



Financial Statements
June 30, 2021

Encinitas Union School District

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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, 2021, 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, 2021, 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 64, schedule of changes in the District's total OPEB liability and related ratios on page 65, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 66, schedule of the District's proportionate share of the net pension liability on pages 67 through 68, and the schedule of District contributions on pages 69 through 70, 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 non-major governmental 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 non-major governmental 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 non-major governmental 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 December 17, 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.

The image shows a handwritten signature in cursive script that reads "Eric Bailly LLP".

Rancho Cucamonga, California
December 17, 2021

Board of Trustees

Emily Andrade
Gregg Sonken
Marla Strich
Marlon Taylor
Jodie Williams

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, 2021, with comparative information for the fiscal year ending June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Superintendent

Andrée Grey, Ed.D.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

Assistant Superintendents

Amy Illingworth, Ed.D.
Educational Services

Angelica Lopez, Ed.D.
Administrative Services

Joseph Dougherty
Business Services

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 of the District (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities), and deferred inflows of resources. 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, deferred outflows of resources, 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 \$3,227,121 at June 30, 2021. This was a decrease of \$5,038,316 from the prior year.
- Overall revenues were \$82,929,671 which were exceeded by expenses of \$87,967,987.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$3,227,121 for the fiscal year ended June 30, 2021. Of this amount, \$(96,739,870) 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	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 74,830,216	\$ 45,625,881	\$ 68,370	\$ 63,652	\$ 74,898,586	\$ 45,689,533
Capital assets	92,000,001	97,157,747	-	-	92,000,001	97,157,747
Total assets	166,830,217	142,783,628	68,370	63,652	166,898,587	142,847,280
Deferred outflows of resources	20,627,723	20,737,186	411,868	450,540	21,039,591	21,187,726
Liabilities						
Current liabilities	5,187,228	2,551,616	65,663	61,936	5,252,891	2,613,552
Long-term liabilities other than OPEB and Pensions	91,634,828	69,915,919	-	-	91,634,828	69,915,919
Other postemployment benefits (OPEB) liability	10,094,544	10,648,467	166,726	344,421	10,261,270	10,992,888
Aggregate net pension liabilities	71,619,527	64,772,207	2,036,337	1,407,472	73,655,864	66,179,679
Total liabilities	178,536,127	147,888,209	2,268,726	1,813,829	180,804,853	149,702,038
Deferred inflows of resources	3,877,099	6,035,364	29,105	32,167	3,906,204	6,067,531
Net Position						
Net investment in capital assets	61,344,059	85,407,074	-	-	61,344,059	85,407,074
Restricted	38,622,932	12,191,539	-	-	38,622,932	12,191,539
Unrestricted (deficit)	(94,922,277)	(88,001,372)	(1,817,593)	(1,331,804)	(96,739,870)	(89,333,176)
Total net position (deficit)	\$ 5,044,714	\$ 9,597,241	\$ (1,817,593)	\$ (1,331,804)	\$ 3,227,121	\$ 8,265,437

The \$(96,739,870) 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 8.3% \$(96,739,870) compared to \$(89,333,176).

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	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services and sales	\$ 336,245	\$ 1,571,841	\$ 445,729	\$ 1,618,728	\$ 781,974	\$ 3,190,569
Operating grants and contributions	17,798,491	9,218,235	13,421	15,826	17,811,912	9,234,061
General revenues						
Federal and State aid not restricted	3,893,361	4,604,222	-	-	3,893,361	4,604,222
Property taxes	58,154,060	55,118,649	-	-	58,154,060	55,118,649
Other general revenues	1,472,923	3,481,037	815,441	7,266	2,288,364	3,488,303
Total revenues	81,655,080	73,993,984	1,274,591	1,641,820	82,929,671	75,635,804
Expenses						
Instruction	51,578,061	47,855,767	-	-	51,578,061	47,855,767
Instruction-related activities	6,519,426	5,891,527	-	-	6,519,426	5,891,527
Pupil services	6,496,229	5,735,253	-	-	6,496,229	5,735,253
Administration	4,125,415	3,759,422	-	-	4,125,415	3,759,422
Plant services	6,345,412	5,260,181	-	-	6,345,412	5,260,181
Community services	318,966	428,052	-	-	318,966	428,052
Enterprise services	56,739	60,350	1,760,380	2,417,489	1,817,119	2,477,839
Debt service - interest	4,040,266	3,500,976	-	-	4,040,266	3,500,976
Other outgo	63,139	32,069	-	-	63,139	32,069
Depreciation	6,663,954	6,813,475	-	-	6,663,954	6,813,475
Total expenses	86,207,607	79,337,072	1,760,380	2,417,489	87,967,987	81,754,561
Change in net position	\$ (4,552,527)	\$ (5,343,088)	\$ (485,789)	\$ (775,669)	\$ (5,038,316)	\$ (6,118,757)

Governmental Activities

As reported in the Statement of Activities on page 15, the cost of all of our governmental activities this year was \$86,207,607. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$58,154,060 because the cost was paid by those who benefited from the programs (\$336,245) or by other governments and organizations who subsidized certain programs with grants and contributions (\$17,798,491). We paid for the remaining "public benefit" portion of our governmental activities with \$5,366,284 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 74.9% of expenses, demonstrating the District's commitment to students. Overall expenditures increased by 8.7% for 2020-2021 from the 2019-2020 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, 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	
	2021	2020	2021	2020
Instruction	\$ 51,578,061	\$ 47,855,767	\$ 37,838,904	\$ 40,389,650
Instruction-related activities	6,519,426	5,891,527	5,977,135	5,574,608
Pupil services	6,496,229	5,735,253	4,181,086	3,860,636
Administration	4,125,415	3,759,422	3,899,879	3,512,228
Plant services	6,345,412	5,260,181	5,295,276	4,919,573
Community services	318,966	428,052	112,923	(109,206)
Enterprise services	56,739	60,350	40,247	60,350
Debt service - interest	4,040,266	3,500,976	4,040,266	3,615,976
Other outgo	63,139	32,069	23,201	24,706
Depreciation	6,663,954	6,813,475	6,663,954	6,813,475
Total	\$ 86,207,607	\$ 79,337,072	\$ 68,072,871	\$ 68,661,996

The District's net cost (expense) for instruction, instruction-related, and pupil services decreased by \$1,827,769 or 3.7% from 2020 to 2021 as expenses were shifted from unrestricted to restricted to coincide with restricted state and Federal COVID-19 resources.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$64,992,875, which is an increase of \$26,527,652, or 69.0% from last year (Table 4).

Table 4

	Fund Balance			June 30, 2021
	June 30, 2020	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	
General Fund	\$ 22,683,208	\$ 74,484,006	\$ 71,035,175	\$ 26,132,039
Building Fund	1,628,226	19,995	540,029	1,108,192
Special Reserve Fund for Capital Outlay Projects	7,330,214	698,203	430,956	7,597,461
Bond Interest and Redemption Fund	5,400,861	28,051,269	5,128,121	28,324,009
Cafeteria Fund	170,748	1,467,681	1,501,527	136,902
Capital Facilities Fund	1,140,456	459,026	18,260	1,581,222
Foundation Fund	111,510	1,540	-	113,050
Total	<u>\$ 38,465,223</u>	<u>\$ 105,181,720</u>	<u>\$ 78,654,068</u>	<u>\$ 64,992,875</u>

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 \$2.4 million or 4.8%. However, the greatest impact to fund balance was the \$28,051,269 recorded into revenues and other financing sources due to the District issuing refunding bonds. Proceeds from the refunding bonds are maintained in an escrow account and must be reported on the financial statements of the District.

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 9, 2021. (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 64.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had \$92,000,001 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 \$5,157,746, or 5.3%, from last year (Table 5).

Table 5

	Governmental Activities		
	2021	2020	Net Change
Land and construction in process	\$ 22,108,067	\$ 21,555,645	\$ 552,422
Buildings and improvements	66,306,699	70,805,377	(4,498,678)
Furniture and equipment	3,585,235	4,796,725	(1,211,490)
Total	\$ 92,000,001	\$ 97,157,747	\$ (5,157,746)

The majority of the decrease in capital assets was a result of the lack of any new projects in progress. We present more detailed information regarding our capital assets in Note 4 of the financial statements.

Long-Term Liabilities other than OPEB and Pensions

At the end of this year, the District had \$91,634,828 in long-term liabilities other than OPEB and pensions versus \$69,915,919 last year, an increase of \$21,718,909, or 31.1%. Those long-term liabilities consisted of:

Table 6

	Governmental Activities	
	2021	2020
General obligation bonds - net (financed with property taxes)	\$ 91,183,551	\$ 69,587,313
Compensated absences	451,277	328,606
Total	\$ 91,634,828	\$ 69,915,919

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% of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$91,183,551 is significantly below this \$261,687,075 statutorily-imposed limit.

Other obligations include compensated absences. 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 \$10,261,270 versus \$10,992,888 last year, a decrease of \$731,618, or 6.7%.

In addition, at the end of the year, the District had an aggregate net pension liability of \$73,655,864 versus \$66,179,679 last year, an increase of \$7,476,185 or 11.3%.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2020-2021 ARE NOTED BELOW:

Encinitas Union School District (EUSD) received a number of accolades during 2020-2021, including:

Multi-Tiered System of Supports (MTSS) Teachers on Special Assignment (ToSAs)

The COVID-19 pandemic heightened the need for various student supports. As a result of a review of necessary supports across the district, District Administration recognizes the need to create a district wide Multi-Tiered System of Supports (MTSS) to address students' academic, social emotional, and behavioral needs. Therefore, the establishment of a new job description, Teacher on Special Assignment (ToSAs)-Multi-Tiered System of Supports (MTSS) is recommended. These site-based ToSAs will support all intervention programming at the school, support the equity work at the site, and monitor the progress of students. This team of ToSAs will be supported by the Coordinator of Enrichment and Intervention Programs. The District is fortunate to implement this program, and aligned with the Teamwork, Regulation, Acceptance, and Community (TRAC) and Social-Emotional Learning Program implemented in the 2019-2020 school year, ensures the wellness of our students remains at the forefront of our ongoing decisions.

Farm Lab DREAMS Campus Grant:

Farm Lab DREAMS campus was awarded a grant by the California Department of Food and Agriculture. The grant was awarded for the purpose of funding farming and the district's school lunch program innovation. This two-year grant will be administered by the Farm Lab Coordinator, The Ecology Center Farmer and BCK Programs, LLC.

California Civics Learning Awards:

The 2021 Civic Learning Awards, now in its ninth 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. The District's Cloud Campus earned the highest award, the Civic Learning Award of Excellence. In the 2020-21 school year, the District offered 430 students the opportunity to participate in the year-long "Cloud Campus" distance learning option, where civics was integrated into elementary classrooms. During the school year, students participated remotely in activities, including a mock student election, which focused on California ballot measures on affirmative action, voting age limits and consumer privacy. The school also incorporated iCivics resources into its curriculum to further bolster student engagement.

Note: Having previously won awards, La Costa Heights can reapply in two years and El Camino Creek and Flora Vista Elementary Schools can reapply in one year. 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 2020-2021:

Three Film Guild student films won the top awards, including the Fiction Academic Award, the Media and Information Literacy Award and the Artistic Non-Fiction Award from the state's California Student Media Festival.

In addition, nineteen films created by Film Guild students were also nominated for *the Innovative Video in Education (iVIE) Awards* in San Diego and four of those films received the top winners for the Bill Simpson Grand Recognition Award, the Best Documentary Award, the Academic Short Narrative Award, and the Best "Creation from Home" Award.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2021-2022 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 has and will continue to incur significant expenses in Personal Protective Equipment (PPE) as well as various other health and safety supplies and equipment to ensure compliance standards are met as well as allocating resource to support the mental health 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, 2021. 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 Joseph.Dougherty@eusd.net.

Encinitas Union School District
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Deposits and investments	\$ 67,746,482	\$ 76,677	\$ 67,823,159
Receivables	6,859,406	2,550	6,861,956
Internal balances	10,857	(10,857)	-
Stores inventories	213,471	-	213,471
Capital assets not depreciated	22,108,067	-	22,108,067
Capital assets, net of accumulated depreciation	69,891,934	-	69,891,934
Total assets	<u>166,830,217</u>	<u>68,370</u>	<u>166,898,587</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to OPEB	1,320,662	22,742	1,343,404
Deferred outflows of resources related to pensions	19,307,061	389,126	19,696,187
Total deferred outflows of resources	<u>20,627,723</u>	<u>411,868</u>	<u>21,039,591</u>
Liabilities			
Accounts payable	3,400,262	65,663	3,465,925
Accrued interest payable	303,591	-	303,591
Unearned revenue	1,483,375	-	1,483,375
Long-term liabilities			
Long-term liabilities other than OPEB and pensions due within one year	4,560,000	-	4,560,000
Long-term liabilities other than OPEB and pensions due in more than one year	87,074,828	-	87,074,828
Total other postemployment benefits liability (OPEB)	10,094,544	166,726	10,261,270
Aggregate net pension liabilities	71,619,527	2,036,337	73,655,864
Total liabilities	<u>178,536,127</u>	<u>2,268,726</u>	<u>180,804,853</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to OPEB	1,041,289	17,931	1,059,220
Deferred inflows of resources related to pensions	2,835,810	11,174	2,846,984
Total deferred inflows of resources	<u>3,877,099</u>	<u>29,105</u>	<u>3,906,204</u>
Net Position			
Net investment in capital assets	61,344,059	-	61,344,059
Restricted for			
Debt service	28,020,418	-	28,020,418
Capital projects	1,581,222	-	1,581,222
Educational programs	3,854,002	-	3,854,002
Other activities	5,167,290	-	5,167,290
Unrestricted (deficit)	(94,922,277)	(1,817,593)	(96,739,870)
Total net position (deficit)	<u>\$ 5,044,714</u>	<u>\$ (1,817,593)</u>	<u>\$ 3,227,121</u>

Encinitas Union School District
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		Business-Type Activities	Total
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities			
Governmental Activities							
Instruction	\$ 51,578,061	\$ 70,715	\$ 13,668,442	\$ (37,838,904)	\$ -		\$ (37,838,904)
Instruction-related activities							
Supervision of instruction	2,173,010	-	381,949	(1,791,061)	-		(1,791,061)
Instructional library, media, and technology	1,378,552	-	1,039	(1,377,513)	-		(1,377,513)
School site administration	2,967,864	-	159,303	(2,808,561)	-		(2,808,561)
Pupil services							
Home-to-school transportation	292,353	-	95	(292,258)	-		(292,258)
Food services	1,461,519	37,523	1,314,439	(109,557)	-		(109,557)
All other pupil services	4,742,357	8,191	954,895	(3,779,271)	-		(3,779,271)
Administration							
Data processing	163,973	-	-	(163,973)	-		(163,973)
All other administration	3,961,442	7,438	218,098	(3,735,906)	-		(3,735,906)
Plant services	6,345,412	17,444	1,032,692	(5,295,276)	-		(5,295,276)
Community services	318,966	194,730	11,313	(112,923)	-		(112,923)
Enterprise services	56,739	-	16,492	(40,247)	-		(40,247)
Interest on long-term liabilities	4,040,266	-	-	(4,040,266)	-		(4,040,266)
Other outgo	63,139	204	39,734	(23,201)	-		(23,201)
Depreciation (unallocated)	6,663,954	-	-	(6,663,954)	-		(6,663,954)
Total governmental activities	<u>\$ 86,207,607</u>	<u>\$ 336,245</u>	<u>\$ 17,798,491</u>	<u>(68,072,871)</u>	<u>-</u>		<u>(68,072,871)</u>
Business-Type Activities							
Enterprise services	<u>\$ 1,760,380</u>	<u>\$ 445,729</u>	<u>\$ 13,421</u>	<u>-</u>	<u>(1,301,230)</u>		<u>(1,301,230)</u>
General Revenues And Subventions							
Property taxes, levied for general purposes				53,103,575	-		53,103,575
Property taxes, levied for debt service				5,051,225	-		5,051,225
Taxes levied for other specific purposes				(740)	-		(740)
Federal and state aid not restricted to specific purposes				3,893,361	-		3,893,361
Interest and investment earnings				542,378	442		542,820
Interagency revenues				35,425	-		35,425
Miscellaneous				895,120	814,999		1,710,119
Subtotal, general revenues and subventions				<u>63,520,344</u>	<u>815,441</u>		<u>64,335,785</u>
Change in Net Position				(4,552,527)	(485,789)		(5,038,316)
Net Position - Beginning				<u>9,597,241</u>	<u>(1,331,804)</u>		<u>8,265,437</u>
Net Position - Ending				<u>\$ 5,044,714</u>	<u>\$ (1,817,593)</u>		<u>\$ 3,227,121</u>

Encinitas Union School District
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Deposits and investments	\$ 24,982,301	\$ 1,285,185	\$ 7,143,553	\$ 28,324,009	\$ 1,826,117	\$ 63,561,165
Receivables	6,524,056	2,242	12,321	-	313,407	6,852,026
Due from other funds	270,022	-	441,587	-	-	711,609
Stores inventories	177,105	-	-	-	36,366	213,471
Total assets	\$ 31,953,484	\$ 1,287,427	\$ 7,597,461	\$ 28,324,009	\$ 2,175,890	\$ 71,338,271
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 3,135,476	179,235	\$ -	\$ -	\$ 85,551	\$ 3,400,262
Due to other funds	1,202,594	-	-	-	259,165	1,461,759
Unearned revenue	1,483,375	-	-	-	-	1,483,375
Total liabilities	5,821,445	179,235	-	-	344,716	6,345,396
Fund balances						
Nonspendable	192,105	-	-	-	36,366	228,471
Restricted	3,854,002	1,108,192	-	28,324,009	1,794,808	35,081,011
Assigned	5,181,750	-	7,597,461	-	-	12,779,211
Unassigned	16,904,182	-	-	-	-	16,904,182
Total fund balances	26,132,039	1,108,192	7,597,461	28,324,009	1,831,174	64,992,875
Total liabilities and fund balances	\$ 31,953,484	\$ 1,287,427	\$ 7,597,461	\$ 28,324,009	\$ 2,175,890	\$ 71,338,271

Encinitas Union School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2021

Total Fund Balance - Governmental Funds		\$ 64,992,875
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of capital assets is	\$ 179,891,742	
Accumulated depreciation is	<u>(87,891,741)</u>	
Net capital assets		92,000,001
<p>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.</p>		
		(303,591)
<p>An internal service fund is used by the District's management to account for other postemployment benefits other than pensions. The assets and liabilities of the internal service fund are included with governmental activities.</p>		
		4,953,704
<p>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</p>		
Other postemployment benefits (OPEB) liability	1,320,662	
Aggregate net pension liabilities	<u>19,307,061</u>	
Total deferred outflows of resources		20,627,723
<p>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</p>		
Other postemployment benefits (OPEB) liability	(1,041,289)	
Aggregate net pension liabilities	<u>(2,835,810)</u>	
Total deferred inflows of resources		(3,877,099)
<p>The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(10,094,544)

Encinitas Union School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2021

Aggregate net pension liabilities is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (71,619,527)
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	\$ (31,050,403)	
Premium on bond issuance	(713,731)	
Compensated absences (vacations)	(451,277)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is	<u>(59,419,417)</u>	
Total long-term liabilities		<u>(91,634,828)</u>
Total Net Position - Governmental Activities		<u><u>\$ 5,044,714</u></u>

Encinitas Union School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
Revenues			
Local Control Funding Formula	\$ 55,937,307	\$ -	\$ -
Federal sources	5,509,863	-	-
Other State sources	8,362,036	-	-
Other local sources	4,674,800	19,995	98,203
Total revenues	<u>74,484,006</u>	<u>19,995</u>	<u>98,203</u>
Expenditures			
Current			
Instruction	47,936,063	-	-
Instruction-related activities			
Supervision of instruction	2,009,278	-	-
Instructional library, media, and technology	1,311,046	-	-
School site administration	2,758,292	-	-
Pupil services			
Home-to-school transportation	292,353	-	-
Food services	-	-	-
All other pupil services	4,440,940	-	-
Administration			
Data processing	163,973	-	-
All other administration	3,714,772	-	-
Plant services	6,244,155	-	24,620
Community services	318,966	-	-
Other outgo	63,139	-	-
Facility acquisition and construction	367,198	540,029	406,336
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total expenditures	<u>69,620,175</u>	<u>540,029</u>	<u>430,956</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,863,831</u>	<u>(520,034)</u>	<u>(332,753)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	600,000
Other sources - proceeds from bond refunding	-	-	-
Transfers out	(1,415,000)	-	-
Net Other Financing Sources (Uses)	<u>(1,415,000)</u>	<u>-</u>	<u>600,000</u>
Net Change in Fund Balances	3,448,831	(520,034)	267,247
Fund Balance - Beginning	22,683,208	1,628,226	7,330,214
Fund Balance - Ending	<u>\$ 26,132,039</u>	<u>\$ 1,108,192</u>	<u>\$ 7,597,461</u>

Encinitas Union School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Local Control Funding Formula	\$ -	\$ -	\$ 55,937,307
Federal sources	-	1,329,250	6,839,113
Other State sources	21,597	97,679	8,481,312
Other local sources	<u>5,124,672</u>	<u>501,318</u>	<u>10,418,988</u>
Total revenues	<u>5,146,269</u>	<u>1,928,247</u>	<u>81,676,720</u>
Expenditures			
Current			
Instruction	-	-	47,936,063
Instruction-related activities			
Supervision of instruction	-	-	2,009,278
Instructional library, media, and technology	-	-	1,311,046
School site administration	-	-	2,758,292
Pupil services			
Home-to-school transportation	-	-	292,353
Food services	-	1,434,142	1,434,142
All other pupil services	-	-	4,440,940
Administration			
Data processing	-	-	163,973
All other administration	-	-	3,714,772
Plant services	-	85,645	6,354,420
Community services	-	-	318,966
Other outgo	-	-	63,139
Facility acquisition and construction	-	-	1,313,563
Debt service			
Principal	4,440,000	-	4,440,000
Interest and other	<u>688,121</u>	<u>-</u>	<u>688,121</u>
Total expenditures	<u>5,128,121</u>	<u>1,519,787</u>	<u>77,239,068</u>
Excess (Deficiency) of Revenues over Expenditures	<u>18,148</u>	<u>408,460</u>	<u>4,437,652</u>
Other Financing Sources (Uses)			
Transfers in	-	-	600,000
Other sources - proceeds from bond refunding	22,905,000	-	22,905,000
Transfers out	<u>-</u>	<u>-</u>	<u>(1,415,000)</u>
Net Other Financing Sources (Uses)	<u>22,905,000</u>	<u>-</u>	<u>22,090,000</u>
Net Change in Fund Balances	22,923,148	408,460	26,527,652
Fund Balance - Beginning	<u>5,400,861</u>	<u>1,422,714</u>	<u>38,465,223</u>
Fund Balance - Ending	<u>\$ 28,324,009</u>	<u>\$ 1,831,174</u>	<u>\$ 64,992,875</u>

Encinitas Union School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 26,527,652

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	\$ (6,663,954)
Capital outlays	<u>1,506,208</u>

Net expense adjustment (5,157,746)

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 \$122,671. (122,671)

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 aggregate net pension liabilities during the year. (3,744,575)

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. (500,020)

Proceeds received from general obligation bonds are a revenue in the governmental funds, but increase long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (22,905,000)

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 4,440,000

Encinitas Union School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2021

Governmental funds report the effects of premiums, whereas the amounts are deferred and amortized on the Statement of Activities.

Amortization of premium	\$ 79,765
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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 increased by \$220,907, and second, \$3,211,003 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

(3,431,910)

An Internal Service Fund is used by the District's management to account for other postemployment benefits contributions other than pension. The net position of the Internal Service Fund is reported with governmental activities.

261,978

Change in net position of governmental activities

\$ (4,552,527)

Encinitas Union School District
Statement of Net Position – Proprietary Funds
June 30, 2021

	<u>Business-Type Activities Enterprise Fund Child Care Fund</u>	<u>Governmental Activities Internal Service Fund</u>
Assets		
Current assets		
Deposits and investments	\$ 76,677	\$ 4,185,317
Receivables	2,550	7,380
Due from other funds	-	761,007
	<u>79,227</u>	<u>4,953,704</u>
Deferred Outflows of Resources		
Deferred outflows of resources related to OPEB	22,742	-
Deferred outflows of resources related to pensions	389,126	-
	<u>411,868</u>	<u>-</u>
Liabilities		
Current liabilities		
Accounts payable	65,663	-
Due to other funds	10,857	-
	<u>76,520</u>	<u>-</u>
Noncurrent liabilities		
Total OPEB liability	166,726	-
Aggregate net pension liabilities	2,036,337	-
	<u>2,279,583</u>	<u>-</u>
Deferred Inflows of Resources		
Deferred inflows of resources related to OPEB	17,931	-
Deferred inflows of resources related to pensions	11,174	-
	<u>29,105</u>	<u>-</u>
Net Position		
Restricted (deficit)	<u>\$ (1,817,593)</u>	<u>\$ 4,953,704</u>

Encinitas Union School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2021

	Business-Type Activities Enterprise Fund	Governmental Activities
	Child Care Fund	Internal Service Fund
Operating Revenues		
Local and intermediate sources	\$ 445,729	\$ 761,007
Operating Expenses		
Payroll costs	1,682,026	-
Supplies and materials	51,268	-
Other operating costs	27,086	556,436
Total operating expenses	1,760,380	556,436
Operating Income (loss)	(1,314,651)	204,571
Nonoperating Revenues		
Interest income	441	40,003
Net increase (decrease) in the fair value of investments	-	17,404
Transfers in	815,000	-
Grants	13,421	-
Total nonoperating revenues	828,862	57,407
Change in Net Position	(485,789)	261,978
Total Net Position - Beginning (deficit)	(1,331,804)	4,691,726
Total Net Position - Ending (deficit)	\$ (1,817,593)	\$ 4,953,704

Encinitas Union School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2021

	Business-Type Activities Enterprise Fund	Governmental Activities
	Child Care Enterprise	Internal Service Fund
Operating Activities		
Cash receipts from customers	\$ 435,444	\$ 778,221
Other operating cash receipts	42,829	-
Cash payments to other suppliers of goods or services	(24,807)	(8,209)
Cash payments to employees for services	(1,199,532)	-
Other operating cash payments	(27,086)	(556,436)
Net Cash Provided/(Used) by Operating Activities	(773,152)	213,576
Noncapital Financing Activities		
Nonoperating grants received	13,421	-
Investing Activities		
Interest on investments	441	57,407
Transfers		
Transfer from other funds	815,000	-
Net Increase in Cash and Cash Equivalents	55,710	270,983
Cash and Cash Equivalents - Beginning	20,967	3,914,334
Cash and Cash Equivalents - Ending	\$ 76,677	\$ 4,185,317
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	\$ (1,314,651)	\$ 204,571
Receivables	(1,469)	9,355
Due from other fund	56,747	7,859
Deferred outflows of resources	38,672	-
Accounts payable	26,461	(8,209)
Due to other fund	(4,286)	-
Unearned revenue	(22,734)	-
Total OPEB liability	(177,695)	-
Deferred inflows of resources	(3,062)	-
Aggregate net pension liabilities	628,865	-
Net Cash Provided/(Used) by Operating Activities	\$ (773,152)	\$ 213,576

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.

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

As a result, the General Fund reflects an increase fund balance and revenues of \$5,181,750 and \$69,608, and a decrease in expenditures and other financing uses of \$349,999, respectively.

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.

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).

- **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'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 internal service fund for the accounting of 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 projected and actual earnings on pension plan investments, differences between expected and actual experience in the measurement of OPEB and total pension liability, 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 expected and actual experience in the measurement of OPEB and total pension liability, 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, 2021, 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 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 \$38,622,932 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 expense related to other postemployment benefits. 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.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 67,746,482
Business-type activities	<u>76,677</u>
Total deposits and investments	<u><u>\$ 67,823,159</u></u>

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	\$ 20,000
Cash in revolving	15,000
Investments	<u>67,788,159</u>
Total deposits and investments	<u><u>\$ 67,823,159</u></u>

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	Maturity Date/ Average Days to Maturity
San Diego County Treasury Investment Pool	\$ 45,298,021	613 days
Government Bonds		
US Treasury Certificates of Indebtedness	215,324	8/1/2021
US Treasury Notes	215,512	2/1/2022
US Treasury Notes	2,590,042	8/1/2022
US Treasury Notes	207,138	2/1/2023
US Treasury Notes	207,273	8/1/2023
US Treasury Notes	207,418	2/1/2021
US Treasury Notes	207,574	8/1/2024
US Treasury Notes	207,760	2/1/2025
US Treasury Notes	<u>18,432,097</u>	8/1/2025
Total government bonds	<u>22,490,138</u>	
Total investments	<u>\$ 67,788,159</u>	

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, 2021, as AAf. The investments in U.S. government obligations are not considered to have credit risk.

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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. At June 30, 2021, the District's bank balance was not exposed to custodial credit risk.

Note 3 - Receivables

Receivables at June 30, 2021, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>	<u>Building Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Non-Major Governmental Funds</u>
Federal Government				
Categorical aid	\$ 2,834,476	\$ -	\$ -	\$ 290,001
State Government				
LCFF apportionment	499,029	-	-	-
Categorical aid	2,613,841	-	-	20,366
Lottery	354,766	-	-	-
Local Government				
Interest	47,352	2,242	12,321	3,040
Other Local Sources	<u>174,592</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,524,056</u>	<u>\$ 2,242</u>	<u>\$ 12,321</u>	<u>\$ 313,407</u>
		<u>Internal Service Fund</u>	<u>Total Governmental Activities</u>	<u>Enterprise Fund Child Care Fund</u>
Federal Government				
Categorical aid		\$ -	\$ 3,124,477	\$ -
State Government				
LCFF apportionment		-	499,029	-
Categorical aid		-	2,634,207	-
Lottery		-	354,766	-
Local Government				
Interest		7,380	72,335	125
Other Local Sources		<u>-</u>	<u>174,592</u>	<u>2,425</u>
Total		<u>\$ 7,380</u>	<u>\$ 6,859,406</u>	<u>\$ 2,550</u>

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 20,468,378	\$ -	\$ -	\$ 20,468,378
Construction in progress	1,087,267	1,305,826	753,404	1,639,689
Total capital assets not being depreciated	21,555,645	1,305,826	753,404	22,108,067
Capital assets being depreciated				
Land improvements	2,882,364	-	-	2,882,364
Buildings and improvements	137,243,657	753,404	-	137,997,061
Furniture and equipment	16,703,868	200,382	-	16,904,250
Total capital asset being depreciated	156,829,889	953,786	-	157,783,675
Total capital assets	178,385,534	2,259,612	753,404	179,891,742
Less accumulated depreciation				
Land improvements	2,710,305	10,933	-	2,721,238
Buildings and improvements	66,610,339	5,241,149	-	71,851,488
Furniture and equipment	11,907,143	1,411,872	-	13,319,015
Total accumulated depreciation	81,227,787	6,663,954	-	87,891,741
Governmental activities capital assets, net	<u>\$ 97,157,747</u>	<u>\$ (4,404,342)</u>	<u>\$ 753,404</u>	<u>\$ 92,000,001</u>
Governmental Activities				
Unallocated			<u>\$ 6,663,954</u>	

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, 2021, between major and non-major governmental funds, the enterprise fund, and the internal service fund are as follows:

Due From	Due To			Total
	General Fund	Special Reserve Fund for Capital Outlay Projects	Internal Service Fund	
General Fund	\$ -	\$ 441,587	\$ 761,007	\$ 1,202,594
Non-Major Governmental Funds	259,165	-	-	259,165
Enterprise Fund - Child Care Fund	10,857	-	-	10,857
Total	<u>\$ 270,022</u>	<u>\$ 441,587</u>	<u>\$ 761,007</u>	<u>\$ 1,472,616</u>

The balance of \$259,165 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from payroll and indirect costs due.

The balance of \$441,587 due to the Special Reserve Fund for Capital Outlay Projects from the General Fund resulted from capital outlay projects.

The balance of \$761,007 due to the Internal Service Fund from the General Fund resulted from a contribution for premium benefits.

The balance of \$10,857 due to the General Fund from the Enterprise Fund - Child Care Fund resulted from payroll and indirect costs due.

Operating Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following:

Transfer From	Special Reserve Fund for Capital Outlay Projects	Transfer To Enterprise Fund Child Care Fund	Total
General Fund	\$ 600,000	\$ 815,000	\$ 1,415,000
The General Fund transferred to the Enterprise Fund - Child Care Fund for an operating contribution.			\$ 815,000
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for capital outlay projects.			<u>600,000</u>
Total			<u>\$ 1,415,000</u>

Note 6 - Accounts Payable

Accounts payable at June 30, 2021, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund Child Care Fund
Salaries and benefits	\$ 2,628,944	\$ -	\$ 68,597	\$ 2,697,541	\$ 59,648
LCFF apportionment	-	-	-	-	-
Supplies and services	146,691	-	12,817	159,508	-
Other services	343,817	-	4,137	347,954	1,520
Construction	-	179,235	-	179,235	-
Other significant payables	16,024	-	-	16,024	4,495
Total	<u>\$ 3,135,476</u>	<u>\$ 179,235</u>	<u>\$ 85,551</u>	<u>\$ 3,400,262</u>	<u>\$ 65,663</u>

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2021, consists of the following:

	General Fund
Federal financial assistance	\$ 66,448
State categorical aid	703,333
Other local	713,594
Total	\$ 1,483,375

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, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Governmental Activities					
General obligation bonds	\$ 68,793,817	\$ 26,116,003	\$ 4,440,000	\$ 90,469,820	\$ 4,560,000
Premium on bond issuance	793,496	-	79,765	713,731	-
Compensated absences	328,606	122,671	-	451,277	-
Total	\$ 69,915,919	\$ 26,238,674	\$ 4,519,765	\$ 91,634,828	\$ 4,560,000

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 Fund - 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, 2020	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2021
8/1/96	8/1/21	3.60 to 5.85	\$ 29,498,820	\$ 8,495,862	\$ -	\$ 374,408	\$ 4,440,000	\$ 4,430,270
4/20/11	8/1/35	5.43 to 6.75	12,998,720	22,929,453	-	1,547,884	-	24,477,337
2/5/13	8/1/37	3.00 to 4.35	9,998,411	13,356,532	-	568,771	-	13,925,303
9/3/15	8/1/39	2.49 to 4.61	13,999,453	16,811,970	-	719,940	-	17,531,910
4/27/17	8/1/29	2.75 to 4.00	7,200,000	7,200,000	-	-	-	7,200,000
9/23/21	8/1/27	0.402 to 1.161	2,440,000	-	2,440,000	-	-	2,440,000
9/23/21	8/1/39	1.011 to 2.484	20,465,000	-	20,465,000	-	-	20,465,000
				\$ 68,793,817	\$ 22,905,000	\$ 3,211,003	\$ 4,440,000	\$ 90,469,820

General Obligation Bonds, Series 1996

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%. 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, 2021, the principal balance outstanding was \$4,430,270.

General Obligation Bonds, Series 2011

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%. 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, 2021, the principal balance outstanding was \$24,477,337.

General Obligation Bonds, Series 2013

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%. 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, 2021, the principal balance outstanding was \$13,925,303.

General Obligation Bonds, Series 2015

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%. 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, 2021, the principal balance outstanding was \$17,531,910.

General Obligation Bonds, Series 2017

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%. 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, 2021, the principal balance outstanding was \$7,200,000.

General Obligation Refunding Bonds, Series A (Crossover Refunding)

In September 2020, the District issued the \$2,440,000 General Obligation Refunding Bonds, Series A (Crossover Refunding). The Series A bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2027, with interest rates ranging from 0.402 to 1.161%. Proceeds from the sale of the bonds will be used to provide advance refunding, on the crossover date of August 1, 2023, of the District's outstanding General Obligation Bonds Election of 2010, Series 2013. At June 30, 2021, the principal outstanding of the 2020 General Obligation Refunding Bonds, Series A (Crossover Refunding) was \$2,440,000. At June 30, 2021, the District had \$2,395,806 in assets held in a trust. These assets are used to make the debt service payments on the 2020 General Obligation Refunding Bonds, Series A until the crossover date of August 1, 2023.

General Obligation Refunding Bonds, Series B (Crossover Refunding)

In September 2020, the District issued the \$20,465,000 General Obligation Refunding Bonds, Series B (Crossover Refunding). The Series B bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2039, with interest rates ranging from 1.011 to 2.484%. Proceeds from the sale of the bonds will be used to provide advance refunding, on the crossover date of August 1, 2026, of the District's outstanding General Obligation Bonds Election of 2010, Series 2015. At June 30, 2021, the principal outstanding of the 2020 General Obligation Refunding Bonds, Series B (Crossover Refunding) was \$20,645,000. At June 30, 2021, the District had \$20,094,332 in assets held in a trust. These assets are used to make the debt service payments on the 2020 General Obligation Refunding Bonds, Series B until the crossover date of August 1, 2026.

The bonds mature through 2040 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2022	\$ 4,430,270	\$ 129,730	\$ 728,618	\$ 5,288,618
2023	4,343,374	356,626	956,837	5,656,837
2024	3,175,196	234,804	1,174,316	4,584,316
2025	3,268,117	336,883	1,144,940	4,749,940
2026	3,453,393	476,607	1,105,864	5,035,864
2027-2031	19,265,304	2,379,696	4,828,168	26,473,168
2032-2036	22,567,885	3,727,115	3,639,344	29,934,344
2037-2040	29,966,281	10,943,719	1,087,597	41,997,597
Total	<u>\$ 90,469,820</u>	<u>\$ 18,585,180</u>	<u>\$ 14,665,684</u>	<u>\$ 123,720,684</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$451,277.

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

For the fiscal year ended June 30, 2021, 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	\$ 9,848,835	\$ 1,343,404	\$ 1,059,220	\$ 269,739
Medicare Premium Payment (MPP) Program	412,435	-	-	(55,522)
Total	<u>\$ 10,261,270</u>	<u>\$ 1,343,404</u>	<u>\$ 1,059,220</u>	<u>\$ 214,217</u>

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, 2021 the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	70
Active employees	496
	<u>566</u>

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, Teachers of Encinitas (TOE), 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, TOE, CSEA, and the unrepresented groups. For measurement period of June 30, 2021, the District paid \$649,319 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of \$9,848,835 was measured as of June 30, 2021, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 %
Salary increases	2.75 %, average, including inflation
Discount rate	2.16 %, net of investment expense, including inflation
Healthcare cost trend rates	4.00 % for 2021

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actual experience study for the period July 1, 2020 to June 30, 2021.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2020	\$ 10,635,975
Service cost	596,169
Interest	233,407
Differences between expected and actual experience	(387,252)
Changes of assumptions or other inputs	(580,145)
Benefit payments	(649,319)
Net change in total OPEB liability	(787,140)
Balance at June 30, 2021	\$ 9,848,835

Changes of assumptions and other inputs reflect a change in the discount rate from 2.20% in 2020 to 2.16% in 2021.

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 (1.16%)	\$ 10,641,530
Current discount rate (2.16%)	9,848,835
1% increase (3.16%)	9,102,415

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 (3.00%)	\$ 8,641,181
Current healthcare cost trend rate (4.00%)	9,848,835
1% increase (5.00%)	11,301,113

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$269,739. At June 30, 2021, 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	\$ 741,752	\$ 358,135
Changes of assumptions	601,652	701,085
 Total	 \$ 1,343,404	 \$ 1,059,220

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 89,484
2023	89,484
2024	89,484
2025	89,484
2026	107,769
Thereafter	(181,521)
	\$ 284,184

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, 2019, 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, 2021, the District reported a liability of \$412,435 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020 and June 30, 2019, respectively, was 0.0973% and 0.0958%, resulting in a net increase in the proportionate share of 0.0015%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$(55,522).

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

Measurement Date	June 30, 2020	June 30, 2019
Valuation Date	June 30, 2019	June 30, 2018
Experience Study	June 30, 2014 through June 30, 2018	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.21%	3.50%
Medicare Part A Premium Cost Trend Rate	4.50%	3.70%
Medicare Part B Premium Cost Trend Rate	5.40%	4.10%

For the valuation as of June 30, 2019, 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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) 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 294 or an average of 0.18% of the potentially eligible population (159,339).

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, 2020, 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, 2020, is 2.21%. 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 2.21%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29% from 3.50% as of June 30, 2019.

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 OPEB 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 (1.21%)	\$ 456,061
Current discount rate (2.21%)	412,435
1% increase (3.21%)	375,311

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 OPEB 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 (3.50% Part A and 4.40% Part B)	\$ 373,968
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	412,435
1% increase (5.50% Part A and 6.40% Part B)	456,716

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ 15,000
Stores inventories	177,105	-	-	-	36,366	213,471
Total nonspendable	192,105	-	-	-	36,366	228,471
Restricted						
Legally restricted programs	3,854,002	-	-	-	213,586	4,067,588
Capital projects	-	1,108,192	-	-	1,581,222	2,689,414
Debt service	-	-	-	28,324,009	-	28,324,009
Total restricted	3,854,002	1,108,192	-	28,324,009	1,794,808	35,081,011
Assigned						
Capital projects	-	-	7,597,461	-	-	7,597,461
Budget contingencies	5,181,750	-	-	-	-	5,181,750
Total assigned	5,181,750	-	7,597,461	-	-	12,779,211
Unassigned						
Remaining unassigned	16,904,182	-	-	-	-	16,904,182
Total	\$ 26,132,039	\$ 1,108,192	\$ 7,597,461	\$ 28,324,009	\$ 1,831,174	\$ 64,992,875

Note 11 - Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, 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 2021, 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, 2021, 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:

<u>Pension Plan</u>	<u>Aggregate Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 54,126,723	\$ 15,322,549	\$ 2,846,984	\$ 6,827,240
CalPERS	19,529,141	4,373,638	-	4,442,401
Total	<u>\$ 73,655,864</u>	<u>\$ 19,696,187</u>	<u>\$ 2,846,984</u>	<u>\$ 11,269,641</u>

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, 2019, 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, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 Years of Service	5 Years of Service
Benefit vesting schedule	Monthly for Life	Monthly for Life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	16.15%	16.15%
Required employer contribution rate	10.328%	10.328%
Required State contribution rate		

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% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$4,961,114.

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

At June 30, 2021, 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	\$ 54,126,723
State's proportionate share of the net pension liability associated with the District	27,902,332
Total	\$ 82,029,055

The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, respectively, was 0.0559% and 0.0542%, resulting in a net increase in the proportionate share of 0.0017%.

For the year ended June 30, 2021, the District recognized pension expense of \$6,827,240. In addition, the District recognized pension expense and revenue of \$3,908,843 for support provided by the State. At June 30, 2021, 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	\$ 4,961,114	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,702,064	1,320,518
Differences between projected and actual earnings on pension plan investments	1,285,740	-
Differences between expected and actual experience in the measurement of the total pension liability	95,509	1,526,466
Changes of assumptions	5,278,122	-
Total	\$ 15,322,549	\$ 2,846,984

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
2022	\$ (784,550)
2023	438,075
2024	874,010
2025	758,205
	\$ 1,285,740

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
2022	\$ 942,378
2023	1,972,384
2024	2,266,764
2025	508,705
2026	376,140
Thereafter	162,340
	\$ 6,228,711

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, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) 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 January 2020 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, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. 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%) 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%)	\$ 81,777,938
Current discount rate (7.10%)	54,126,723
1% increase (8.10%)	31,296,750

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, 2019 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, 2021, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
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	7.00%	7.00%
Required employer contribution rate	20.700%	20.700%

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 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, 2021, are presented above and the total District contributions were \$1,902,413.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$19,529,141. The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, respectively, was 0.0636% and 0.0592%, resulting in a net increase in the proportionate share of 0.0044%.

For the year ended June 30, 2021, the District recognized pension expense of \$4,442,401. At June 30, 2021, 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	\$ 1,902,413	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,024,491	-
Differences between projected and actual earnings on pension plan investments	406,535	-
Differences between expected and actual experience in the measurement of the total pension liability	968,585	-
Changes of assumptions	71,614	-
Total	\$ 4,373,638	\$ -

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
2022	\$ (152,134)
2023	135,698
2024	235,865
2025	187,106
	\$ 406,535

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
2022	\$ 1,095,766
2023	687,338
2024	260,301
2025	21,285
	\$ 2,064,690

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, 2019 and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
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% 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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%. 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%)	\$ 28,076,701
Current discount rate (7.15%)	19,529,141
1% increase (8.15%)	12,435,095

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

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 \$3,157,697 (10.328% 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.

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, 2021.

Litigation

The 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, 2021.

Construction Commitments

As of June 30, 2021, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
ECC Painting of School	\$ 142,000	July 2021
Kitchens - all sites	1,500,000	November 2022
	\$ 1,642,000	

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, 2021, the District made payments totaling \$854,778 for annual premiums.



Required Supplementary Information
June 30, 2021

Encinitas Union School District

Encinitas Union School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2021

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 55,011,851	\$ 55,681,830	\$ 55,937,307	\$ 255,477
Federal sources	1,815,278	6,065,324	5,509,863	(555,461)
Other State sources	4,500,715	4,844,198	8,362,036	3,517,838
Other local sources	3,919,630	4,773,865	4,674,800	(99,065)
Total revenues ¹	<u>65,247,474</u>	<u>71,365,217</u>	<u>74,484,006</u>	<u>3,118,789</u>
Expenditures				
Current				
Certificated salaries	31,555,713	32,227,922	32,183,704	44,218
Classified salaries	9,752,729	9,845,548	9,630,909	214,639
Employee benefits	17,587,862	17,768,937	18,018,728	(249,791)
Books and supplies	1,614,007	4,893,945	3,851,644	1,042,301
Services and operating expenditures	5,934,395	6,198,556	5,304,471	894,085
Other outgo	25,000	149,277	63,139	86,138
Capital outlay	25,000	25,000	567,580	(542,580)
Total expenditures ¹	<u>66,494,706</u>	<u>71,109,185</u>	<u>69,620,175</u>	<u>1,489,010</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,247,232)</u>	<u>256,032</u>	<u>4,863,831</u>	<u>4,607,799</u>
Other Financing Uses				
Transfers out	<u>(407,000)</u>	<u>(1,722,000)</u>	<u>(1,415,000)</u>	<u>307,000</u>
Net Change in Fund Balances	<u>(1,654,232)</u>	<u>(1,465,968)</u>	<u>3,448,831</u>	<u>4,914,799</u>
Fund Balance - Beginning	<u>22,683,208</u>	<u>22,683,208</u>	<u>22,683,208</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 21,028,976</u>	<u>\$ 21,217,240</u>	<u>\$ 26,132,039</u>	<u>\$ 4,914,799</u>

¹ Due to the consolidation of 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.

Encinitas Union School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2021

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 596,169	\$ 578,805	\$ 521,052	\$ 546,524
Interest	233,407	241,518	298,407	261,115
Difference between expected and actual experience	(387,252)	953,682	-	-
Changes of assumptions	(580,145)	502,287	322,030	(310,838)
Benefit payments	(649,319)	(700,002)	(644,462)	(548,738)
Net change in total OPEB liability	(787,140)	1,576,290	497,027	(51,937)
Total OPEB liability - beginning	10,635,975	9,059,685	8,562,658	8,614,595
Total OPEB liability - ending	<u>\$ 9,848,835</u>	<u>\$ 10,635,975</u>	<u>\$ 9,059,685</u>	<u>\$ 8,562,658</u>
Covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB liability as a percentage of covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

¹ The 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.

Encinitas Union School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2021

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.0973%	0.0958%	0.0915%	0.0901%
Proportionate share of the net OPEB liability	\$ 412,435	\$ 356,913	\$ 350,371	\$ 378,975
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	-0.71%	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

Encinitas Union School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
CalSTRS				
Proportion of the net pension liability	<u>0.0559%</u>	<u>0.0542%</u>	<u>0.0510%</u>	<u>0.0498%</u>
Proportionate share of the net pension liability	<u>\$ 54,126,723</u>	<u>\$ 48,931,698</u>	<u>\$ 46,870,593</u>	<u>\$ 46,014,779</u>
State's proportionate share of the net pension liability	<u>27,902,332</u>	<u>26,695,508</u>	<u>26,835,606</u>	<u>27,221,954</u>
Total	<u>\$ 82,029,055</u>	<u>\$ 75,627,206</u>	<u>\$ 73,706,199</u>	<u>\$ 73,236,733</u>
Covered payroll	<u>\$ 30,107,760</u>	<u>\$ 28,587,549</u>	<u>\$ 26,486,223</u>	<u>\$ 26,468,362</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>180%</u>	<u>171%</u>	<u>177%</u>	<u>174%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
CalPERS				
Proportion of the net pension liability	<u>0.0636%</u>	<u>0.0592%</u>	<u>0.0542%</u>	<u>0.0534%</u>
Proportionate share of the net pension liability	<u>\$ 19,529,141</u>	<u>\$ 17,247,981</u>	<u>\$ 14,460,942</u>	<u>\$ 12,736,333</u>
Covered payroll	<u>\$ 9,182,506</u>	<u>\$ 8,005,215</u>	<u>\$ 7,179,750</u>	<u>\$ 6,839,178</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>213%</u>	<u>215%</u>	<u>201%</u>	<u>186%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

Encinitas Union School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2021

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS			
Proportion of the net pension liability	<u>0.0490%</u>	<u>0.0560%</u>	<u>0.0580%</u>
Proportionate share of the net pension liability	<u>\$ 39,272,664</u>	<u>\$ 37,648,203</u>	<u>\$ 33,981,002</u>
State's proportionate share of the net pension liability	<u>22,360,518</u>	<u>19,911,696</u>	<u>20,519,196</u>
Total	<u>\$ 61,633,182</u>	<u>\$ 57,559,899</u>	<u>\$ 54,500,198</u>
Covered payroll	<u>\$ 24,647,074</u>	<u>\$ 25,361,982</u>	<u>\$ 26,213,193</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>159%</u>	<u>148%</u>	<u>130%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS			
Proportion of the net pension liability	<u>0.0530%</u>	<u>0.0520%</u>	<u>0.0500%</u>
Proportionate share of the net pension liability	<u>\$ 10,411,255</u>	<u>\$ 7,724,889</u>	<u>\$ 5,684,758</u>
Covered payroll	<u>\$ 6,328,919</u>	<u>\$ 5,813,049</u>	<u>\$ 5,311,849</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>165%</u>	<u>133%</u>	<u>107%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2016	June 30, 2015	June 30, 2014

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

Encinitas Union School District
Schedule of the District Contributions
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
CalSTRS				
Contractually required contribution	\$ 4,961,114	\$ 5,148,427	\$ 4,654,053	\$ 3,821,962
Contributions in relation to the contractually required contribution	<u>(4,961,114)</u>	<u>(5,148,427)</u>	<u>(4,654,053)</u>	<u>(3,821,962)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 30,718,972</u>	<u>\$ 30,107,760</u>	<u>\$ 28,587,549</u>	<u>\$ 26,486,223</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>
CalPERS				
Contractually required contribution	\$ 1,902,413	\$ 1,810,882	\$ 1,445,902	\$ 1,115,087
Contributions in relation to the contractually required contribution	<u>(1,902,413)</u>	<u>(1,810,882)</u>	<u>(1,445,902)</u>	<u>(1,115,087)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 9,190,401</u>	<u>\$ 9,182,506</u>	<u>\$ 8,005,215</u>	<u>\$ 7,179,750</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>

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

Encinitas Union School District
Schedule of the District Contributions
Year Ended June 30, 2021

	2017	2016	2015
CaISTRS			
Contractually required contribution	\$ 3,329,720	\$ 2,644,631	\$ 2,252,144
Contributions in relation to the contractually required contribution	<u>(3,329,720)</u>	<u>(2,644,631)</u>	<u>(2,252,144)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 26,468,362</u>	<u>\$ 24,647,074</u>	<u>\$ 25,361,982</u>
Contributions as a percentage of covered payroll	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
 CaIPERS			
Contractually required contribution	\$ 949,825	\$ 749,787	\$ 684,254
Contributions in relation to the contractually required contribution	<u>(949,825)</u>	<u>(749,787)</u>	<u>(684,254)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 6,839,178</u>	<u>\$ 6,328,919</u>	<u>\$ 5,813,049</u>
Contributions as a percentage of covered payroll	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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 States 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 2.20% to 2.16% 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 3.50% to 2.21% 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, 2021

Encinitas Union School District

Encinitas Union School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal 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	\$ 433,964
Title II, Part A - Supporting Effective Instruction Local Grants	84.367	14341	45,683
Title III, English Learner Student Program	84.365	14346	69
Title III, Immigrant Student Program	84.365	15146	<u>100</u>
Subtotal			<u>169</u>
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	348,141
COVID-19 Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	1,380,076
COVID-19 Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	352,829
COVID-19 CARES Act Supplemental Meal Reimbursement	84.425D	15535	<u>52,766</u>
Subtotal			<u>2,133,812</u>
Passed through North Coastal Consortium for Special Education			
Special Education (IDEA) Cluster			
Local Assistance Entitlement, Part B, Sec 611	84.027	13379	988,639
Local Assistance, Part B, Sec 611, Private Schools ISPs	84.027	10115	13,023
Preschool Grants, Part B, Sec 619	84.173	13430	35,373
Preschool Staff Development, Part B, Sec 619	84.173A	13431	335
Mental Health Allocation Plan, Part B Sec 611	84.027A	15197	<u>33,870</u>
Subtotal Special Education (IDEA) Cluster			<u>1,071,240</u>
Total U.S. Department of Education			<u>3,684,868</u>
U.S. Department of Agriculture			
Passed through CDE			
Child Nutrition Program Cluster			
National School Lunch	10.555	13524	1,059,429
Basic School Breakfast	10.553	13390	83,257
Especially Needy Breakfast	10.553	13526	90,915
Meal Supplements	10.555	13755	278
Food Distribution	10.555	13524	<u>42,605</u>
Subtotal Child Nutrition Program Cluster			<u>1,276,484</u>
U.S. Department of Treasury			
Passed CDE			
COVID-19 Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	25516	<u>1,877,761</u>
Total Federal Financial Assistance			<u><u>\$ 6,839,113</u></u>

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
Emily Andrade	President	2022
Marla Strich	Vice President	2022
Marlon Taylor	Clerk	2024
Greg Sonken	Member	2022
Jodie Williams	Member	2024

Administration

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

Encinitas Union School District
 Schedule of Instructional Time
 Year Ended June 30, 2021

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	-	-	180	Complied
Grades 1 - 3					
Grade 1	180	-	-	180	Complied
Grade 2	180	-	-	180	Complied
Grade 3	180	-	-	180	Complied
Grades 4 - 6					
Grade 4	180	-	-	180	Complied
Grade 5	180	-	-	180	Complied
Grade 6	180	-	-	180	Complied

Encinitas Union School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2021

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2021.

Encinitas Union School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021

	(Budget) 2022 ¹	2021	2020	2019
General Fund ³				
Revenues	\$ 73,263,983	\$ 74,414,398	\$ 67,067,857	\$ 66,411,614
Other sources	-	-	2,450	21,419
Total revenues and other sources	73,263,983	74,414,398	67,070,307	66,433,033
Expenditures	73,430,108	69,620,174	65,253,651	65,039,632
Other uses	300,000	1,765,000	312,461	528,755
Total expenditures and other uses	73,730,108	71,385,174	65,566,112	65,568,387
Increase (Decrease) in Fund Balance	<u>\$ (466,125)</u>	<u>\$ 3,029,224</u>	<u>\$ 1,504,195</u>	<u>\$ 864,646</u>
Ending Fund Balance	<u>\$ 20,484,164</u>	<u>\$ 20,950,289</u>	<u>\$ 17,921,065</u>	<u>\$ 16,416,870</u>
Available Reserves ²	<u>\$ 16,630,162</u>	<u>\$ 16,904,182</u>	<u>\$ 7,008,561</u>	<u>\$ 7,042,153</u>
Available Reserves as a Percentage of Total Outgo	<u>22.56%</u>	<u>23.68%</u>	<u>10.69%</u>	<u>10.74%</u>
Long-Term Liabilities, including OPEB and Pensions	<u>N/A</u>	<u>\$ 152,646,962</u>	<u>\$ 147,203,486</u>	<u>\$ 141,663,575</u>
K-12 Average Daily Attendance at P-2	<u>4,801</u>	<u>5,073</u>	<u>5,073</u>	<u>5,049</u>

The General Fund balance has increased by \$4,533,419 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$466,125 (2.2%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures and other uses (total outgo).

The District has incurred operating surplus in all of the past three years but anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$10,983,387 over the past two years.

Average daily attendance has increased by 24 over the past two years. However, a decrease of 272 ADA is anticipated during fiscal year 2021-2022.

¹ Budget 2022 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 Special Reserve Fund for Other than Capital Outlay Projects as required by GASB Statement No. 54.

Encinitas Union School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

	Cafeteria Fund	Capital Facilities Fund	Foundation Permanent Fund	Total Non-Major Governmental Funds
Assets				
Deposits and investments	\$ 134,681	\$ 1,578,581	\$ 112,855	\$ 1,826,117
Receivables	310,571	2,641	195	313,407
Stores inventories	36,366	-	-	36,366
Total assets	\$ 481,618	\$ 1,581,222	\$ 113,050	\$ 2,175,890
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 85,551	\$ -	\$ -	\$ 85,551
Due to other funds	259,165	-	-	259,165
Total liabilities	344,716	-	-	344,716
Fund Balances				
Nonspendable	36,366	-	-	36,366
Restricted	100,536	1,581,222	113,050	1,794,808
Total fund balances	136,902	1,581,222	113,050	1,831,174
Total liabilities and fund balances	\$ 481,618	\$ 1,581,222	\$ 113,050	\$ 2,175,890

Encinitas Union School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2021

	Cafeteria Fund	Capital Facilities Fund	Foundation Permanent Fund	Total Non-Major Governmental Funds
Revenues				
Federal sources	\$ 1,329,250	\$ -	\$ -	\$ 1,329,250
Other State sources	97,679	-	-	97,679
Other local sources	40,752	459,026	1,540	501,318
Total revenues	1,467,681	459,026	1,540	1,928,247
Expenditures				
Current				
Pupil services				
Food services	1,434,142	-	-	1,434,142
Plant services	67,385	18,260	-	85,645
Total expenditures	1,501,527	18,260	-	1,519,787
Net Change in Fund Balances	(33,846)	440,766	1,540	408,460
Fund Balance - Beginning	170,748	1,140,456	111,510	1,422,714
Fund Balance - Ending	\$ 136,902	\$ 1,581,222	\$ 113,050	\$ 1,831,174

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, 2021. 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, 2021, the District had \$10,738 of food commodities 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 Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Section 43504.

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, 2021

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 Governing Board
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, 2021, 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 December 17, 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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California
December 17, 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 Governing Board
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, 2021. 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, 2021.

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.



Rancho Cucamonga, California
December 17, 2021



Independent Auditor's Report on State Compliance

To the Governing Board
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 *2020-2021 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, 2021.

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 *2020-2021 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.

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 and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	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
K-3 Grade Span Adjustment	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
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	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	No, see below
Determination of Funding for Nonclassroom-Based Instruction	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 2020-2021 that were in Kindergarten in 2019-2020.

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.

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.

Unmodified Opinion

In our opinion, Encinitas Union School District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California
December 17, 2021



Schedule of Findings and Questioned Costs
June 30, 2021

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 Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

Name of Federal Program or Cluster	Assistance Listing Number (ALN)
COVID-19 Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019
COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
COVID-19 Elementary and Secondary School Emergency Relief (ESSER II) Fund	84.425D
COVID-19 Governor's Emergency Education Relief (GEER) Fund Learning Loss Mitigation	84.425C
COVID-19 CARES ACT Supplemental Meal Reimbursement	84.425D
Child Nutrition Cluster	10.553, 10.555
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
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None reported.

None reported.

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

State Compliance Findings

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.

Current Status

Implemented.