deficit)	(88,001,372)	(83,959,822)	(1,331,804)	(556,135)	(89,333,176)	(84,515,957)
Total net position (deficit)	$ 9,597,241	$ 14,940,329	$ (1,331,804)	$ (556,135)	$ 8,265,437	$ 14,384,194

The $(89,333,176) in unrestricted net position represents the accumulated results of all past years' operations. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased by 5.7 percent $(89,333,176) compared to $(84,515,957).

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities		Business-Type Activities		Total District Activities	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	$ 1,571,841	$ 1,214,626	$ 1,618,728	$ 2,052,489	$ 3,190,569	$ 3,267,115
Operating grants and contributions	9,218,235	10,018,776	15,826	46,023	9,234,061	10,064,799
General revenues						
Federal and State aid not restricted	4,604,222	4,836,748	-	-	4,604,222	4,836,748
Property taxes	55,118,649	52,727,163	-	-	55,118,649	52,727,163
Other general revenues	3,481,037	3,012,429	7,266	9,626	3,488,303	3,022,055
Total revenues	73,993,984	71,809,742	1,641,820	2,108,138	75,635,804	73,917,880
Expenses						
Instruction	47,855,767	47,482,944	-	-	47,855,767	47,482,944
Instruction-related	5,891,527	6,283,345	-	-	5,891,527	6,283,345
Pupil services	5,735,253	5,798,600	-	-	5,735,253	5,798,600
Administration	3,759,422	3,666,178	-	-	3,759,422	3,666,178
Plant services	5,260,181	5,240,018	-	-	5,260,181	5,240,018
Facilities acquisition and construction	-	9,000	-	-	-	9,000
Community services	428,052	332,251	-	-	428,052	332,251
Enterprise services	60,350	31,584	2,417,489	2,060,095	2,477,839	2,091,679
Debt service - interest	3,500,976	3,522,097	-	-	3,500,976	3,522,097
Other outgo	32,069	21,695	-	-	32,069	21,695
Depreciation	6,813,475	6,736,227	-	-	6,813,475	6,736,227
Total expenses	79,337,072	79,123,939	2,417,489	2,060,095	81,754,561	81,184,034
Change in net position	$ (5,343,088)	$ (7,314,197)	$ (775,669)	$ 48,043	$ (6,118,757)	$ (7,266,154)

Governmental Activities

As reported in the Statement of Activities on page 15, the cost of all of our governmental activities this year was $79,337,072. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $55,118,649 because the cost was paid by those who benefited from the programs ($1,571,841) or by other governments and organizations who subsidized certain programs with grants and contributions ($9,218,235). We paid for the remaining "public benefit" portion of our governmental activities with $8,085,259 in Federal and State funds, and with other revenues, like interest and general entitlements. The District focused its resources on those expenses that benefit the educational opportunities of the students. Instruction-related and pupil services expenses represented 75.0 percent of expenses, demonstrating the District's commitment to students. Overall expenditures increased by 0.3 percent for 2019-2020 from the 2018-2019 fiscal year.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction and instruction-related activities, including special instruction programs and other instructional programs, pupil services, administration, plant services, facility acquisition and construction, community services, enterprise services, debt service interest, other outgo, and depreciation. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	$ 47,855,767	$ 47,482,944	$ 40,389,650	$ 39,558,342
Instruction-related activities	5,891,527	6,283,345	5,574,608	5,873,257
Pupil services	5,735,253	5,798,600	3,860,636	3,612,303
Administration	3,759,422	3,666,178	3,512,228	3,378,213
Plant services	5,260,181	5,240,018	4,919,573	5,079,331
Facility acquisition and construction	-	9,000	-	9,000
Community services	428,052	332,251	(109,206)	73,406
Enterprise services	60,350	31,584	60,350	31,584
Debt service - interest	3,500,976	3,522,097	3,615,976	3,522,097
Other outgo	32,069	21,695	24,706	16,777
Depreciation	6,813,475	6,736,227	6,813,475	6,736,227
Total	$ 79,337,072	$ 79,123,939	$ 68,661,996	$ 67,890,537

The District's net expense for instruction, instruction-related, and pupil services increased by $780,992, or 1.6 percent from 2019 to 2020, maintaining learning and support programs for students.

The District's Funds

As the District completed this year, our governmental funds reported a combined fund balance of $38,465,223, which is an increase of $2,173,512, or 6.0 percent from last year (Table 4).

Table 4

	Fund Balance			
	July 1, 2019	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2020
General Fund	$ 21,089,748	$ 67,159,571	$ 65,566,111	$ 22,683,208
Special Reserve Fund for Capital Outlay Projects	7,145,947	441,954	257,687	7,330,214
Bond Interest and Redemption Fund	5,403,149	4,578,262	4,580,550	5,400,861
Cafeteria Fund	215,698	1,227,388	1,272,338	170,748
Building Fund	1,604,450	32,431	8,655	1,628,226
Capital Facilities Fund	723,423	554,259	137,226	1,140,456
Foundation Fund	109,296	2,214	-	111,510
Total	$ 36,291,711	$ 73,996,079	$ 71,822,567	$ 38,465,223

The primary reasons for this net increase to our combined fund balances are as follows:

The General Fund increase is due to an increase of property taxes of $2.2 million or 4.6 percent. This increase of revenues was then partially offset with expenses such as capital facilities projects ($300k) and equipment purchase ($444k).

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted at the Second Interim submission on March 10, 2020. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 70.)

Capital Asset and Debt Administration

Capital Assets

At June 30, 2020, the District had $97,157,747 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $6,247,934, or 6.0 percent, from last year (Table 5).

Table 5

	Governmental Activities		
	2020	2019	Net Change
Land and construction in process	$ 21,555,645	$ 22,936,547	$ (1,380,902)
Buildings and improvements	70,805,377	74,299,026	(3,493,649)
Furniture and equipment	4,796,725	6,170,108	(1,373,383)
Total	$ 97,157,747	$ 103,405,681	$ (6,247,934)

The majority of the decrease in capital assets was a result of the lack of any new projects in progress.

Long-Term Liabilities other than OPEB and Pensions

At the end of this year, the District had $69,915,919 in long-term liabilities other than OPEB and pensions versus $70,921,984 last year, a decrease of 1.4 percent. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2020	2019
General obligation bonds - net (financed with property taxes)	$ 69,587,313	$ 70,708,229
Compensated absences	328,606	213,755
	$ 69,915,919	$ 70,921,984

The District's general obligation bond rating achieved a rating of AA+ by S&P, which is one notch way from the highest AAA rating possible. The State limits the amount of general obligation debt that districts can issue to 1.25 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $69,587,313 is significantly below this $261,687,075 statutorily-imposed limit.

Other obligations include compensated absences payable. We present more detailed information regarding our long-term liabilities in Note 8 of the financial statements.

OPEB and Pension Liabilities

At year-end, the District had a total OPEB liability of $10,992,888 versus $9,410,056 last year, an increase of $1,582,832, or 16.8 percent.

At the end of the year, the District had a net pension liability of $66,179,679 versus $61,331,535 last year, an increase of $4,848,144 or 7.9 percent.

Significant Accomplishments of Fiscal Year 2019-2020 Are Noted Below:

Encinitas Union School District (EUSD) received a number of accolades during 2019-2020, including:

Teamwork, Regulation, Acceptance, and Community (TRAC) and Social-Emotional Learning Program:
The TRAC and Social-Emotional Learning program completed its first full year of implementation at all nine campuses in the District. The purpose of the TRAC program is to provide universal social emotional instruction to the entire school population. Helping our students gain skills to boost their self-awareness, increase self-esteem and self-regulation, improve social skills, encourage empathy, and learn to seek internal motivation for their personal and academic successes not only supports the students throughout their lives, but helps our community as well. Due to the COVID-19 pandemic, the program shifted to provide important and timely supports to our students in a virtual environment. We are fortunate to have instituted this program in person ahead of the pandemic, so that our students, staff, and families were aware of the program's goals, created positive relationships and developed rapport prior to the shift to the virtual environment.

Farm Lab DREAMS Campus Awards:
Farm Lab DREAMS campus was named one of six outstanding leaders and innovators in the California school food system. The honor was presented as a part of the Center for Ecoliteracy's California Food for Kids Initiative. The focus of the recognition was the creation of the 10-acre farm where students are able to learn outside of the classroom in an immersive setting, children discover the impact of food on their health and the environment by doing place-based learning, design thinking, and research.

In addition, the Farm Lab DREAMS Campus, in partnership with The Ecology Center and Healthy Day Partners, was awarded a USDA Farm to School Grant. The grant supported a robust and comprehensive project aimed to increase participation in EUSD's organic, scratch made, farm to school lunch program.

California Civics Learning Awards:
The 2020 Civic Learning Awards, now in its seventh year, celebrate public schools' efforts to engage students in civic learning. The Civic Learning Awards are presented at three levels: Awards of Excellence, Awards of Distinction, and Awards of Merit. La Costa Heights Elementary School was one of three schools statewide to receive an Award of Excellence, the highest level. Park Dale Lane Elementary received an Award of Distinction. Note: Having previously won these awards, El Camino Creek and Flora Vista Elementary Schools can reapply in two years. It is quite the accomplishment to receive these awards and represents the incredible work being done at our elementary schools.

California Student Media Festival and Innovative Video in Education Awards – Virtual in 2019-2020:
Three Film Guild students received nominations as finalists and two won the top awards, including the Media and Information Literacy Award and the Grand Recognition from the state’s California Student Media Festival. In addition, fifteen films created by Film Guild students were also nominated for the Innovative Video in Education (iVIE) Awards in San Diego.

Economic Factors and Next Year's Budgets and Rates

In considering the District Budget for the 2020-2021 year, the governing board and management used the following criteria:

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

Factors related to California’s Local Control Funding Formula (LCFF) that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

With the Impacts of COVID-19, the District will incur significant expenses in Personal Protective Equipment (PPE) and various other health and safety supplies and equipment to ensure compliance standards are met or exceeded for the health and safety of the District’s students and staff. Various State and Federal level resources funds will be received and tracked to be used toward such expenses.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2020. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at Encinitas Union School District, 101 South Rancho Santa Fe Road, Encinitas, California, 92024, or e-mail at Jospeh.Dougherty@eusd.net.

	Governmental Activities	Business-Type Activities	Total
Assets			
Deposits and investments	$ 42,750,294	$ 20,967	$ 42,771,261
Receivables	2,697,869	1,081	2,698,950
Internal balances	(41,604)	41,604	-
Stores inventories	219,322	-	219,322
Capital assets not depreciated	21,555,645	-	21,555,645
Capital assets, net of accumulated depreciation	75,602,102	-	75,602,102
Total assets	142,783,628	63,652	142,847,280
Deferred Outflows of Resources			
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	1,526,793	15,401	1,542,194
Deferred outflows of resources related to pensions	19,210,393	435,139	19,645,532
Total deferred outflows of resources	20,737,186	450,540	21,187,726
Liabilities			
Accounts payable	1,735,565	39,202	1,774,767
Accrued interest payable	82,684	-	82,684
Unearned revenue	733,367	22,734	756,101
Long-term liabilities			
Long-term liabilities other than OPEB and pensions due within one year	4,440,000	-	4,440,000
Long-term liabilities other than OPEB and pensions due in more than one year	65,475,919	-	65,475,919
Total other postemployment benefits liabilities	10,648,467	344,421	10,992,888
Aggregate net pension liabilities	64,772,207	1,407,472	66,179,679
Total liabilities	147,888,209	1,813,829	149,702,038
Deferred Inflows of Resources			
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	193,477	7,654	201,131
Deferred inflows of resources related to pensions	5,841,887	24,513	5,866,400
Total deferred inflows of resources	6,035,364	32,167	6,067,531
Net Position			
Net investment in capital assets	85,407,074	-	85,407,074
Restricted for			
Debt service	5,318,177	-	5,318,177
Capital projects	1,140,456	-	1,140,456
Educational programs	796,246	-	796,246
Other activities	4,936,660	-	4,936,660
Unrestricted (deficit)	(88,001,372)	(1,331,804)	(89,333,176)
Total net position (deficit)	$ 9,597,241	$ (1,331,804)	$ 8,265,437

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction	$ 47,855,767	$ 107,859	$ 7,358,258	$ (40,389,650)	$ -	$ (40,389,650)
Instruction-related activities						
Supervision of instruction	1,620,701	5	122,859	(1,497,837)	-	(1,497,837)
Instructional library, media, and technology	1,479,046	-	34,619	(1,444,427)	-	(1,444,427)
School site administration	2,791,780	-	159,436	(2,632,344)	-	(2,632,344)
Pupil services						
Home-to-school transportation	410,037	-	-	(410,037)	-	(410,037)
Food services	1,223,443	624,241	463,750	(135,452)	-	(135,452)
All other pupil services	4,101,773	11,593	775,033	(3,315,147)	-	(3,315,147)
Administration						
Data processing	100,355	-	-	(100,355)	-	(100,355)
All other administration	3,659,067	35,769	211,425	(3,411,873)	-	(3,411,873)
Plant services	5,260,181	287,634	52,974	(4,919,573)	-	(4,919,573)
Community services	428,052	504,394	32,864	109,206	-	109,206
Enterprise services	60,350	-	-	(60,350)	-	(60,350)
Interest on long-term liabilities	3,500,976	-	-	(3,500,976)	-	(3,500,976)
Other outgo	32,069	346	7,017	(24,706)	-	(24,706)
Depreciation (unallocated)[1]	6,813,475	-	-	(6,813,475)	-	(6,813,475)
Total governmental activities	$ 79,337,072	$ 1,571,841	$ 9,218,235	(68,546,996)	-	(68,546,996)
Business-Type Activities						
Enterprise services	$ 2,417,489	$ 1,618,728	$ 15,826	-	(782,935)	(782,935)
General revenues and subventions						
Property taxes, levied for general purposes				50,633,971	-	50,633,971
Property taxes, levied for debt service				4,485,060	-	4,485,060
Taxes levied for other specific purposes				(382)	-	(382)
Federal and state aid not restricted to specific purposes				4,604,222	-	4,604,222
Interest and investment earnings				699,164	-	699,164
Interagency revenues				52,499	-	52,499
Miscellaneous				2,729,374	7,266	2,736,640
Subtotal, general revenues				63,203,908	7,266	63,211,174
Change in Net Position				(5,343,088)	(775,669)	(6,118,757)
Net Position - Beginning				14,940,329	(556,135)	14,384,194
Net Position - Ending				$ 9,597,241	$ (1,331,804)	$ 8,265,437

[1] This amount excludes any depreciation that is included in the direct expense of the various programs.

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	$ 23,138,523	$ 7,299,687	$ 5,400,861	$ 2,996,889	$ 38,835,960
Receivables	2,520,748	30,527	-	129,859	2,681,134
Due from other funds	23,936	-	-	12,461	36,397
Stores inventories	181,998	-	-	37,324	219,322
Total assets	$ 25,865,205	$ 7,330,214	$ 5,400,861	$ 3,176,533	$ 41,772,813
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 1,610,556	$ -	$ -	$ 116,800	$ 1,727,356
Due to other funds	838,074	-	-	8,793	846,867
Unearned revenue	733,367	-	-	-	733,367
Total liabilities	3,181,997	-	-	125,593	3,307,590
Fund balances					
Nonspendable	191,998	-	-	37,324	229,322
Restricted	796,246	-	5,400,861	3,013,616	9,210,723
Assigned	14,686,403	7,330,214	-	-	22,016,617
Unassigned	7,008,561	-	-	-	7,008,561
Total fund balances	22,683,208	7,330,214	5,400,861	3,050,940	38,465,223
Total liabilities and fund balances	$ 25,865,205	$ 7,330,214	$ 5,400,861	$ 3,176,533	$ 41,772,813

Total Fund Balance - Governmental Funds		$ 38,465,223
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 178,385,534	
Accumulated depreciation is	(81,227,787)	
Net Capital Assets		97,157,747
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(82,684)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		4,691,726
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Other postemployment benefits (OPEB) liability	1,526,793	
Net pension liability	19,210,393	
Total deferred outflows of resources to pensions		20,737,186
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits (OPEB) liability	(193,477)	
Net pension liability	(5,841,887)	
Total deferred inflows of resources to pensions		(6,035,364)
The District’s OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(10,648,467)

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (64,772,207)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds	$ (12,585,403)	
Premium on bond issuance	(793,496)	
Compensated absences (vacations)	(328,606)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is	(56,208,414)	
Total long-term liabilities		(69,915,919)
Total Net Position - Governmental Activities		$ 9,597,241

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local Control Funding Formula	$ 53,473,871	$ -	$ -	$ -	$ 53,473,871
Federal sources	1,705,051	-	-	520,146	2,225,197
Other State sources	6,200,634	-	21,637	33,116	6,255,387
Other local sources	5,780,015	141,954	4,556,625	1,250,569	11,729,163
Total revenues	67,159,571	141,954	4,578,262	1,803,831	73,683,618
Expenditures					
Current					
Instruction	45,895,706	-	-	-	45,895,706
Instruction-related activities					
Supervision of instruction	1,558,396	-	-	-	1,558,396
Instructional library, media, and technology	1,427,136	-	-	-	1,427,136
School site administration	2,682,110	-	-	-	2,682,110
Pupil services					
Home-to-school transportation	410,037	-	-	-	410,037
Food services	-	-	-	1,208,399	1,208,399
All other pupil services	3,951,358	-	-	-	3,951,358
Administration					
Data processing	100,355	-	-	-	100,355
All other administration	3,522,900	-	-	5,500	3,528,400
Plant services	5,255,704	90,417	-	195,665	5,541,786
Community services	417,879	-	-	-	417,879
Other outgo	32,069	-	-	-	32,069
Facility acquisition and construction	-	167,270	-	8,655	175,925
Debt service					
Principal	-	-	4,325,000	-	4,325,000
Interest and other	-	-	255,550	-	255,550
Total expenditures	65,253,650	257,687	4,580,550	1,418,219	71,510,106
Excess (Deficiency) of Revenues over Expenditures	1,905,921	(115,733)	(2,288)	385,612	2,173,512
Other Financing Sources (Uses)					
Transfers in	-	300,000	-	12,461	312,461
Transfers out	(312,461)	-	-	-	(312,461)
Net other financing financing sources (uses)	(312,461)	300,000	-	12,461	-
Net Change in Fund Balances	1,593,460	184,267	(2,288)	398,073	2,173,512
Fund Balance - Beginning	21,089,748	7,145,947	5,403,149	2,652,867	36,291,711
Fund Balance - Ending	$ 22,683,208	$ 7,330,214	$ 5,400,861	$ 3,050,940	$ 38,465,223

Total Net Change in Fund Balances - Governmental Funds		$ 2,173,512
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation expense exceeds capital outlays in the period.		
Depreciation expense	$ (6,813,475)	
Capital outlays	565,541	
Net Expense Adjustment		(6,247,934)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation paid was less than the amounts earned by $114,851.		(114,851)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(2,247,269)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.		(268,279)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
General obligation bonds		4,325,000

Governmental funds report the effects of premiums, whereas the amounts are deferred and amortized on the Statement of Activities.	
Amortization of premium	$ 79,765
Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by $41,342, and second, $3,283,849 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.	(3,325,191)
An Internal Service Fund is used by the District's management to the other postemployment benefits contributions other than pensions. The net position of the Internal Service Fund is reported with governmental activities.	282,159
Change in net position of governmental activities	$ (5,343,088)

	Business-Type Activities Enterprise Fund Child Care Fund	Governmental Activities Internal Service Fund
Assets		
Current Assets		
Deposits and investments	$ 20,967	$ 3,914,334
Receivables	1,081	16,735
Due from other funds	56,747	768,866
Total assets	78,795	4,699,935
Deferred Outflows of Resources		
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	15,401	-
Deferred outflows of resources related to pensions	435,139	-
Total deferred outflows of resources	450,540	-
Liabilities		
Current Liabilities		
Accounts payable	39,202	8,209
Due to other funds	15,143	-
Unearned revenue	22,734	-
Total current liabilities	77,079	8,209
Noncurrent Liabilities		
Net OPEB liability	344,421	-
Net pension liability	1,407,472	-
Total liabilities	1,828,972	8,209
Deferred Inflows of Resources		
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	7,654	-
Deferred inflows of resources related to pensions	24,513	-
Total deferred inflows of resources	32,167	-
Net Position		
Restricted (deficit)	(1,331,804)	4,691,726
Total net position (deficit)	$ (1,331,804)	$ 4,691,726

	Business-Type Activities Enterprise Fund Child Care Fund	Governmental Activities Self-Insurance Fund
Operating Revenues		
Local and intermediate sources	$ 1,618,728	$ 768,866
Operating Expenses		
Payroll costs	2,184,136	-
Supplies and materials	151,749	-
Other operating costs	81,604	561,503
Total operating expenses	2,417,489	561,503
Operating income (loss)	(798,761)	207,363
Nonoperating Revenues		
Interest income	7,266	74,796
Grants	15,826	-
Total nonoperating revenues	23,092	74,796
Change in Net Position	(775,669)	282,159
Total Net Position - Beginning (deficit)	(556,135)	4,409,567
Total Net Position - Ending (deficit)	$ (1,331,804)	$ 4,691,726

	Business-Type Activities Enterprise Fund Child Care Enterprise	Governmental Activities Internal Service Fund
Cash Flows from Operating Activities		
Cash receipts from customers	$ 1,601,286	$ 1,790,924
Other operating cash receipts	(71,998)	-
Cash payments to other suppliers of goods or services	(220,210)	5,029
Cash payments to employees for services	(1,817,752)	-
Other operating cash payments	(81,604)	(561,503)
Net Cash Provided/(Used) by Operating Activities	(590,278)	1,234,450
Cash Flows from Noncapital Financing Activities		
Nonoperating grants received	15,826	-
Cash Flows from Investing Activities		
Interest on investments	7,266	74,796
Net Increase/(Decrease) in Cash and Cash Equivalents	(567,186)	1,309,246
Cash and Cash Equivalents - Beginning	588,153	2,605,088
Cash and Cash Equivalents - Ending	$ 20,967	$ 3,914,334
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	$ (798,761)	$ 207,363
Receivables	8,699	13,547
Due from other fund	(56,747)	1,008,511
Deferred outflows of resources	(117,868)	-
Accounts payable	(68,461)	5,029
Due to other fund	(148,236)	-
Unearned revenue	(41,392)	-
Net OPEB liability	27,961	-
Deferred inflows of resources	13,773	-
Net pension liability	590,754	-
Net Cash Provided/(used) by Operating Activities	$ (590,278)	$ 1,234,450

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Encinitas Union School District (the District) was organized in 1944 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades Kindergarten - Sixth as mandated by the State and/or Federal agencies. The District operates nine elementary schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Encinitas Union School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and proprietary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase fund balance, revenues and other financing sources and expenditures and other financing uses, of $4,762,143, $89,264, and $2,276, respectively.

Special Reserve Fund for Capital Outlay Projects This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

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

- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

- **Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Permanent Funds The Permanent Funds were introduced as part of the governmental financial reporting model established by GASB Statement No. 34 to account for permanent foundations that benefit a local educational agency.

- **Foundation Permanent Fund** The Foundation Permanent Fund is used to account for resources received from gifts or bequests pursuant to *Education Code* Section 41031 that are restricted to the extent that earnings, but not principal, may be used for purposes that support the District/County Office of Education's own programs and where there is a formal trust agreement with the donor.

Proprietary Funds Proprietary Funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

- **Enterprise Fund** Enterprise Funds may be used to account for any activity for which a fee is charged to external users for goods and services. The only enterprise fund of the District accounts for the financial transactions related to the child care operations of the District.

- **Internal Service Fund** Internal Service Funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District uses the self-insurance fund for the accounting for other postemployment benefits other than pensions.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental function and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds, permanent funds, the internal service fund, and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. 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 balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in the county pool are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 20 to 50 years; furniture, equipment, and vehicles, 5 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources are reported as liabilities of the governmental funds.

However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs and Premiums

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Position. Debt premiums are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The deferred outflows of resources related to pension and OPEB relate to pensions contributions subsequent to measurement date, change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience, and changes of assumptions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The deferred inflows of resources for pension and OPEB relate to change in proportion and differences between contributions made and District's proportionate share of contributions, differences between projected and actual earnings on pension plan investments, differences between expected and actual experience, and changes of assumptions.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the government activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, and additions to/deductions from the District's Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the government activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes 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, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than ten percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $12,191,539 of restricted net position which is restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for child care services and to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District’s financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District’s financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental activities	$ 42,750,294
Business-type activities	20,967
Total deposits and investments	$ 42,771,261

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	$ 20,000
Cash in revolving	10,000
Investments	42,741,261
Total deposits and investments	$ 42,771,261

Policies and Practices

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

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

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market 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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the county pool and purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Reported Amount	Average Days to Maturity
San Diego County Treasury Investment Pool	$ 42,741,261	556 days

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the San Diego County Treasury Investment Pool has been rated by Standard and Poor's Investor Service as of June 30, 2020, as AAAf.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a policy for custodial credit risk for deposits. However, 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 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. At June 30, 2020, the District's bank balance was not exposed to custodial credit risk.

Note 3 - Receivables

Receivables at June 30, 2020, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Enterprise Fund Child Care Fund
Federal Government						
Categorical aid	$ 1,163,525	$ -	$ 107,869	$ -	$ 1,271,394	$ -
State Government						
LCFF apportionment	604,579	-	-	-	604,579	-
Categorical aid	83,200	-	9,287	-	92,487	-
Lottery	269,719	-	-	-	269,719	-
Local Government						
Interest	110,372	30,527	12,703	16,735	170,337	1,081
Other Local Sources	289,353	-	-	-	289,353	-
Total	$ 2,520,748	$ 30,527	$ 129,859	$ 16,735	$ 2,697,869	$ 1,081

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 20,468,378	$ -	$ -	$ 20,468,378
Construction in progress	2,468,169	-	1,380,902	1,087,267
Total capital assets not being depreciated	22,936,547	-	1,380,902	21,555,645
Capital Assets Being Depreciated				
Land improvements	2,882,364	-	-	2,882,364
Buildings and improvements	135,535,797	1,707,860	-	137,243,657
Furniture and equipment	16,465,285	238,583	-	16,703,868
Total capital asset being depreciated	154,883,446	1,946,443	-	156,829,889
Total capital assets	177,819,993	1,946,443	1,380,902	178,385,534
Less Accumulated Depreciation				
Land improvements	2,692,887	17,418	-	2,710,305
Buildings and improvements	61,426,248	5,184,091	-	66,610,339
Furniture and equipment	10,295,177	1,611,966	-	11,907,143
Total accumulated depreciation	74,414,312	6,813,475	-	81,227,787
Governmental activities capital assets, net	$ 103,405,681	$ (4,867,032)	$ 1,380,902	$ 97,157,747

Governmental Activities	
Unallocated	$ 6,813,475

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2020, between major and non-major governmental funds, the enterprise fund, and the internal service fund are as follows:

	Due To				
				Enterprise Fund	
Due From	General Fund	Non-Major Governmental Funds	Internal Service Fund	Child Care Fund	Total
General Fund	$ -	$ 12,461	$ 768,866	$ 56,747	$ 838,074
Non-Major Governmental Funds	8,793	-	-	-	8,793
Enterprise Fund - Child Care Fund	15,143	-	-	-	15,143
Total	$ 23,936	$ 12,461	$ 768,866	$ 56,747	$ 862,010

The balance of $8,793 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from payroll and indirect costs due.

The balance of $12,461 due to the Cafeteria Non-Major Governmental Fund from the General Fund resulted from an operating contribution.

The balance of $768,866 due to the Internal Service Fund from the General Fund resulted from a contribution for premium benefits.

The balance of $15,143 due to the General Fund from the Enterprise Fund - Child Care Fund resulted from payroll and indirect costs due.

The balance of $56,747 due to the Enterprise Fund - Child Care Fund from the General Fund resulted from excess indirect cost.

Operating Transfers

Interfund transfers for the year ended June 30, 2020, consisted of the following:

	Transfer To		
Transfer From	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
General Fund	$ 300,000	$ 12,461	$ 312,461

The General Fund transferred to the Cafeteria Non-Major Governmental Fund for an operating contribution.	$ 12,461
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for capital outlay projects.	300,000
Total	$ 312,461

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 6 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Enterprise Fund Child Care Fund
Salaries and benefits	$ 1,015,282	$ 35,365	$ 8,209	$ 1,058,856	$ 35,236
LCFF apportionment	152,255	-	-	152,255	-
Supplies and services	25,663	16,497	-	42,160	-
Other services	284,046	64,938	-	348,984	1,279
Construction	44,552	-	-	44,552	-
Other significant payables	88,758	-	-	88,758	2,687
Total	$ 1,610,556	$ 116,800	$ 8,209	$ 1,735,565	$ 39,202

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2020, consists of the following:

	General Fund	Enterprise Fund Child Care Fund
Federal financial assistance	$ 99,207	$ -
Other local	634,160	22,734
Total	$ 733,367	$ 22,734

Note 8 - Long-Term Liabilities other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Governmental Activities					
General obligation bonds	$ 69,834,968	$ 3,283,849	$ 4,325,000	$ 68,793,817	$ 4,440,000
Premium on bond issuance	873,261	-	79,765	793,496	-
Compensated absences	213,755	114,851	-	328,606	-
Total	$ 70,921,984	$ 3,398,700	$ 4,404,765	$ 69,915,919	$ 4,440,000

Payments for general obligation bonds are made in the Bond Interest and Redemption Fund. Compensated absences are liquidated by the General Fund, the Cafeteria Fund, and the Enterprise Child Care Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Accreted	Redeemed	Bonds Outstanding June 30, 2020
08/01/96	8/1/21	3.60 to 5.85	$ 29,498,820	$ 12,221,925	$ 598,937	$ 4,325,000	$ 8,495,862
04/20/11	8/1/35	5.43 to 6.75	12,998,720	21,480,038	1,449,415	-	22,929,453
02/05/13	8/1/37	3.00 to 4.35	9,998,411	12,811,055	545,477	-	13,356,532
9/3/15	8/1/39	2.49 to 4.61	13,999,453	16,121,950	690,020	-	16,811,970
4/27/17	8/1/29	2.75 to 4.00	7,200,000	7,200,000	-	-	7,200,000
				$ 69,834,968	$ 3,283,849	$ 4,325,000	$ 68,793,817

Election of 1995

In August 1996, the District issued current and capital appreciation, General Obligation Bonds, Series 1996, in the amount of $29,498,820 (accreting to $69,360,000). The capital appreciation bonds of $28,748,820 mature through August 2021, with interest rates ranging from 3.60 to 5.85 percent. Proceeds from the sale of the bonds were used to acquire, construct, and improve grades kindergarten through six school facilities and associated support costs authorized by law. At June 30, 2020, the principal balance outstanding was $8,495,862.

Election of 2010

In April 2011, the District issued capital appreciation, General Obligation Bonds, Series 2011 in the amount of $12,998,720 (accreting to $27,670,000). The bonds mature through August 2035, with interest rates ranging from 5.43 to 6.75 percent. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction, and equipping of certain District property and facilities, and refund outstanding capital lease obligations. At June 30, 2020, the principal balance outstanding was $22,929,453.

In February 2013, the District issued current and capital appreciation, General Obligation Bonds, Series 2013 in the amount of $9,998,411 (accreting to $15,150,000). The bonds mature through August 2037, with interest rates ranging from 3.00 to 4.35 percent. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction, and equipping of certain District property and facilities. At June 30, 2020, the principal balance outstanding was $13,356,532.

In September 2015, the District issued capital appreciation General Obligation Bonds, Series 2015 in the amount of $13,999,453 (accreted to $31,570,000). The bonds mature through August 2039, with interest rates ranging from 2.49 to 4.61 percent. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction, and equipping of certain District property and facilities. At June 30, 2020, the principal balance outstanding was $16,811,970.

In April 2017, the District issued current interest, General Obligation Bonds, Series 2017 in the amount of $7,200,000. The bonds mature through August 2029, with interest rates ranging from 2.75 to 4.00 percent. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction, and equipping of certain District property and facilities. At June 30, 2020, the principal balance outstanding was $7,200,000.

The bonds mature through 2040 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturiy	Total
2021	$ 4,313,819	$ 126,181	$ 248,050	$ 4,688,050
2022	4,182,042	377,958	248,050	4,808,050
2023	4,125,688	574,312	476,269	5,176,269
2024	2,708,835	321,165	694,513	3,724,513
2025	2,781,903	423,097	667,138	3,872,138
2026-2030	15,959,853	2,945,147	2,766,150	21,671,150
2031-2035	17,469,137	4,320,863	1,740,998	23,530,998
2036-2040	17,252,540	12,707,460	431,194	30,391,194
	$ 68,793,817	$ 21,796,183	$ 7,272,362	$ 97,862,362

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to $328,606.

Note 9 - Net Other Post Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 10,635,975	$ 1,542,194	$ 201,131	$ 282,542
Medicare Premium Payment (MPP) Program	356,913	-	-	(6,542)
Total	$ 10,992,888	$ 1,542,194	$ 201,131	$ 276,000

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2019 the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	61
Active employees	398
	459

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The contribution requirements of Plan members and the District are established and may be amended by the District, Encinitas Teachers Association (ETA), and the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For measurement period of June 30, 2020, the District paid $700,002 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $10,635,975 was measured as of June 30, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25	percent
Salary increases	3.00	percent, average, including inflation
Discount rate	2.20	net of investment expense, including inflation
Healthcare cost trend rates	6.00	percent for 2020

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period July 1, 2018 to June 30, 2019.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	$ 9,059,685
Service cost	578,805
Interest	241,518
Differences between expected and actual experience	953,682
Changes of assumptions or other inputs	502,287
Benefit payments	(700,002)
Net change in total OPEB liability	1,576,290
Balance at June 30, 2020	$ 10,635,975

Changes of assumptions and other inputs reflect a change in the discount rate from 2.60 percent in 2019 to 2.20 percent in 2020.

Changes to benefit terms: there were no changes in the benefit terms since the previous valuation.

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

The following presents the total OPEB Liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current discount rate:

Discount Rate	Total OPEB Liability
1% decrease (1.20%)	$ 11,476,890
Current discount rate (2.20%)	10,635,975
1% increase (3.20%)	9,854,710

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (5.00%)	$ 9,465,232
Current healthcare cost trend rate (6.00%)	10,635,975
1% increase (7.00%)	12,020,963

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of $282,542. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related for changes of assumptions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 847,717	$ -
Changes of assumptions	694,477	201,131
Total	$ 1,542,194	$ 201,131

Amounts reported as deferred inflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 162,221
2022	162,221
2023	162,221
2024	162,221
2025	162,221
Thereafter	529,958
	$ 1,341,063

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers' Retirement System Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of $356,913 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0958 percent and 0.0915 percent, resulting in a net increase in the proportionate share of 0.0043 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of $(6,542).

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	$ 389,474
Current discount rate (3.50%)	356,913
1% increase (4.50%)	326,975

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.70% Part A and 3.10% Part B)	$ 334,535
Current Medicare costs trend rate (3.70% Part A and 4.10% Part B)	356,913
1% increase (4.70% Part A and 5.10% Part B)	401,614

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 10,000	$ -	$ -	$ -	$ 10,000
Stores inventories	181,998	-	-	37,324	219,322
Total nonspendable	191,998	-	-	37,324	229,322
Restricted					
Legally restricted programs	796,246	-	-	244,934	1,041,180
Capital projects	-	-	-	2,768,682	2,768,682
Debt service	-	-	5,400,861	-	5,400,861
Total restricted	796,246	-	5,400,861	3,013,616	9,210,723
Assigned					
Board fund balance policy	6,556,611	-	-	-	6,556,611
Capital projects	-	7,330,214	-	-	7,330,214
Other assignments	8,129,792	-	-	-	8,129,792
Total assigned	14,686,403	7,330,214	-	-	22,016,617
Unassigned					
Reserve for economic uncertainties	1,966,983	-	-	-	1,966,983
Remaining unassigned	5,041,578	-	-	-	5,041,578
Total unassigned	7,008,561	-	-	-	7,008,561
Total	$ 22,683,208	$ 7,330,214	$ 5,400,861	$ 3,050,940	$ 38,465,223

Note 11 - Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the District contracted with San Diego County Schools Risk Management Joint Powers Authority for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2020, the District participated in the San Diego County Schools Risk Management Joint Powers Authority, an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the JPA. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the JPA. Participation in PIPS is limited to districts that can meet the JPA's selection criteria.

Employee Medical Benefits

The District has contracted with the California Schools Employee Benefit Association to provide employee health benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

Note 12 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 48,931,698	$ 14,853,088	$ 5,706,422	$ 5,206,458
CalPERS	17,247,981	4,792,444	159,978	3,249,126
Total	$ 66,179,679	$ 19,645,532	$ 5,866,400	$ 8,455,584

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to two percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required State contribution rate	10.328%	10.328%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were $5,148,427.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share	
District's proportionate share of net pension liability	$ 48,931,698
State's proportionate share of the net pension liability associated with the District	26,695,508
Total	$ 75,627,206

The net pension liability was measured as of June 30, 2019. 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 plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0542 percent and 0.0510 percent, resulting in a net increase in the proportionate share of 0.0032 percent.

For the year ended June 30, 2020, the District recognized pension expense of $5,206,458. In addition, the District recognized pension expense and revenue of $3,975,537 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inlows of Resources
Pension contributions subsequent to measurement date	$ 5,148,427	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,392,344	2,442,720
Differences between projected and actual earnings on pension plan investments	-	1,884,864
Differences between expected and actual experience in the measurement of the total pension liability	123,527	1,378,838
Changes of assumptions	6,188,790	-
Total	$ 14,853,088	$ 5,706,422

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ (190,121)
2022	(1,496,359)
2023	(310,667)
2024	112,283
	$ (1,884,864)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 742,526
2022	742,525
2023	1,768,538
2024	2,060,222
2025	351,080
Thereafter	218,212
	$ 5,883,103

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk Mitigating Strategies	9%	1.8%
Inflation sensitive	4%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 72,863,349
Current discount rate (7.10%)	48,931,698
1% increase (8.10%)	29,087,802

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	7.000%
Required employer contribution rate	19.721%	19.721%

Contributions

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. Total plan contributions are calculated through the 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were $1,810,882.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $17,247,981. The net pension liability was measured as of June 30, 2019. 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 plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0592 percent and 0.0542 percent, resulting in a net increase in the proportionate share of 0.0050 percent.

For the year ended June 30, 2020, the District recognized pension expense of $3,249,126. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,810,882	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	907,609	-
Differences between projected and actual earnings on pension plan investments	-	159,978
Differences between expected and actual experience in the measurement of the total pension liability	1,252,896	-
Changes of assumptions	821,057	-
Total	$ 4,792,444	$ 159,978

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 157,916
2022	(315,433)
2023	(47,800)
2024	45,339
	$ (159,978)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 1,634,435
2022	841,956
2023	459,244
2024	45,927
	$ 2,981,562

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

In determining the long-term expected rate of return, 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 ten years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 24,861,830
Current discount rate (7.15%)	17,247,981
1% increase (8.15%)	10,931,767

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $3,739,582 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. 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 included in the calculation of available reserves.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contributions have been recorded in these financial statements. On behalf payments related to these additional contributions 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.

Note 13 - Commitments and Contingencies

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

Litigation

District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2020.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Carpet and Flooring OPE	$ 352,048	June 30, 2021
Kitchens all sites	1,500,000	June 30, 2021
Asphalt Seal and repair LCH/PDL/DO	74,389	June 30, 2021
Playgrounds FV,LCH,ME, OPE	402,769	June 30, 2021
ECC Painting of School	160,000	June 30, 2022
	$ 2,489,206	

Note 14 - Participation in Public Entity Risk Pools, Joint Powers Authorities and Other Related Party Transactions

The District is a member of the San Diego County Schools Risk Management Joint Powers Authority public entity risk pool. The District pays an annual premium to the entity for its workers' compensation and property and liability coverage. The relationship between the District and the pool is such that it is not a component unit of the District for financial reporting purposes.

This entity has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entity and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2020, the District made payments totaling $768,866 for annual premiums.

Note 15 - Subsequent Events

On October 15, 2020, the District issued $2,440,000 of 2020 General Obligation Refunding Bonds, Series A. The bonds consist of federally taxable crossover bonds bearing interest rates ranging from 0.402 percent to 1.161 percent with a final maturity date of August 1, 2023. The bonds are being issued to refund certain maturities of the District’s outstanding General Obligation Bonds Election of 2010, Series 2013, and to pay costs of issuance.

In addition, the District also issued $20,465,000 of 2020 General Obligation Refunding Bonds, Series B. The bonds consist of federally taxable crossover bonds bearing interest rates ranging from 1.011 percent to 2.484 percent with a final maturity date of August 1, 2039. The bonds are being issued to refund certain maturities of the District’s outstanding General Obligation Bonds Election of 2010, Series 2015, and to pay costs of issuance.

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District’s financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.

Required Supplementary Information
June 30, 2020

Encinitas Union School District

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
Revenues				
Local Control Funding Formula	$ 53,715,475	$ 53,495,990	$ 53,473,871	$ (22,119)
Federal sources	1,840,333	2,035,235	1,705,051	(330,184)
Other State sources	3,838,947	4,692,784	6,200,634	1,507,850
Other local sources	3,917,346	5,426,066	5,780,015	353,949
Total revenues [1]	63,312,101	65,650,075	67,159,571	1,509,496
Expenditures				
Current				
Certificated salaries	30,790,830	30,968,387	30,529,491	438,896
Classified salaries	9,579,192	9,427,050	9,282,977	144,073
Employee benefits	17,271,530	17,038,413	18,053,303	(1,014,890)
Books and supplies	1,642,681	2,716,479	1,532,095	1,184,384
Services and operating expenditures	5,560,326	5,921,786	5,641,975	279,811
Other outgo	50,000	50,000	32,069	17,931
Capital Outlay	25,000	76,001	181,740	(105,739)
Total expenditures [1]	64,919,559	66,198,116	65,253,650	944,466
Excess (Deficiency) of Revenues over Expenditures	(1,607,458)	(548,041)	1,905,921	2,453,962
Other Financing Uses				
Transfers out	(307,000)	(307,000)	(312,461)	(5,461)
Net Change in Fund Balances	(1,914,458)	(855,041)	1,593,460	2,448,501
Fund Balance - Beginning	21,089,748	21,089,748	21,089,748	-
Fund Balance - Ending	$ 19,175,290	$ 20,234,707	$ 22,683,208	$ 2,448,501

[1] On behalf payments of $935,334 relating to Senate Bill 90, are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 578,805	$ 521,052	$ 546,524
Interest	241,518	298,407	261,115
Difference between expected and actual experience	953,682	-	-
Changes of assumptions	502,287	322,030	(310,838)
Benefit payments	(700,002)	(644,462)	(548,738)
Net change in total OPEB liability	1,576,290	497,027	(51,937)
Total OPEB liability - beginning	9,059,685	8,562,658	8,614,595
Total OPEB liability - ending	$ 10,635,975	$ 9,059,685	$ 8,562,658
Covered payroll	N/A[1]	N/A[1]	N/A[1]
District's net OPEB liability as a percentage of covered payroll	N/A[1]	N/A[1]	N/A[1]
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

[1] The District's OPEB plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

	2020	2019	2018
Year ended June 30,			
District's proportion of the net OPEB liability	0.0958%	0.0915%	0.0901%
District's proportionate share of the net OPEB liability	$ 356,913	$ 350,371	$ 378,975
District's covered-employee payroll	N/A[1]	N/A[1]	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

[1] The District's OPEB plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

	2020	2019	2018	2017	2016	2015
CalSTRS						
District's proportion of the net pension liability	0.0542%	0.0510%	0.0498%	0.0490%	0.0560%	0.0580%
District's proportionate share of the net pension liability	$ 48,931,698	$ 46,870,593	$ 46,014,779	$ 39,272,664	$ 37,648,203	$ 33,981,002
State's proportionate share of the net pension liability associated with the District	26,695,508	26,835,606	27,221,954	22,360,518	19,911,696	20,519,196
Total	$ 75,627,206	$ 73,706,199	$ 73,236,733	$ 61,633,182	$ 57,559,899	$ 54,500,198
District's covered - employee payroll	$ 28,587,549	$ 26,486,223	$ 26,468,362	$ 24,647,074	$ 25,361,982	$ 26,213,193
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	171%	177%	174%	159%	148%	130%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
District's proportion of the net pension liability	0.0592%	0.0542%	0.0534%	0.0530%	0.0520%	0.0500%
District's proportionate share of the net pension liability	$ 17,247,981	$ 14,460,942	$ 12,736,333	$ 10,411,255	$ 7,724,889	$ 5,684,758
District's covered - employee payroll	$ 8,005,215	$ 7,179,750	$ 6,839,178	$ 6,328,919	$ 5,813,049	$ 5,311,849
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	215%	201%	186%	165%	133%	107%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note: In the future, as data becomes available, ten years of information will be presented.

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 5,148,427	$ 4,654,053	$ 3,821,962	$ 3,329,720	$ 2,644,631	$ 2,252,144
Contributions in relation to the contractually required contribution	(5,148,427)	(4,654,053)	(3,821,962)	(3,329,720)	(2,644,631)	(2,252,144)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered - employee payroll	$ 30,107,760	$ 28,587,549	$ 26,486,223	$ 26,468,362	$ 24,647,074	$ 25,361,982
Contributions as a percentage of covered - employee payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 1,810,882	$ 1,445,902	$ 1,115,087	$ 949,825	$ 749,787	$ 684,254
Contributions in relation to the contractually required contribution	(1,810,882)	(1,445,902)	(1,115,087)	(949,825)	(749,787)	(684,254)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered - employee payroll	$ 9,182,506	$ 8,005,215	$ 7,179,750	$ 6,839,178	$ 6,328,919	$ 5,813,049
Contributions as a percentage of covered - employee payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%

Note: In the future, as data becomes available, ten years of information will be presented.

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California Education Code. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Change in benefit terms* - There were no changes in the benefits terms since the previous valuation.
- *Changes of Assumptions* - The plan discount rate assumption was changed from 2.60 percent to 2.20 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 3.87 percent to 3. 50 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Supplementary Information
June 30, 2020

Encinitas Union School District

Encinitas Union School District
Schedule of Expenditures of Federal Awards
June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE)			
Title I, Part A - Low Income and Neglected	84.010	14329	$ 431,207
Title II, Part A - Supporting Effective Instruction Local Grants	84.367	14341	27,811
Title III, English Learner Student Program	84.365	14346	60,204
Title III, Immigrant Student Program	84.365	15146	3,670
			63,874
Titl Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	19,674
Passed through North Coastal Consortium for Special Education			
Special Education (IDEA) Cluster			
Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,028,753
Local Assistance, Part B, Sec 611, Private Schools ISPs	84.027	10115	26,851
Preschool Grants, Part B, Sec 619	84.173	13430	46,908
Preschool Staff Development, Part B, Sec 619	84.173A	13431	446
Mental Health Allocation Plan, Part B Sec 611	84.027A	15197	59,527
Subtotal Special Education (IDEA) Cluster			1,162,485
Total U.S. Department of Education			1,705,051
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Program Cluster			
National School Lunch	10.555	13524	253,330
Basic School Breakfast	10.553	13390	409
Especially Needy Breakfast	10.553	13526	24,385
Summer Food Service Program	10.555	13396	179,083
Food Distribution	10.555	13524	62,939
Subtotal Child Nutrition Program Cluster			520,146
Total Expenditures of Federal Awards			$ 2,225,197

Organization

The Encinitas Union School District was formed in 1944 and encompasses 24.6 square miles. It is located in the north coastal portion of San Diego County and serves the City of Encinitas and the La Costa area of Carlsbad. The District operates nine elementary schools. There were no boundary changes during the year.

Governing Board

MEMBER	OFFICE	TERM EXPIRES
Rimga Viskanta	President	2020
Greg Sonken	Vice President	2022
Emily Andrade	Clerk	2022
Leslie Schneider	Member	2020
Marla Strich	Member	2022

Administration

Andree Grey, Ed. D	Superintendent
Amy Illingworth	Assistant Superintendent, Educational Services
Angelica Lopez	Assistant Superintendent, Administrative Services
Joseph Dougherty	Assistant Superintendent, Business Services

	Final Report	
	Amended Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,848.67	2,848.67
Fourth through sixth	2,197.02	2,197.02
Total Regular ADA	5,045.69	5,045.69
Extended Year Special Education		
Transitional kindergarten through third	15.65	15.65
Fourth through sixth	10.87	10.87
Total Extended Year Special Education	26.52	26.52
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.96	0.96
Fourth through sixth	0.08	0.08
Total Special Education, Nonpublic, Nonsectarian Schools	1.04	1.04
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.14	0.14
Fourth through sixth	-	-
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.14	0.14
Total School District	5,073.39	5,073.39
Basic Aid - District of Choice ADA		
Transitional kindergarten through third	35.21	35.21
Fourth through sixth	22.58	22.58
Total District of Choice	57.79	57.79
Total ADA	5,131.18	5,131.18

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	54,510	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,510	180	N/A	Complied
Grade 2		54,510	180	N/A	Complied
Grade 3		54,510	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,510	180	N/A	Complied
Grade 5		54,510	180	N/A	Complied
Grade 6		54,510	180	N/A	Complied

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2020.

	(Budget) 2021 [1]	2020	2019	2018
General Fund [3]				
Revenues	$ 65,247,474	$ 67,067,857	$ 66,411,614	$ 60,590,196
Other sources	-	2,450	21,419	380,878
Total Revenues and Other Sources	65,247,474	67,070,307	66,433,033	60,971,074
Expenditures	66,494,706	65,253,651	65,039,632	60,586,941
Other uses	407,000	312,461	528,755	892,999
Total Expenditures and Other Uses	66,901,706	65,566,112	65,568,387	61,479,940
Increase (Decrease) in Fund Balance	$ (1,654,232)	$ 1,504,195	$ 864,646	$ (508,866)
Ending Fund Balance	$ 16,266,833	$ 17,921,065	$ 16,416,870	$ 15,552,224
Available Reserves [2]	$ 8,780,416	$ 7,008,561	$ 7,042,153	$ 7,065,780
Available Reserves as a Percentage of Total Outgo	13.12%	10.69%	10.74%	11.49%
Long-Term Liabilities, including Pensions and OPEB	N/A	$ 147,203,486	$ 141,663,575	$ 139,668,185
K-12 Average Daily Attendance at P-2	5,073	5,073	5,049	5,104

The General Fund balance has increased by $2,368,841 over the past two years. The fiscal year 2020-2021 budget projects a decrease of $1,654,232 (9.2 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surplus in two of the past three years but anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by $7,535,301 over the past two years.

Average daily attendance has decreased by 31 over the past two years. No change in ADA is anticipated during fiscal year 2020-2021.

[1] Budget 2021 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.
[3] General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund, and the Special Reserve Fund for Other than Capital Outlay Projects as required by GASB Statement No. 54.

	Cafeteria Fund	Building Fund	Capital Facilities Fund	Foundation Permanent Fund	Total Non-Major Governmental Funds
Assets					
Deposits and investments	$ 64,367	$ 1,621,445	$ 1,200,032	$ 111,045	$ 2,996,889
Receivables	117,689	6,781	4,924	465	129,859
Due from other funds	12,461	-	-	-	12,461
Stores inventories	37,324	-	-	-	37,324
Total assets	$ 231,841	$ 1,628,226	$ 1,204,956	$ 111,510	$ 3,176,533
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 52,300	$ -	$ 64,500	$ -	$ 116,800
Due to other funds	8,793	-	-	-	8,793
Total liabilities	61,093	-	64,500	-	125,593
Fund Balances					
Nonspendable	37,324	-	-	-	37,324
Restricted	133,424	1,628,226	1,140,456	111,510	3,013,616
Total fund balances	170,748	1,628,226	1,140,456	111,510	3,050,940
Total liabilities and Fund balances	$ 231,841	$ 1,628,226	$ 1,204,956	$ 111,510	$ 3,176,533

	Cafeteria Fund	Building Fund	Capital Facilities Fund	Foundation Permanent Fund	Total Non-Major Governmental Funds
Revenues					
Federal sources	$ 520,146	$ -	$ -	$ -	$ 520,146
Other State sources	33,116	-	-	-	33,116
Other local sources	661,665	32,431	554,259	2,214	1,250,569
Total revenues	1,214,927	32,431	554,259	2,214	1,803,831
Expenditures					
Current					
Pupil services					
Food services	1,208,399	-	-	-	1,208,399
Administration					
All other administration	-	-	5,500	-	5,500
Plant services	63,939	-	131,726	-	195,665
Facility acquisition and construction	-	8,655	-	-	8,655
Total expenditures	1,272,338	8,655	137,226	-	1,418,219
Excess (Deficiency) of Revenues over Expenditures	(57,411)	23,776	417,033	2,214	385,612
Other Financing Sources					
Transfers in	12,461	-	-	-	12,461
Net Change in Fund Balances	(44,950)	23,776	417,033	2,214	398,073
Fund Balance - Beginning	215,698	1,604,450	723,423	109,296	2,652,867
Fund Balance - Ending	$ 170,748	$ 1,628,226	$ 1,140,456	$ 111,510	$ 3,050,940

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation
The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Encinitas Union School District (the District) under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Encinitas Union School District, it is not intended to and does not present the financial position of Encinitas Union School District.

Summary of Significant Accounting Policies
Expenditures reported in the schedule are reported on the *(identify the basis of accounting)* basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate
The District has not elected to use the ten percent de minimis cost rate

Food Donation
Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District had food commodities totaling $18,103 in inventory.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by Education Code Section 46201.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 59 days due to the pandemic. As a result, the District received credit for these 59 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Independent Auditor's Reports
June 30, 2020

Encinitas Union School District

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*

To the Board of Directors
Encinitas Union School District
Encinitas, California

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Encinitas Union School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Encinitas Union School District's basic financial statements and have issued our report thereon dated January 4, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Encinitas Union School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Encinitas Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Encinitas Union 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 Encinitas Union 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Eide Bailly LLP

Rancho Cucamonga, California
January 4, 2021

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

To the Board of Directors
Encinitas Union School District
Encinitas, California

Report on Compliance for Each Major Federal Program
We have audited Encinitas Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Encinitas Union School District's major federal programs for the year ended June 30, 2020. Encinitas Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on Each Major Federal Program
In our opinion, Encinitas Union School District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
January 4, 2021

Independent Auditor's Report on State Compliance

To the Board of Directors
Encinitas Union School District
Encinitas, California

Report on State Compliance

We have audited Encinitas Union School District's (the District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of the 2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

Compliance Requirements Tested

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform procedures for Kindergarten Continuance because there were no Kindergarteners retained in 2019-2020 that were in Kindergarten in 2018-2019.

The District does not offer an Independent Study Program; therefore, we did not perform procedures related to the Independent Study Program.

We did not perform Continuation Education procedures because the program is not offered by the District.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Basis for Qualified Opinion on the Unduplicated Local Control Funding Formula Pupil Counts
As described in the accompanying Schedule of State Compliance Findings and Questioned Costs, Encinitas Union School District did not comply with requirements regarding the Unduplicated Local Control Funding Formula Pupil Counts; refer to State Awards Findings and Questioned Costs; finding 2020-001. Compliance with such requirements is necessary, in our opinion, for Encinitas Union School District to comply with the requirements referred to above.

Qualified Opinion on the Unduplicated Local Control Funding Formula Pupil Counts
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Encinitas Union School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2020.

Encinitas Union School District's response to the noncompliance finding(s) identified in our audit is(are) described in the accompanying Schedule of State Compliance Findings and Questioned Costs. Encinitas Union School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Unmodified Opinion on Each of the Other Programs

In our opinion, Encinitas Union School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020, except as described in the accompanying Schedule of State Compliance Findings and Questioned Costs.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
January 4, 2021

Schedule of Findings and Questioned Costs
June 30, 2020

Encinitas Union School District

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance:	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Numbers
Special Education (IDEA) Cluster	84.027, 84.027A, 84.173, and 84.173A

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified*

Unmodified* for all programs except for the following program which was qualified:

Name of Program
Unduplicated Local Control Funding Formula Pupil Counts

None reported.

None reported.

The following finding represents an instance of noncompliance and/or questioned costs relating to compliance with state laws and regulations. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2020-001 40000

Criteria or Specific Requirements

California *Education Code* Section 42238.02(b)(4) states school districts should revise their submitted data on English learners, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Unduplicated Local Control Funding Formula (LCFF) Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported 3 students as having designation of free or reduced on the “1.18 – FRPM/English Learning/Foster Youth – Student List” report.

Questioned Costs

Using the audit penalty calculator published by the California Department of Education, the calculated questioned cost was determined to be approximately $832.

Context

The condition was identified as a result of selecting a sample of students from the “1.18 – FRPM/English Learner/Foster Youth – Student List” CALPADS report in accordance to the 2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, Section 19489(a)(1). The initial sample was selected from two school sites, which resulted in exceptions noted for one of the sites. For three students selected, one student had their status changed from reduced to paid based on income verifications but were not changed in the CALPADS report. The auditor requested that the District identify all remaining students who had their status changed from free or reduced to paid but are still reported as free or reduced in the 1.18 report. The District’s review of all remaining students resulted in a total of two students, including the original student identified, that were incorrectly designated as having free or reduced status on the “1.18 – FRPM/English Learner/Foster Youth – Student List” report.

Effect

As a result of our testing, it appears that the District did not update the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report to align the reporting with the most current free and reduced eligibility information from the District's Nutrition Services Department. The following schedule identifies the District-wide exceptions:

	Total Enrollment	Unduplicated FRPM/EL/Foster Youth Total	Unduplicated Pupil Count Adjustment (FRPM)	Adjusted Total Unduplicated Pupil Count
Total District-Wide	5,342	920	(2)	918

Cause

The primary cause appears to originate from District not importing accurate student statuses from the Child Nutrition system into the CALPADS data.

Repeat Finding

No

Recommendation

The District should emphasize the importance of completing Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received. In addition, the District should identify and evaluate key CALPADS calendar dates to ensure that appropriate and necessary measures are taking place to ensure that CALPADS information is being updated.

Corrective Action Plan

The District has put plans in place to ensure that all Free and Reduced application responses and/or changes have been received before we Certify our CALPADS data. The Ed. Services Department will reach out to the Child Nutrition Department prior to certifying CALPADS to ensure that we have received responses back from all of our families with applications.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.