NEW ISSUE -- FULL BOOK-ENTRY | **RATING: S&P: "AA+"**
See "RATING" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, based upon existing laws, regulations, rulings, court decisions, and assuming (among other things) compliance with certain covenants, interest on the Refunding Bonds is exempt from State of California personal income taxes. Interest on the Refunding Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds. See "TAX MATTERS" herein.

$2,440,000
ENCINITAS UNION SCHOOL DISTRICT
(San Diego County, California)
2020 General Obligation Refunding Bonds, Series A
(Federally Taxable 2022 Crossover Refunding)

$20,465,000
ENCINITAS UNION SCHOOL DISTRICT
(San Diego County, California)
2020 General Obligation Refunding Bonds, Series B
(Federally Taxable 2025 Crossover Refunding)

Dated: **Date of Delivery** ***Due:*** **August 1, as shown on inside cover**

Issuance. The above-captioned 2020 General Obligation Refunding Bonds, Series A (Federally Taxable 2022 Crossover Refunding) (the " Series A Refunding Bonds"), and the above-captioned 2020 General Obligation Refunding Bonds, Series B (Federally Taxable 2025 Crossover Refunding) (the "Series B Refunding Bonds" and together with the Series A Refunding Bonds, the "Refunding Bonds) are being issued by the Encinitas Union School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on August 18, 2020 (the "Bond Resolution"). The Series A Refunding Bonds are being issued to refund certain maturities of the District's outstanding General Obligation Bonds Election of 2010, Series 2013, and to pay costs of issuance. The Series B Refunding Bonds are being issued to refund certain maturities of the District's outstanding General Obligation Bonds Election of 2010, Series 2015, and to pay costs of issuance. See "THE REFUNDING BONDS – Authority for Issuance" and "THE REFINANCING PLAN."

Security. The Series A Refunding Bonds, after August 1, 2022 (the "Series A Crossover Date"), will be general obligation bonds of the District, payable solely from *ad valorem* property taxes levied and collected within the District. The Series B Refunding Bonds, after August 1, 2025 (the "Series B Crossover Date" and together with the Series A Crossover date, the "Crossover Dates"), will be general obligation bonds of the District, payable solely from *ad valorem* property taxes levied and collected within the District. The Board of Supervisors of San Diego County (the "County") has the power and is obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Refunding Bonds. Prior to the Crossover Dates, interest on the Refunding Bonds is secured by and payable by the District solely from proceeds of the Refunding Bonds deposited in an escrow fund established with proceeds of the Refunding Bonds. The District has other series of general obligation bonds outstanding that are similarly secured by *ad valorem* property tax levies. See "SECURITY FOR THE REFUNDING BONDS."

Redemption. The Refunding Bonds are subject to redemption prior to maturity under certain circumstances, as described herein. See "THE REFUNDING BONDS – Redemption."

Book-Entry Only. The Refunding Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive physical certificates representing their interests in the Refunding Bonds. See "THE REFUNDING BONDS - Book-Entry Only System."

Payments. The Refunding Bonds are dated the date of delivery and are being issued as current interest bonds. The Refunding Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity or earlier redemption, commencing February 1, 2021. Payments of principal of and interest on the Refunding Bonds will be paid by Treasurer-Tax Collector of San Diego County, California, as the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Refunding Bonds. See "THE REFUNDING BONDS - Description of the Refunding Bonds." See "THE REFUNDING BONDS."

MATURITY SCHEDULE
(see inside front cover)

This cover page contains information for general reference only. It is not a summary of all the provisions of the Refunding Bonds. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

The Refunding Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall is also serving as Disclosure Counsel to the District. Kronick, Moskovitz, Tiedemann & Girard, A Professional Corporation, Sacramento, California, is serving as counsel to the Underwriter. It is anticipated that the Refunding Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about October 15, 2020.

RAYMOND JAMES®

The date of this Official Statement is September 23, 2020.

MATURITY SCHEDULE

Base CUSIP†: 292533

ENCINITAS UNION SCHOOL DISTRICT
(San Diego County, California)
2020 General Obligation Refunding Bonds, Series A
(Federally Taxable 2022 Crossover Refunding)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† No.
2023	$380,000	0.402%	0.402%	100.000%	GA8
2024	400,000	0.619	0.619	100.000	GB6
2025	530,000	0.769	0.769	100.000	GC4
2026	550,000	1.011	1.011	100.000	GD2
2027	580,000	1.161	1.161	100.000	GE0

ENCINITAS UNION SCHOOL DISTRICT
(San Diego County, California)
2020 General Obligation Refunding Bonds, Series B
(Federally Taxable 2025 Crossover Refunding)

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP† No.
2026	$210,000	1.011%	1.011%	100.000%	GF7
2027	255,000	1.161	1.161	100.000	GG5
2028	280,000	1.377	1.377	100.000	GH3
2029	320,000	1.477	1.477	100.000	GJ9
2030	335,000	1.577	1.577	100.000	GK6
2031	410,000	1.727	1.727	100.000	GL4
2037	3,350,000	2.284	2.284	100.000	GR1
2038	5,150,000	2.384	2.384	100.000	GU4
2039	4,900,000	2.484	2.484	100.000	GS9

$1,505,000 2.077% Term Bonds maturing August 1, 2034; Yield: 2.077%; Price: 100.000; CUSIP†: GP5

$3,750,000 2.184% Term Bonds maturing August 1, 2036; Yield: 2.184%; Price: 100.000; CUSIP†: GT7

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† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any Refunding Bond owner and the District or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Refunding Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Estimates and Projections. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. tax

Document Summaries. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information

No Securities Laws Registration. The Refunding Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Refunding Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Refunding Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

Stabilization of Market Price. In connection with the offering of the Refunding Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of such Refunding Bonds at levels above those that might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

Website. The District maintains a website. However, the information presented on the website is not a part of this Official Statement, is not incorporated herein by reference, and should not be relied upon in making an investment decision with respect to the Refunding Bonds.

ENCINITAS UNION SCHOOL DISTRICT
COUNTY OF SAN DIEGO
STATE OF CALIFORNIA

DISTRICT ADMINISTRATION

Andree Grey, *Superintendent*
Joseph Dougherty, *Assistant Superintendent of Business Services*

PROFESSIONAL SERVICES

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

Isom Advisors, a Division of Urban Futures, Inc.
Walnut Creek, California

PAYING AGENT, TRANSFER AGENT, AND BOND REGISTRAR

Treasurer-Tax Collector
San Diego County, California

ESCROW BANK

U.S. Bank National Association
Los Angeles, California

ESCROW VERIFICATION

Causey Demgen & Moore P.C.
Denver, Colorado

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OFFICIAL STATEMENT

$2,440,000 ENCINITAS UNION SCHOOL DISTRICT (San Diego County, California) 2020 General Obligation Refunding Bonds, Series A (Federally Taxable 2022 Crossover Refunding)	$20,465,000 ENCINITAS UNION SCHOOL DISTRICT (San Diego County, California) 2020 General Obligation Refunding Bonds, Series B (Federally Taxable 2025 Crossover Refunding)

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale and delivery by the Encinitas Union School District (the "**District**") of the above-captioned 2020 General Obligation Refunding Bonds, Series A (Federally Taxable 2022 Crossover Refunding) (the "**Series A Refunding Bonds**") and the above-captioned 2020 General Obligation Refunding Bonds, Series B (Federally Taxable 2025 Crossover Refunding) (the "**Series B Refunding Bonds**" and together with the Series A Refunding Bonds, the "**Refunding Bonds**").

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Refunding Bonds to potential investors is made only by means of the entire Official Statement.

The District. The District was formed in 1944 and encompasses 24.6 square miles. It is located in the north coastal portion of San Diego County (the "**County**") and serves the City of Encinitas (the "**City**") and the La Costa area of Carlsbad. The District serves students in grades kindergarten through six, with nine elementary school facilities. Total enrollment for fiscal year 2020-21 is projected at 5,353 students and is budgeted for 5,275 students in fiscal year 2020-21. The District's total assessed value in fiscal year 2019-20 is $21,322,283,773.

For more information regarding the District and its finances generally, see APPENDIX A and APPENDIX B attached hereto. See also APPENDIX C hereto for demographic and other information regarding the City and County.

COVID-19 Statement. The COVID-19 pandemic has resulted in a public health crisis that is fluid and unpredictable, with financial and economic impacts that cannot be predicted. As such, investors are cautioned that the District cannot at this time predict the impacts that the COVID-19 pandemic may have on its operations and finances, property values in the District, and economic activity in the District, the State and the nation, among others. District schools are currently closed for the remainder of the 2019-20 academic year, and the District has transitioned to distance learning. For more disclosure regarding the COVID-19 emergency, see "SECURITY FOR THE BONDS – COVID-19 Global Pandemic." See also references to COVID-19 in the sections herein entitled "PROPERTY TAXATION", and in APPENDIX A under the heading "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS."

Purpose. The Series A Refunding Bonds are being issued by the District to refund, on a crossover basis, certain maturities of the District's outstanding General Obligation Bonds, Election of 2010, Series 2013 (the "**2013 Bonds**"), and to pay related costs of issuance. The Series B Refunding Bonds are being issued by the District to refund, on a crossover basis, certain maturities of the District's outstanding General Obligation Bonds, Election of 2010, Series 2015 (the "**2015 Bonds**" and, together with the 2013 Bonds, the "**Prior Bonds**"), and to pay related costs of issuance. See "THE REFINANCING PLAN."

Authority for Issuance of the Refunding Bonds. The Refunding Bonds will be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "**Bond Law**") and under a resolution adopted by the Board of Trustees of the District on August 18, 2020 (the "**Bond Resolution**"). See "THE REFUNDING BONDS - Authority for Issuance."

Security and Sources of Payment for the Refunding Bonds. The Series A Refunding Bonds, following August 1, 2022 (the "**Series A Crossover Date**"), will be general obligation bonds of the District, payable solely from *ad valorem* property taxes levied and collected within the District. The Series B Refunding Bonds, following August 1, 2025 (the "**Series B Crossover Date**", and together with the Series A Crossover Date, the "**Crossover Dates**"), will be general obligation bonds of the District, payable solely from *ad valorem* property taxes levied and collected within the District. Following the Crossover Dates, the County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Refunding Bonds upon all property subject to taxation in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). See "SECURITY FOR THE REFUNDING BONDS."

Prior to the Crossover Dates, interest on the Refunding Bonds is secured by and payable by the District solely from proceeds of the Refunding Bonds deposited into an escrow fund established and funded with proceeds of the Refunding Bonds. See "THE FINANCING PLAN" and "SECURITY FOR THE REFUNDING BONDS" herein.

The District has other series of general obligation bonds outstanding that are similarly payable from *ad valorem* taxes. For the remaining debt service of the District's outstanding general obligation bonds, see "DEBT SERVICE SCHEDULES – Combined General Obligation Debt Service." See also "GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT-DISTRICT FINANCIAL INFORMATION - Long-Term Indebtedness" in APPENDIX A to the Official Statement.

Payment and Registration of the Refunding Bonds. The Refunding Bonds are being issued as current interest bonds. The Refunding Bonds will be dated their date of original issuance and delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons, in denominations of $5,000 or any integral multiple of $5,000, registered in the name of Cede & Co. as nominee of DTC, and will be available under the book-entry system maintained by DTC, only through brokers and dealers who are or act through participants in DTC's book-entry only system ("**DTC Participants**") as described below. Beneficial Owners will not be entitled to receive physical delivery of the Refunding Bonds. See "THE REFUNDING BONDS" and APPENDIX F.

The Refunding Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity or earlier redemption, commencing February 1, 2021. See "THE REFUNDING BONDS - Description of the Refunding Bonds."

Redemption**.** The Refunding Bonds are subject to redemption prior to their maturity as described in "THE REFUNDING BONDS – Redemption."

Tax Matters. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California ("**Bond Counsel**"), based upon existing laws, regulations, rulings and court decisions, and assuming (among other things) compliance with certain covenants, interest on the Refunding Bonds is exempt from State of California personal income taxes. Interest on the Refunding Bonds is <u>not</u> excluded from gross income for federal income tax purposes. Bond Counsel express no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds. See "TAX MATTERS" for additional information, and APPENDIX D hereto for the forms of Bond Counsel's opinion to be delivered concurrently with the Refunding Bonds.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, dated the date of the Refunding Bonds and executed by the District (the "**Continuing Disclosure Certificate**"). The form of the Continuing Disclosure Certificate is included in APPENDIX E hereto. See "CONTINUING DISCLOSURE."

Other Information. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement is not to be construed as a contract with the purchasers of the Refunding Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Refunding Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE REFINANCING PLAN

As described herein, the proceeds of the Refunding Bonds will be used to refund the Refunded Bonds (as defined below), and to pay related costs of issuance.

The Series A Refunding Bonds. The District expects to issue the Series A Refunding Bonds to refund, on a crossover basis, certain maturities of the 2013 Bonds, on the Series A Crossover Date. The 2013 Bonds were issued on February 20, 2013, in the aggregate denominational amount of $9,998,410.90, as capital appreciation bonds and convertible capital appreciation bonds and are currently outstanding in the aggregate denominational amount of $9,998,410.90. The 2013 Bonds issued as capital appreciation bonds are subject to optional redemption on or after August 1, 2022, at a redemption price of 100% of the principal amount being redeemed, plus any accrued interest, without premium.

Proceeds of the Series A Refunding Bonds will be used to refinance certain maturities of the outstanding 2013 Bonds (such maturities, the "**Refunded 2013 Bonds**"), as more particularly identified in the following tables.

ENCINITAS UNION SCHOOL DISTRICT
Identification of Refunded 2013 Bonds

Maturity Date (August 1)	CUSIP[†]	Initial Denominational Amount	Value Upon Redemption	Redemption Date	Redemption Price
2023	292533 EL6	$304,835.60	$416,068.00	08/01/2022	100%
2024	292533 EM4	295,434.00	418,099.50	08/01/2022	100%
2025	292533 EN2	357,318.00	519,462.45	08/01/2022	100%
2026	292533 EP7	346,858.60	512,725.40	08/01/2022	100%
2027	292533 EQ5	338,322.60	508,032.00	08/01/2022	100%
Total	--	$1,642,768.80	$2,374,387.35	--	--

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† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

The Series B Refunding Bonds. The District expects to issue the Series B Refunding Bonds to refund, on a crossover basis, certain maturities of the 2015 Bonds, on the Series B Crossover Date. The 2015 Bonds were issued on September 17, 2015, in the aggregate principal amount of $13,999,452.50, as capital appreciation bonds and are currently outstanding in the aggregate denominational amount of $11,886,221.15. The 2015 Bonds are subject to optional redemption on or after August 1, 2025, at a redemption price of 100% of the principal amount being redeemed, plus any accrued interest, without premium.

Proceeds of the Series B Refunding Bonds will be used to refinance certain maturities of the outstanding 2015 Bonds (such maturities, the "**Refunded 2015 Bonds**"), as more particularly identified in the following tables.

ENCINITAS UNION SCHOOL DISTRICT
Identification of Refunded 2015 Bonds

Maturity Date (August 1)	CUSIP†	Initial Denominational Amount	Value Upon Redemption	Redemption Date	Redemption Price
2026	292533 FA9	$506,517.80	$705,866.20	08/01/2025	100%
2027	292533 FB7	507,377.00	721,618.00	08/01/2025	100%
2028	292533 FC5	493,392.00	714,776.00	08/01/2025	100%
2029	292533 FD3	486,897.60	717,771.60	08/01/2025	100%
2030	292533 FE1	461,439.50	692,189.00	08/01/2025	100%
2031	292533 FF8	473,775.75	718,290.25	08/01/2025	100%
2032	292533 FG6	473,265.00	722,387.25	08/01/2025	100%
2033	292533 FH4	456,980.00	704,310.00	08/01/2025	100%
2034	292533 FJ0	455,878.50	705,327.00	08/01/2025	100%
2035	292533 FK7	454,278.00	704,891.00	08/01/2025	100%
2036	292533 FL5	1,514,590.00	2,354,660.00	08/01/2025	100%
2037	292533 FM3	1,495,160.00	2,331,240.00	08/01/2025	100%
2038	292533 FN1	2,085,390.00	3,260,918.75	08/01/2025	100%
2039	292533 FP6	2,021,280.00	3,169,800.00	08/01/2025	100%
Total	--	$11,886,221.15	$18,224,045.05	--	--

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

Deposits in Escrow Fund

The District will deliver the net proceeds of the Refunding Bonds to U.S. Bank National Association, as escrow bank (the "**Escrow Bank**"), for deposit in an escrow fund (the "**Escrow Fund**") established under an Escrow Agreement (the "**Escrow Agreement**"), between the District and the Escrow Bank. The Escrow Bank will invest such funds in certain federal securities ("**Escrow Fund Securities**"), and will apply such funds, together with interest earnings (if any) on the investment of such funds in Escrow Fund Securities, to pay the principal of and interest on the Refunded Bonds, including the redemption price of the Refunded Bonds, as set forth above, together with accrued interest to the redemption date identified above. Prior to the respective Crossover Dates, amounts on deposit in the Escrow Fund will be applied to pay interest due on the Prior Bonds. On the respective Crossover Dates, the funds and investments in the Escrow Fund will be applied to pay the redemption price of the Refunded Bonds.

Sufficiency of the deposits in the Escrow Fund for the foregoing purposes will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the **"Verification Agent"**). See "VERIFICATION OF MATHEMATICAL ACCURACY" herein. As a result of the deposit of funds with the Escrow Bank on the date of issuance of the Refunding Bonds, the Refunded Bonds will be legally defeased and will be payable solely from amounts held for that purpose under the Escrow Agreement, and will cease to be secured by *ad valorem* property taxes levied in the District.

The Escrow Fund Securities, if any, and cash held by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the Refunded Bonds, and will not be available for the payment of debt service with respect to the Refunding Bonds prior to the respective Crossover Dates. On the respective Crossover Dates, amounts therein will be applied to pay the redemption price of the Prior Bonds. After the respective Crossover Dates, debt service on the Prior Bonds will be payable from ad valorem *property taxes as described herein. See "SECURITY FOR THE REFUNDING BONDS" herein. Except as described herein, the funds deposited in the Escrow Fund will not be available for the payment of debt service on the Refunding Bonds.*

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THE REFUNDING BONDS

Authority for Issuance

The Refunding Bonds will be issued under the authority of and pursuant to the Bond Law and the Bond Resolution.

Description of the Refunding Bonds

The Refunding Bonds are being issued as current interest bonds. The Refunding Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Refunding Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Refunding Bonds. See "- Book-Entry Only System" below and APPENDIX F.

The Refunding Bonds shall be issued in the denominations of $5,000 principal amount each or any integral multiple thereof. Interest on the Refunding Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2021 (each, an **"Interest Payment Date"**). Each Refunding Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the 15th day of the month preceding the Interest Payment Date (each, a **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2021, in which event it will bear interest from the date of delivery of the Refunding Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Refunding Bond is in default at the time of authentication thereof, such Refunding Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Refunding Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Refunding Bonds.

Paying Agent

The Treasurer-Tax Collector of San Diego County, California, will act as the registrar, transfer agent, and paying agent for the Refunding Bonds (the **"Paying Agent"**). As long as DTC is the registered owner of the Refunding Bonds and DTC's book-entry method is used for the Refunding Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Refunding Bonds called for redemption or of any other action covered by such notice.

The Paying Agent, the District, and the Underwriter of the Refunding Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Refunding Bonds.

Redemption

Optional Redemption. The Series A Refunding Bonds are not subject to optional redemption prior to maturity.

The Series B Refunding Bonds maturing on or before August 1, 2030 are not subject to redemption prior to maturity. The Series B Refunding Bonds maturing on or after August 1, 2031 are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 2030, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

For the purpose of selection for optional redemption, the Series B Refunding Bonds will be deemed to consist of $5,000 portions (principal amount), and any such portion may be separately redeemed.

Mandatory Sinking Fund Redemption. The Series B Refunding Bonds maturing on August 1, 2034 and August 1, 2036, (together, the "**Term Bonds**"), are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the schedule set forth below. The Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments in the amounts and on the dates set forth below, without premium.

$1,505,000 Principal Amount Term Bonds Maturing August 1, 2034

Redemption Date (August 1)	Sinking Fund Redemption
2032	$460,000
2033	495,000
2034 (maturity)	550,000

$3,750,000 Principal Amount Term Bonds Maturing August 1, 2036

Redemption Date (August 1)	Sinking Fund Redemption
2035	$605,000
2036 (maturity)	3,145,000

If any such Term Bonds are redeemed pursuant to optional redemption, the total amount of all future sinking fund payments with respect to such Term Bonds shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of $5,000 principal amount (or on such other basis as the District may determine) as set forth in written notice given by the District to the Paying Agent.

Partial Redemption of Refunding Bonds

Upon the surrender of any Refunding Bond redeemed in part only, the Paying Agent shall execute and deliver to the owner thereof a new Refunding Bond or Refunding Bonds of like tenor and maturity and of authorized denominations equal in transfer amounts to the unredeemed portion of the Refunding Bonds surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such owner, and the County and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Selection of Refunding Bonds for Redemption

Whenever less than all of the outstanding maturities of the Refunding Bonds is designated for redemption, the Paying Agent shall select the maturities to be redeemed as directed by the District. Whenever less than all of the outstanding Refunding Bonds of any one maturity are designated for redemption, the Paying Agent shall select the outstanding Refunding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Refunding Bond will be deemed to consist of individual bonds of $5,000 denominations each which may be separately redeemed.

Notice of Redemption

The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the respective owners of any Refunding Bonds designated for redemption, at their addresses appearing on the records maintained by the Paying Agent for the registration of ownership and registration of transfer of the Refunding Bonds (the "**Registration Books**"). Such mailing is not a condition precedent to such redemption and the failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Refunding Bonds. In addition, the Paying Agent will give notice of redemption by telecopy or certified, registered or overnight mail to the Municipal Securities Rulemaking Board and each of the Securities Depositories at least two days prior to such mailing to the Refunding Bond Owners.

Such notice may be conditional and shall state the redemption date and the redemption price and, if less than all of the then outstanding Refunding Bonds are to be called for redemption, shall designate the serial numbers of the Refunding Bonds to be redeemed by giving the individual number of each Refunding Bond or by stating that all Refunding Bonds between two stated numbers, both inclusive, or by stating that all of the Refunding Bonds of one or more maturities have been called for redemption, and shall require that such Refunding Bonds be then surrendered at the Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Refunding Bonds will not accrue from and after the redemption date.

From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Refunding Bonds so called for redemption have been duly provided, the Refunding Bonds called for redemption will cease to be entitled to any benefit under the Bond Resolution other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in the notice.

Right to Rescind Notice of Redemption

The District has the right to rescind any notice of the optional redemption of Refunding Bonds by written notice to the Paying Agent on or prior to the dated fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Refunding Bonds then called for redemption. The District and the Paying Agent have no liability to the Refunding Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Bond Resolution.

Defeasance

The Refunding Bonds may be paid by the District, in whole or in part, in any one or more of the following ways:

(a) by paying or causing to be paid the principal or redemption price of and interest on such Refunding Bonds, as and when the same become due and payable;

(b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Refunding Bonds; or

(c) by delivering such Refunding Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Refunding Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Refunding Bonds and all unpaid interest thereon to maturity, except that, in the case of Refunding Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Refunding Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the County and the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Refunding Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Refunding

Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay or redeem any outstanding Refunding Bond (whether upon or prior to its maturity or the redemption date of such Refunding Bond), then all liability of the County and the District in respect of such Refunding Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Refunding Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

As used in the foregoing defeasance provision, the term **"Federal Securities"** means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

Book-Entry Only System

The Refunding Bonds will be registered initially in the name of "Cede & Co.," as nominee of DTC, which has been appointed as securities depository for the Refunding Bonds, and registered ownership may not be transferred thereafter except as provided in the Bond Resolution. Purchasers will not receive certificates representing their interests in the Refunding Bonds. Principal of the Refunding Bonds will be paid by the Paying Agent to DTC, which in turn is obligated to remit such principal to its participants for subsequent disbursement to beneficial owners of the Refunding Bonds as described herein. See APPENDIX F for additional information about DTC's book-entry only system.

Registration, Transfer and Exchange of Bonds

If the book entry system is discontinued, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Refunding Bonds.

If the book entry system is discontinued, the person in whose name a Refunding Bond is registered on the Registration Books shall be regarded as the absolute owner of that Refunding Bond. Payment of the principal of and interest on any Refunding Bond shall be made only to or upon the order of that person; neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution.

Refunding Bonds may be exchanged at the principal corporate trust office of the Paying Agent for a like aggregate principal amount of Refunding Bonds of authorized denominations and of the same maturity. Any Refunding Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book entry only status of the Refunding Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Refunding Bond for cancellation at the office of the Paying

Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Refunding Bonds shall be required to be made (a) fifteen days prior to an Interest Payment Date or the date established by the Paying Agent for selection of Refunding Bonds for redemption until the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given or (b) with respect to a Refunding Bond after such Refunding Bond has been selected or called for redemption in whole or in part.

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DEBT SERVICE SCHEDULES

The Refunding Bonds. The following tables show the annual debt service schedule with respect to the Series A Refunding Bonds and the Series B Refunding Bonds (assuming no optional redemptions).

ENCINITAS UNION SCHOOL DISTRICT
Annual Debt Service Schedule
2020 General Obligation Refunding Bonds, Series A

Date (August 1)	Principal	Interest	Total
2021	--	$16,185.69	$16,185.69
2022	--	20,373.60	20,373.60
2023	$380,000.00	20,373.60	400,373.60
2024	400,000.00	18,846.00	418,846.00
2025	530,000.00	16,370.00	546,370.00
2026	550,000.00	12,294.30	562,294.30
2027	580,000.00	6,733.80	586,733.80
Total	$2,440,000.00	$111,176.99	$2,551,176.99

ENCINITAS UNION SCHOOL DISTRICT
Annual Debt Service Schedule
2020 General Obligation Refunding Bonds, Series B

Date (August 1)	Principal	Interest	Total
2021	--	$365,598.69	$365,598.69
2022	--	460,194.16	460,194.16
2023	--	460,194.16	460,194.16
2024	--	460,194.16	460,194.16
2025	--	460,194.16	460,194.16
2026	$210,000.00	460,194.16	670,194.16
2027	255,000.00	458,071.06	713,071.06
2028	280,000.00	455,110.50	735,110.50
2029	320,000.00	451,254.90	771,254.90
2030	335,000.00	446,528.50	781,528.50
2031	410,000.00	441,245.56	851,245.56
2032	460,000.00	434,164.86	894,164.86
2033	495,000.00	424,610.66	919,610.66
2034	550,000.00	414,329.50	964,329.50
2035	605,000.00	402,906.00	1,007,906.00
2036	3,145,000.00	389,692.80	3,534,692.80
2037	3,350,000.00	321,006.00	3,671,006.00
2038	5,150,000.00	244,492.00	5,394,492.00
2039	4,900,000.00	121,716.00	5,021,716.00
Total	$20,465,000.00	$7,671,697.83	$28,136,697.83

Combined General Obligation Debt Service. The following table shows the combined annual debt service schedule with respect to outstanding general obligation and general obligation refunding bonds of the District, assuming no optional redemptions, following the Crossover Dates. See also APPENDIX A under the heading "DISTRICT FINANCIAL INFORMATION – Long-Term Indebtedness."

ENCINITAS UNION SCHOOL DISTRICT
Combined Annual Debt Service Schedule
All Outstanding General Obligation Bonds

Bond Year Ending (Aug. 1)	Election of 1995, Series 1996	Election of 2010, Series 2011	Election of 2010, Series 2013	Election of 2010, Series 2015	Election of 2010, Series 2017	The Refunding Bonds (1)	Aggregate Annual Debt Service
2021	$4,560,000.00	--	--	--	$248,050.00	-	$4,808,050.00
2022	--	$2,320,000.00	$900,000.00	$630,000.00	1,098,050.00	-	4,948,050.00
2023	--	2,402,281.26	490,437.50	720,000.00	1,054,050.00	$400,373.60	5,067,142.36
2024	--	2,482,281.26	490,437.50	765,000.00	1,064,100.00	418,846.00	5,220,664.76
2025	--	2,572,281.26	490,437.50	685,000.00	1,079,300.00	546,370.00	5,373,388.76
2026	--	2,662,281.26	490,437.50	--	1,082,500.00	1,232,488.46	5,467,707.22
2027	--	2,752,281.26	490,437.50	--	1,093,700.00	1,299,804.86	5,636,223.62
2028	--	2,848,668.76	1,145,437.50	--	1,113,700.00	735,110.50	5,842,916.76
2029	--	2,948,262.50	1,173,582.50	--	719,250.00	771,254.90	5,612,349.90
2030	--	3,055,106.26	1,199,472.50	--	--	781,528.50	5,036,107.26
2031	--	3,162,925.00	1,228,107.50	--	--	851,245.56	5,242,278.06
2032	--	3,270,762.50	1,259,282.50	--	--	894,164.86	5,424,209.86
2033	--	3,388,362.50	1,282,792.50	--	--	919,610.66	5,590,765.66
2034	--	3,506,725.00	1,313,842.50	--	--	964,329.50	5,784,897.00
2035	--	3,629,500.00	1,344,472.50	--	--	1,007,906.00	5,981,878.50
2036	--	--	2,436,840.00	--	--	3,534,692.80	5,971,532.80
2037	--	--	2,509,617.50	--	--	3,671,006.00	6,180,623.50
2038	--	--	--	--	--	5,394,492.00	5,394,492.00
2039	--	--	--	--	--	5,021,716.00	5,021,716.00
Total	$4,560,000.00	$41,001,718.82	$18,245,635.00	$2,800,000.00	$8,552,700.00	$28,444,940.20	$103,604,994.02

(1) Debt service on the Series A Refunding Bonds is paid from the Escrow Fund until the Series A Crossover Date and debt service on the Series B Refunding Bonds is paid from the Escrow Fund until the Series B Crossover Date.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Refunding Bonds are as follows:

Sources of Funds	**Series A Refunding Bonds**	**Series B Refunding Bonds**
Principal Amount of Refunding Bonds	$2,440,000.00	$20,465,000.00
Total Sources	$2,440,000.00	$20,465,000.00
Uses of Funds		
Escrow Fund	$2,405,373.11	$20,211,557.13
Costs of Issuance[1]	34,626.89	253,442.87
Total Uses	$2,440,000.00	$20,465,000.00

(1) All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, legal fees, the municipal advisor, the Paying Agent, Escrow Bank, and the rating agency.

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SECURITY FOR THE REFUNDING BONDS

Ad Valorem Taxes

Refunding Bonds Payable from* Ad Valorem *Property Taxes. The Refunding Bonds, following the Crossover Dates will be general obligations of the District, payable solely from *ad valorem* property taxes levied and collected within the District by the County. Prior to the Crossover Dates, the Refunding Bonds are not secured by *ad valorem* property taxes, but are secured by and payable by the District solely from proceeds of the Refunding Bonds deposited in the Escrow Fund. Any discussion herein describing the levy and collection of *ad valorem* property taxes for the Refunding Bonds applies only after the Crossover Dates. See also "THE FINANCING PLAN."

The County is empowered and is obligated to annually levy *ad valorem* property taxes for the payment of the Refunding Bonds following the Crossover Dates, and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Refunding Bonds out of any funds or properties of the District other than *ad valorem* property taxes levied upon all taxable property in the District; provided, however, nothing in the Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

Other Non-District Debt Payable from Ad Valorem Property Taxes. In addition to the Bonds and the District's other outstanding general obligation bonds, there is other debt issued by entities within the jurisdiction of the District, which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Tax Rates" and "– Direct and Overlapping Debt" below.

Levy and Collection. The County will levy and collect such *ad valorem* property taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into a debt service fund for the Refunding Bonds, which is maintained by the County, and which is irrevocably pledged for the payment of principal of and interest on the Refunding Bonds when due.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property. See "PROPERTY TAXATION -Teeter Plan" below.

Statutory Lien on Ad Valorem Tax Revenues. In accordance with Section 53515 of the California Government Code, the Refunding Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the ad valorem tax imposed to service the Refunding Bonds. This lien automatically arises without the need for any action or authorization by the District or the Board. The revenues received pursuant to the levy and collection of the ad valorem tax shall be immediately subject to the lien, and the lien shall immediately attach to the revenues and be effective, binding, and enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

Annual Tax Rates. The amount of the annual *ad valorem* property tax levied by the County to repay the Refunding Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Refunding Bonds. Fluctuations in the annual debt service on the Refunding Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the District's control, such as economic recession, deflation of property values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire, drought or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate. See "PROPERTY TAXATION – Assessed Valuations – Factors Relating to Increases/Decreases in Assessed Value." See also "— COVID-19 Global Pandemic."

Natural Disasters. Economic and other factors beyond the District's control, such as economic recession, deflation of property values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate. See "PROPERTY TAXATION – Assessed Valuations – Factors Relating to Increases/Decreases in Assessed Value." See also "— COVID-19 Global Pandemic."

Debt Service Fund

The County will establish a Debt Service Fund (the "**Debt Service Fund**") for the Refunding Bonds, which will be established as a separate fund to be maintained distinct from all other funds of San Diego County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Refunding Bonds will be transferred to and deposited in the Debt Service Fund promptly upon receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Refunding Bonds when and as the same become due. The District will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Refunding Bonds as the same become due and payable.

If, after payment in full of the Refunding Bonds, any amounts remain on deposit in the Debt Service Fund, the District shall transfer such amounts to other debt service funds of the District with respect to outstanding general obligation bonds of the District, if any, and if none, then to its general fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

Not a County Obligation

The Refunding Bonds, will be following the Crossover Dates, payable solely from the proceeds of an *ad valorem* tax levied and collected by the County, for the payment of principal and interest on the Refunding Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Refunding Bonds, the Refunding Bonds are not a debt of the County.

COVID-19 Global Pandemic

Background. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (**"COVID-19"**), which was first detected in China and has spread to other countries, including the United States, was declared a pandemic by the World Health Organization, a national emergency by the President of the United States (the "**President**") and a state of emergency by the Governor of the State (the "**Governor**"). There has been tremendous volatility in the markets in the United States and globally, resulting in significant declines and the onset of a national and global recession.

The President's declaration of a national emergency on March 13, 2020 made available more than $50 billion in federal resources to combat the spread of the virus. A multi-billion-dollar relief package was signed into law by the President on March 18, 2020, providing for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. In addition, the Federal Reserve lowered its benchmark interest rate to nearly zero, introduced a large bond-buying program and established emergency lending programs to banks and money market mutual funds.

On March 27, 2020, the United States Congress passed a $2 trillion relief package, referred to as the Coronavirus Aid, Relief, and Economic Security Act (the **"CARES Act"**). The package includes direct payments to taxpayers, jobless benefits, assistance to hospitals and healthcare systems, $367 billion for loans to small businesses, a $500 billion fund to assist distressed large businesses, including approximately $30 billion to provide emergency grants to educational institutions and local educational agencies. This funding allocation includes approximately $13.5 billion in formula funding to make grants available to each state's educational agency in order to facilitate K-12 schools' responses to the COVID-19 crisis.

On April 9, 2020, the Federal Reserve took additional actions to provide up to $2.3 trillion in loans to support the economy, including supplying liquidity to participating financial institutions in the SBA's Paycheck Protection Program, purchasing up to $600 billion in loans through the Main Street Lending Program and offering up to $500 billion in lending to states and municipalities.

On April 24, 2020, an additional $484 billion federal aid package was signed, to provide additional funding for the local program for distressed small businesses and to provide funds for hospitals and COVID-19 testing. The legislation adds $310 billion to the Paycheck Protection Program, increases the small business emergency grant and loan program by $60 billion, and directs $75 billion to hospitals and $25 billion to a new COVID-19 testing program.

At the State level, on March 15, 2020, the Governor ordered the closing of California bars and nightclubs, the cancellation of gatherings of more than 250 and confirmed continued funding for school districts that close under certain conditions. On March 16, 2020, the State legislature passed $1.1 billion in general purpose spending authority for emergency funds to respond to the Coronavirus crisis. On March 19, 2020, Governor Newsom issued Executive Order N-33-20, a blanket shelter-in-place order, ordering all California residents to stay home except for certain necessities and other essential purposes, which is in effect until further notice.

On August 28, 2020, the Governor released a new system called "Blueprint for a Safer California," which places the State's 58 counties into four color-coded tiers – purple, red, orange, and yellow, in descending order of severity – based on the number of new daily cases of COVID-19 and the percentage of positive tests. Counties must spend at least three weeks in each tier before advancing to the next one. The County is currently assigned to the red tier, which is the second most restrictive, though case incidence has been increasing in the County, which could lead to it being moved into the most restrictive tier. Pursuant to Executive Order N-60-20, local jurisdictions may issue their own public health measures to slow the spread of COVID-19.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, the economic impacts and actions that may be taken by governmental authorities to contain the outbreak or to treat its impacts are uncertain and cannot be predicted. Additional information with respect to events surround the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to: the Governor's office (http://www.gov.ca.gov) and the California Department of Public Health (https://covid19.ca.gov/). *The District has not incorporated by reference the information on such websites, and the District does not assume any responsibility for the accuracy of the information on such website*s.

Impacts of COVID-19 Pandemic on Global and Local Economies Cannot be Predicted; Potential Declines in State and Local Revenues. The COVID-19 public health emergency will have negative impacts on global and local economies, including the economy of the State and in the region of the District. The extent and duration of the COVID-19 emergency is currently unknown, and the reach of its impacts uncertain.

The State's revenue sources are anticipated to be materially impacted by the COVID-19 pandemic, including with respect to reductions in personal income tax receipts and capital gains tax receipts. Economic uncertainty caused by the outbreak will significantly affect California's near-term fiscal outlook, with a likely recession due to pullback in activity across wide swaths of the economy. For more detail regarding the State's current and proposed budgets, and related reports and outlooks, see Appendix A under the heading "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS."

In addition, in an attempt to mitigate the effects of the COVID-19 pandemic on State property taxpayers, on May 6, 2020, the Governor signed an executive order suspending penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. See "PROPERTY TAXATION – Property Tax Collection Procedures – Waiver of State Laws Relating to Penalties for Non-Payment of Property Taxes."

Impacts on California School Districts. Shelter in place orders have suspended in-person classroom instruction indefinitely throughout California schools. Most school districts (including the District) are undertaking distance learning efforts to provide continuing instruction to students. State law allows school districts to apply for a waiver to hold them harmless from the loss of State apportionment funding based on attendance and state instructional time penalties when they are forced to close schools due to emergency conditions. In addition, on March 13, 2020, Governor Newsom signed Executive Order N-26-20 which provides for continued State funding to school districts to support distance learning or independent study, providing subsidized school meals to low-income students, continuing payment for school district employees, and, to the extent practicable, providing for attendance calculations supervision of students during school hours, notwithstanding legal provisions to the contrary. Senate Bill 117 was passed on March 17, 2020, addressing attendance issues and instructional hour requirements, among other items, and effectively holds schools harmless from incurring funding losses that could result from these issues under existing funding formulas. For more information about education funding formulas in California, see Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – Education Funding Generally.

For more information about how the District has responded to the COVID-19 emergency and the District's current assessment of the impact of the COVID-19 emergency on its finances, see Appendix A under the heading "DISTRICT GENERAL INFORMATION – District's Response to COVID-19 Emergency."

Impacts of COVID-19 Emergency Uncertain. The possible impacts that the COVID-19 emergency might have on the District's finances, programs, credit ratings on its debt obligations, local property values and the economy in general are uncertain at this time. In addition, there may be unknown consequences of the COVID-19 emergency, which the District is unable to predict.

General Obligation Bonds Secured by* Ad Valorem *Tax Revenues. Notwithstanding the impacts the COVID-19 may have on the economy in the State and the District or on the District's revenues, the Bonds described herein are voter-approved general obligations of the District payable solely from the levy and collection of *ad valorem* property taxes, unlimited as to rate or amount, and are not payable from the general fund of the District. The District cannot predict the impacts that the COVIF-19 emergency might have on local property values or tax collections and delinquencies. See "SECURITY FOR THE BONDS – *Ad Valorem* Taxes," "PROPERTY TAXATION – Assessed Valuations – Factors Relating to Increases/Decreases in Assessed Value" and "PROPERTY TAXATION – Tax Levies and Delinquencies.

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PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing (1) state assessed public utilities' property and (2) property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the applicable county.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, Senate Bill 813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, Senate Bill 813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Waiver of State Laws Relating to Penalties for Non-Payment of Property Taxes. In an attempt to mitigate the effects of the COVID-19 pandemic on State property taxpayers, on May 6, 2020, the Governor signed Executive Order N-61-20 ("**Order N-61-20").** Under Order N-61-20, certain provisions of the State Revenue and Taxation Code are suspended until May 6, 2021 to the extent said provisions require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. Said penalties, costs and interest shall be cancelled under the conditions provided for in Order N-61-20, including if the property is residential real property occupied by the taxpayer or the real property qualifies as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer files a claim for relief with the tax collector, and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response to COVID-19.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property," a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the County based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuations

Assessed Valuation History. The table below shows a recent history of the District's assessed valuation.

ENCINITAS UNION SCHOOL DISTRICT
Assessed Valuations of All Taxable Property
Fiscal Years 2003-04 to 2020-21

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2003-04	$8,705,300,883	$2,063,960	$119,388,411	$8,826,753,254	--
2004-05	9,856,080,390	1,964,406	130,654,532	9,988,699,328	13.2%
2005-06	10,906,299,484	2,002,962	148,606,954	11,056,909,400	10.7
2006-07	12,056,029,623	1,876,039	155,418,325	12,213,323,987	10.5
2007-08	12,901,694,557	0	155,756,953	13,057,451,510	6.9
2008-09	13,473,199,892	0	172,322,817	13,645,522,709	4.5
2009-10	13,444,453,511	0	173,388,385	13,617,841,896	(0.2)
2010-11	13,423,583,288	0	168,216,081	13,591,799,369	(0.2)
2011-12	13,693,380,386	0	157,605,393	13,850,985,779	1.9
2012-13	13,847,777,473	0	160,625,964	14,008,403,437	1.1
2013-14	14,346,298,148	0	168,052,265	14,514,350,413	3.6
2014-15	15,375,366,592	0	172,783,276	15,548,149,868	7.1
2015-16	16,368,277,715	0	170,356,699	16,538,634,414	6.4
2016-17	17,215,802,503	0	171,879,504	17,387,682,007	5.1
2017-18	18,196,441,397	0	178,461,649	18,374,903,046	5.7
2018-19	19,287,799,864	0	187,563,050	19,475,362,914	6.0
2019-20	20,133,897,448	0	194,278,877	20,328,176,325	4.4
2020-21	21,114,918,079	0	207,365,694	21,322,283,773	4.9

Source: California Municipal Statistics, Inc.

Factors Relating to Increases/Decreases in Assessed Value. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and natural disasters such as earthquakes, fires, floods and droughts.

In addition, wildfires have occurred in recent years in different regions of the State, and related flooding and mudslides have also occurred. The most destructive of the recent wildfires, which have burned thousands of acres and destroyed thousands of homes and structures, have originated in wildlands adjacent to urban areas. Although the recent natural disasters do not include territory within the District's boundaries, the District cannot predict or make any representations regarding the effects that wildfires, flooding, mudslides or any other natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

The District cannot predict or make any representations regarding the effects that wildfires, flooding, mudslides, pandemics or any other natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State. See also "SECURITY FOR THE BONDS – COVID-19 Global Pandemic."

Split Roll Measures. Proposed State initiative measures designated as the California Schools and Local Communities Funding Act of 2018 and the California Schools and Local Community Funding Act of 2020 (the "**Split Roll Measures**"), have each qualified by initiative for the November 3, 2020 ballot which, if either is approved by State voters by majority vote, would amend the State Constitution to change to a split roll approach to determine property values for purposes of property taxation. If either initiative is approved, the State Constitution will be amended to provide for the reassessment to fair market value of certain commercial and industrial real properties every three years, overriding the current two percent limitation on annual assessment increases until a property changes ownership. The resulting increases in property tax revenues would be allocated among local public agencies. The two initiative measures differ in the threshold at which commercial and industrial properties would be taxed at market value, which small business-owned properties would continue to be taxed based on purchase price, and how revenue would be allocated for schools.

The District cannot predict whether either Split Roll Measure will appear on the Statewide ballot at the November 2020 election or, if either does, whether such Split Roll Measure will be approved by a majority of voters casting a ballot. If approved, the District cannot make any assurance as to what effect the implementation of either Split Roll Measure will have on District revenues or the assessed valuation of real property in the District.

Property Tax Base Transfer Measure. A State constitutional amendment designated as the California Property Tax Transfer Initiative has qualified by initiative for the November 3, 2020 ballot. If approved by a majority of voters casting a ballot at the November 2020 Statewide election, the measure would: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot predict if such initiative will be successful or the impact it might have on assessed values in the District.

Assessed Valuation by Jurisdiction. The following table shows the assessed valuation of local secured property within the District by jurisdiction for fiscal year 2020-21.

ENCINITAS UNION SCHOOL DISTRICT
2020-21 Assessed Valuations By Jurisdiction

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Carlsbad	$ 6,452,900,883	30.26%	$36,906,318,830	17.48%
City of Encinitas	14,591,934,969	68.44	$18,084,459,057	80.69%
Unincorporated San Diego County	277,447,921	1.30	$81,125,695,760	0.34%
Total District	$21,322,283,773	100.00%		
San Diego County	$21,322,283,773	100.00%	$585,657,954,957	3.64%

Assessed Valuation by Land Use. The following table shows the land use of property in the District, as measured by assessed valuation and the number of parcels for fiscal year 2020-21.

ENCINITAS UNION SCHOOL DISTRICT
2020-21 Assessed Valuation and Parcels by Land Use

Non-Residential:	2020-21 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Agricultural	$ 42,310,038	0.20%	63	0.24%
Commercial	2,212,312,710	10.48	685	2.66
Vacant Commercial	45,689,308	0.22	47	0.18
Industrial	40,677,919	0.19	18	0.07
Vacant Industrial	304,079	0.00	1	0.00
Recreational	56,671,217	0.27	27	0.10
Government/Social/Institutional	19,955,270	0.09	70	0.27
Miscellaneous	2,776,197	0.01	18	0.07
Subtotal Non-Residential	$2,420,696,738	11.46%	929	3.60%
Residential:				
Single Family Residence	$14,900,231,544	70.57%	17,764	68.90%
Condominium/Townhouse	2,252,237,225	10.67	5,014	19.45
Mobile Home	48,071,462	0.23	304	1.18
Mobile Home Park	32,028,341	0.15	10	0.04
2-4 Residential Units	859,764,629	4.07	1,026	3.98
5+ Residential Units/Apartments	410,491,411	1.94	123	0.48
Miscellaneous Residential	5,774,502	0.03	171	0.66
Vacant Residential	185,622,227	0.88	440	1.71
Subtotal Residential	$18,694,221,341	88.54%	24,852	96.40%
Total	$21,114,918,079	100.00%	25,781	100.00%

(1) Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Reassessments and Appeals of Assessed Value

There are general means by which assessed values can be reassessed or appealed that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" in APPENDIX A.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values, adjusted for inflation, when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Proposition 8 reductions may also be unilaterally applied by the County Assessor. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

Tax Rates

Below are historical typical tax rates in a typical tax rate area (Tax Rate Area 9-045/9-186) within the District for fiscal years 2015-16 through 2019-20.

ENCINITAS UNION SCHOOL DISTRICT
Typical Total Tax Rates per $100 of Assessed Valuation (TRA 9-186) (1)
Fiscal Years 2015-16 through 2019-20

	2015-16	2016-17	2017-18	2018-19	2019-20
General	$1.00000	$1.00000	$1.00000	$1.00000	$1.00000
Encinitas Union School District	.02062	.01958	.01943	.01857	.01861
San Dieguito Union High School District	.02272	.02275	.02229	.02298	.02318
Mira Costa Community College District	--	--	.01443	.01294	.01299
Metropolitan Water District	.00350	.00350	.00350	.00350	.00350
Total	$1.04684	$1.04583	$1.05965	$1.05799	$1.05828

(1) 2019-20 assessed valuation of TRA 9-186 is $3,318,509,645.
Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code, with respect to (i) the 1% *ad valorem* property tax (general fund apportionment) levied on real property in the County and collected on the secured tax roll and (ii) for the County's levies for general obligation bond debt service on the secured tax roll. Under the Teeter Plan, each local taxing agency entitled to a portion of these levies may draw on the amount of uncollected secured taxes levied on the secured tax roll credited to its fund, in the same manner as if the amount credited had been collected; in exchange, such local taxing agencies forego any interest and penalties collected on delinquent taxes on the secured tax roll collected by the County. The District participates in the Teeter Plan, and thus receives 100% of its portion of these levies in exchange for foregoing any interest and penalties collected on delinquent taxes. Currently, the County also includes general obligation bond debt service collected on the secured roll in its Teeter Plan. The County has not adopted the Teeter Plan with respect to property taxes collected on the supplemental roll and therefore, the amount of the levy of *ad valorem* property taxes collected on the supplemental tax roll received by the District depends upon collections and delinquency rates of such property taxes experienced with respect to the parcels within the District.

So long as the Teeter Plan remains in effect, and the County continues to include the District in the Teeter Plan, the District's receipt of revenues with respect to the levy of its portion of *ad valorem* property taxes collected on the secured tax roll will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors could under certain circumstances terminate the Teeter Plan in its entirety with respect to agencies in the County, including the District, if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan is terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes collected on the secured tax roll actually received by the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

Major Taxpayers

The following table shows the 20 largest taxpayers in the District as determined by their secured assessed valuations in fiscal year 2020-21. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

ENCINITAS UNION SCHOOL DISTRICT
Largest 2020-21 Local Secured Taxpayers

	Property Owner	Primary Land Use	2020-21 Assessed Valuation	% of Total (1)
1.	Continuing Life Communities LLC	Assisted Living Facilities	$301,508,758	1.43%
2.	T-C Forum at Carlsbad LLC	Shopping Center	206,583,259	0.98
3.	La Costa Town Center LLC	Shopping Center	154,861,764	0.73
4.	TRC Encinitas Village LLC	Assisted Living Facilities	89,726,644	0.42
5.	Santa Fe Ranch LLC	Apartments	60,570,338	0.29
6.	Pacifico Encinitas Apartment Homes LP	Apartments	55,016,352	0.26
7.	AP Beacon Carlsbad LP	Shopping Center	45,075,000	0.21
8.	Encinitas Town Center Associates	Shopping Center	40,440,758	0.19
9.	NCHC 3 LLC	Professional Building	38,186,693	0.18
10.	Vons Companies Inc.	Shopping Center	38,122,184	0.18
11.	Weingarten Nostat Inc.	Shopping Center	37,460,820	0.18
12.	Encinitas Marketplace LLC	Shopping Center	33,050,550	0.16
13.	Encinitas Beach Hotel Venture LLC	Hotel	28,740,000	0.14
14.	Los Coches Properties LLC	Shopping Center	28,600,000	0.14
15.	SSL Landlord LLC	Assisted Living Facilities	26,943,911	0.13
16.	Mission Ridge LLC	Apartments	26,291,662	0.12
17.	Paul H. Meardon, Trust	Medical Buildings	25,274,450	0.12
18.	RPG Pacifica Station LLC	Commercial	24,969,600	0.12
19.	Shea Homes LP	Residential Development	24,920,234	0.12
20.	RAF Pacifica Encinitas LLC	Auto Sales	21,879,000	0.10
			$1,308,221,977	6.20%

(1) 2019-20 Local Secured Assessed Valuation: $21,114,918,079.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. for debt issued as of September 1, 2020. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

ENCINITAS UNION SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of September 1, 2020)

2020-21 Assessed Valuation: $21,322,283,773

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 9/1/20**
Metropolitan Water District	0.657%	$ 245,061
Mira Costa Community College District	17.761	10,222,344
Palomar Community College District	0.023	142,106
Encinitas Union School District	**100.000**	**45,278,945**(1)
San Dieguito Union High School District	29.334	100,212,278
San Dieguito Union High School District Community Facilities Districts	31.111-100.000	36,164,937
City of Encinitas Community Facilities District No. 1	100.000	20,635,000
Olivenhain Municipal Water District Assessment District No. 96-1	54.333	4,816,620
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$217,717,291
OVERLAPPING GENERAL FUND DEBT:		
San Diego County General Fund Obligations	3.641%	$ 8,423,454
San Diego County Pension Obligation Bonds	3.641	14,568,551
San Diego County Superintendent of Schools Obligations	3.641	340,434
Palomar Community College District Certificates of Participation	0.023	385
San Dieguito Union High School District General Fund Obligations	29.334	3,734,218
City of Encinitas Certificates of Participation	80.688	33,316,075
TOTAL OVERLAPPING GENERAL FUND DEBT		$60,383,117
COMBINED TOTAL DEBT		$278,100,408 (2)

Ratios to 2020-21 Assessed Valuation:

Direct Debt ($45,278,945)	**0.21%**
Total Direct and Overlapping Tax and Assessment Debt	1.02%
Combined Total Debt	1.30%

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

TAX MATTERS

No Federal Tax Exemption

The interest on the Refunding Bonds is not excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation, Bond Counsel, San Francisco, California, interest on the Refunding Bonds is exempt from California personal income taxes. The proposed forms of opinion of Bond Counsel with respect to the Refunding Bonds, which is to be delivered on the date of issuance of the Refunding Bonds, are set forth in APPENDIX D.

Owners of the Refunding Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Refunding Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Refunding Bonds other than as expressly described above.

A copy of the proposed forms of opinion of Bond Counsel is attached as APPENDIX D to this Official Statement.

VERIFICATION OF MATHEMATICAL ACCURACY

The Verification Agent, upon delivery of the Refunding Bonds, will deliver a report of the mathematical accuracy of certain computations, contained in schedules provided to them on behalf of the District, relating to (a) the sufficiency of the anticipated amount of proceeds of the Refunding Bonds and other funds available to pay upon prior redemption, interest and redemption premium requirements of the Refunded Bonds described under the heading "THE REFINANCING PLAN" and (b) the "yields" on the amount of proceeds held and invested prior to redemption of the Refunded Bonds and on the Refunding Bonds considered by Bond Counsel in connection with the opinion rendered by Bond Counsel that the Refunding Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

The report of the Verification Agent will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, of the computations contained in such schedules provided to them, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

CONTINUING DISCLOSURE

The District will execute the Continuing Disclosure Certificate in connection with the issuance of the Refunding Bonds, and covenant therein, for the benefit of holders and beneficial owners of the Refunding Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an **"Annual Report"**) not later than nine months after the end of the District's fiscal year (which currently is June 30), commencing March 31, 2021 with the report for the 2019-20 fiscal year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in the form of Continuing Disclosure Certificate attached as APPENDIX E. These covenants have been made in order to assist the Underwriter of the Refunding Bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the **"Rule"**).

The District has existing undertakings pursuant to the Rule in connection with the delivery of prior general obligation bonds. See APPENDIX A under the heading "DISTRICT FINANCIAL INFORMATION - Existing Debt Obligations."

A review of obligations and filings made in the previous five years has been undertaken, and In the previous five years, the Districted failed to timely file certain underlying and insured rating changes, as required by its existing undertakings. The District has engaged Isom Advisors, a Division of Urban Futures, Inc., to serve as dissemination agent with respect to each of its continuing disclosure undertakings, including the undertaking to be entered into for the Bonds.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

CERTAIN LEGAL MATTERS

No litigation is pending or threatened concerning the validity of the Refunding Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Refunding Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues or (iii) contests the District's ability to issue and retire the Refunding Bonds.

The District may be or may become a party to lawsuits and claims which are unrelated to the Refunding Bonds or actions taken with respect to the Refunding Bonds and which have arisen in the normal course of operating the District. The District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. In the opinion of the District, there currently are no claims or actions pending which could have a material adverse effect on the financial position or operations of the District. The District cannot predict what types of claims may arise in the future.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**") has assigned a rating of "AA+" to the Refunding Bonds. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement). Such a rating reflects only the view of S&P, and explanations of the significance of such a rating may be obtained only from S&P. There is no assurance that any credit rating given to the Refunding Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P if, in the rating agency's judgment, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Refunding Bonds.

UNDERWRITING

The Refunding Bonds are being sold to Raymond James & Associates, Inc. (the **"Underwriter"**), pursuant to a bond purchase agreement for the Refunding Bonds. The purchase price of the Refunding Bonds shall be:

> Series A Refunding Bonds. The amount of $2,429,020.00 (representing the principal amount of the Series A Refunding Bonds of $2,440,000.00, less Underwriter's discount of $10,980.00).
>
> Series B Refunding Bonds. The amount of $20,372,907.50 (representing the principal amount of the Series B Refunding Bonds of $20,465,000.00, less Underwriter's discount of $92,092.50).

The Underwriter may offer and sell Refunding Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

ADDITIONAL INFORMATION

References in this Official Statement to the Bond Resolution, the Escrow Agreement and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available from the Underwriter and following delivery of the Refunding Bonds will be on file at the offices of the Paying Agent.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available from upon written request to the District.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Refunding Bonds.

EXECUTION

The execution and delivery of this Official Statement have been duly authorized by the District.

ENCINITAS UNION SCHOOL DISTRICT

By: ____________/s/ *Andree Grey*____________
Superintendent

APPENDIX A

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

The information in this and other sections concerning the District's operations and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Refunding Bonds is payable from the general fund of the District. The Refunding Bonds will be, following the Crossover Dates, payable by the District solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the District in an amount sufficient for the payment thereof. Prior to the Crossover Dates, interest on the Refunding Bonds is payable from the proceeds of the Refunding Bonds deposited in an escrow fund. See "SECURITY FOR THE REFUNDING BONDS" herein.

General Information

The District was formed in 1944 and encompasses 24.6 square miles. It is located in the north coastal portion of San Diego County (the "**County**") and serves the City of Encinitas (the "**City**") and the La Costa area of Carlsbad. The District serves students in grades kindergarten through six, with nine elementary school facilities. The District's enrollment for fiscal year 2020-21 is projected at 5,353 students and is budgeted for 5,353 students in fiscal year 2020-21. The District's total assessed value in fiscal year 2020-21 is $21,322,283,773.

See also APPENDIX C hereto for demographic and other statistical information regarding the City and County.

Basic Aid Status/Community Supported District

Local property taxes exceeded the State's calculated revenue limit for the District in prior years, resulting in the District being treated as a "Basic Aid" district for purposes of general purpose education funding by the State. As a Basic Aid District, the District did not receive general purpose revenue limit funding from the State, but instead was entitled to keep its share of local property taxes in excess of the revenue limit. With implementation of the new education funding formula known as the Local Control Funding Formula (the **"LCFF"**) commencing in fiscal year 2013-14, a school district, such as the District, whose property tax revenues exceed its funding under the LCFF is entitled to keep its local property tax revenues which exceed its LCFF funding, maintaining its status as a Basic Aid District, now referred to as a "Community Supported District." See "DISTRICT FINANCIAL INFORMATION - Funding Trends - Basic Aid Funding" below.

Administration

Board of Trustees. The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the Board of Trustees are held every two years, alternating between two and three available positions. Current members of the Board of Trustees, together with their office and the date their term expires, are listed below:

Name	Office	Term Expires
Rigma Viskanta	President	December 2020
Gregg Sonken	Vice President	December 2022
Emily Andrade	Clerk	December 2022
Leslie Schneider	Member	December 2020
Maria Strich	Member	December 2022

Administration. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of other District administrators. Andree Grey serves as the Superintendent of the District and Joseph Dougherty serves as Assistant Superintendent of Business Services.

Recent Enrollment Trends

The following table shows recent enrollment history for the District with projections for fiscal year 2020-21.

ANNUAL ENROLLMENT
Fiscal Years 2010-11 through 2020-21
Encinitas Union School District

School Year	Enrollment	% Change
2010-11	5,458	--%
2011-12	5,475	0.3
2012-13	5,448	(0.5)
2013-14	5,436	(0.2)
2014-15	5,445	0.2
2015-16	5,319	(2.3)
2016-17	5,313	(0.1)
2017-18	5,350	0.7
2018-19	5,280	(1.3)
2019-20	5,342	1.2
2020-21(1)	5,353	0.2

(1) Budgeted.
Source: California Department of Education for 2010-11 through 2019-20; Encinitas Union School District for 2020-21.

District's Response to COVID-19 Emergency

The District is expected to receive $349,982 (approximately $66 per student) in funding under the CARES Act in July 2020 to address costs which may have resulted from the COVID-19 emergency. Because the District is funded pursuant to the State's Local Control Funding Formula (the **"LCFF"**), the District's main operating revenues will be impacted by the State's financial position in the current and future fiscal years. As a result of the COVID-19 emergency, the State's revenues are predicted to decline sharply from the original budget for the current fiscal year, and in the near future. A corresponding decline in education funding is expected, but the extent of the decline, and whether additional federal funding will be available to school district, is not known at this time. See herein under the heading "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS" for information on the State's current and proposed budgets, and commentary provided by the LAO on the State Department of Finance on the State's fiscal outlook.

The District has incurred costs that were not anticipated at the time of its 2019-20 Budget as a result of COVID-19, such as the costs of mitigation measures and of implementing distance learning. However, funding under the CARES Act and other cost-saving impacts of not operating site-based learning, such as reductions in transportation costs, fuel and electricity costs, provide offsets to those expenses. With respect to pension costs, the District cannot currently predict if the COVID-19 emergency will have a material impact on its required employer contributions which could arise if the unfunded actuarial accrued liabilities of PERS and STRS materially increase. The District maintains reserves for economic uncertainties, which exceed the State' required minimum reserve. See "DISTRICT FINANCIAL INFORMATION – District Budget and Interim Financial Reporting - District Reserves."

The impacts of the COVID-19 emergency on global, State-wide and local economies, which could impact District operations and finances, and local property values are unknown and cannot be predicted by the District.

Employee Relations

The District has 281.6 certificated full-time equivalent ("**FTE**") employees, 179.4 classified FTE employees, and 30.5 management/supervisor/confidential FTE employees. Two unions represent District employees. The following table identifies the current status of the contracts with the bargaining units. The District has not experienced any recent work disputes with employees or any work-related disruptions.

BARGAINING UNITS
Encinitas Union School District

Bargaining Unit	Type of Employees Covered	Current Contract Expiration Date
Teachers of Encinitas	Certificated	June 30, 2019 (1)
Classified of Encinitas	Classified	June 30, 2022

(1) Employees continue to work under expired contract during negotiations.
Source: Encinitas Union School District.

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues. Districts that had local property tax revenues that exceeded their revenue limit entitlement were deemed "Basic Aid Districts" and received full funding from local property tax revenues, and were entitled to keep those tax revenues that exceeded their revenue limit funding entitlement. Basic Aid Districts are now known as "Community Supported Districts.

The fiscal year 2013-14 State budget replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the "**LCFF**"). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and has been phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts have had the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

Funding levels used in the LCFF target entitlement calculations, not including any supplemental or concentration grant funding entitlements, for fiscal year 2019-20 are set forth in the following table. Full implementation occurred in fiscal year 2018-19 in connection with adoption of the State Budget for said fiscal year.

Fiscal Year 2019-20 Base Grant* Under LCFF by Grade Span
(Targeted Entitlement)

Grade Span	2019-20 Base Grant Per ADA	2018-19 COLA (3.70%)	Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%)	2019-20 Base Grant/Adjusted Base Grant Per ADA
K-3	$7,459	$243	$801	$8,503
4-6	7,571	247	n/a	7,818
7-8	7,796	254	n/a	8,050
9-12	9,034	295	243	9,572

*Does not include supplemental and concentration grant funding entitlements.
Source: California Department of Education.

The LCFF legislation included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

District Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

District accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30. For more information on the District's basis of accounting and fund accounting, see Note 1 of APPENDIX B to the Official Statement.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2019 Audited Financial Statements were prepared by Eide Bailly LLP, Rancho Cucamonga, California and are attached hereto as APPENDIX B (the "**Auditor**"). Audited financial statements are on file with the District and available for public inspection at the Office of the Assistant Superintendent of Business Services, Encinitas Union School District, 101 South Rancho Santa Fe Road, Encinitas, California 92024; phone (760) 944-4300. The District has not requested, and the auditor has not provided, any review or update of such financial statements in connection with inclusion in this Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. This District may impose a charge for copying, mailing and handling.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the District for fiscal years 2014-15 through 2018-19. The District cannot make any assurance that the District's 2019-20 general fund budgeted results will be commensurate with what is presented below. See "SECURITY FOR THE BONDS – COVID-19 Global Pandemic" and "—Effect of COVID-19 on State Budgets" herein.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2014-15 through 2018-19 (Audited)
Encinitas Union School District

	Audited 2014-15	Audited 2015-16	Audited 2016-17	Audited 2017-18	Audited 2018-19
Revenues					
LCFF	$41,606,557	$44,291,536	$46,708,161	$48,766,349	$51,226,090
Federal revenues	1,891,005	1,908,962	1,890,527	2,061,114	1,978,255
Other state revenues	3,231,760	7,084,895	5,004,582	5,135,492	7,627,827
Other local revenues	7,521,401	7,060,224	6,491,735	4,700,213	5,683,287
Total Revenues	54,250,723	60,345,617	60,095,005	60,663,168	66,515,459
Expenditures					
Instruction	35,934,030	36,672,869	39,925,001	42,052,452	44,926,014
Instruction-related services:					
Supervision and administration	969,063	1,448,999	1,624,928	1,805,809	1,649,184
Library, media, technology	1,563,253	1,774,330	1,306,785	1,342,682	1,969,713
School site administration	2,295,816	2,287,640	2,292,706	2,380,770	2,670,532
Pupil services:					
Home-to-school transportation	647,100	709,385	769,620	796,110	622,289
Food services	25,464	114,689	154,717	37,912	--
All other pupil services	2,317,973	2,657,591	3,090,348	3,347,635	3,916,456
General administration:					
Centralized data processing	328,015	83,787	89,996	65,515	59,711
All other general administration	2,895,576	3,134,305	3,728,256	3,610,528	3,632,262
Plant services	4,219,198	4,243,163	4,171,419	4,333,419	5,222,176
Facilities acquisition, maintenance	38,924	--	1,330,191	421,335	279,311
Community services	1,268,734	1,509,146	1,674,136	302,609	349,599
Transfers to other agencies	289,221	241,466	234,078	--	--
Other outgo	--	--	--	144,160	21,695
Debt service: principal	--	--	--	--	--
Debt service: interest	--	--	--	--	--
Total Expenditures	52,792,367	54,877,370	60,392,181	60,640,936	65,318,942
Excess of Revenue Over/(Under) Expend.	1,458,356	5,468,247	(297,176)	22,232	1,196,517
Other Financing Sources (Uses)					
Operating transfers in	--	--	--	--	21,419
Operating transfers out	(1,150,000)	(50,000)	(1,007,372)	(892,998)	(507,336)
Total Other Financing Source(Uses)	(1,150,000)	(50,000)	(1,007,372)	(892,998)	(485,917)
Net change in fund balance	308,356	5,418,247	(1,304,548)	870,766	710,600
Fund Balance, July 1	16,827,859	17,136,215	22,554,462	21,249,914	20,379,148
Fund Balance, June 30	$17,136,215	$22,554,462	$21,249,914	$20,379,148	$21,089,748

Source: District Audited Financial Reports.

District Budget and Interim Financial Reporting

Budgeting and Interim Reporting Procedures. State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the San Diego County Superintendent of Schools (the **"County Superintendent"**), who is not an officer of the County.

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 (**"A.B. 1200"**) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments.

Interim Certifications Regarding Ability to Meet Financial Obligations. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education, which is not a department of the County, as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues the following types of certifications:

- ***Positive certification*** - the school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years.

- ***Negative certification*** - the school district will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.

- ***Qualified certification*** - the school district may not meet its financial obligations for the current fiscal year or the subsequent two fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

District's Budget Approval/Disapproval and Certification History. The District has not received any qualified or negative certifications of its financial reports in the past five years, nor have any of its budgets been disapproved. The District's most recently reviewed interim report, the second interim for fiscal year 2019-20, received a positive certification from the Board.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at Encinitas Union School District, 101 South Rancho Santa Fe Road, Encinitas, California 92024; phone (760) 944-4300. The District may impose charges for copying, mailing and handling.

District's General Fund. The following table shows the general fund figures for the District for fiscal years 2019-20 (estimated actuals) and 2020-21 (adopted budget).

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE [(1)]
Fiscal Year 2019-20 (Estimated Actuals)
Fiscal Year 2020-21 (Adopted Budget)
Encinitas Union School District

Revenues	Estimated Actuals 2019-20	Adopted Budget 2020-21
LCFF Sources	$53,495,990	$55,011,851
Federal Revenues	2,035,235	1,815,278
Other State Revenues	4,692,784	4,500,715
Other Local Revenues	5,426,066	3,919,630
Total Revenues	65,650,075	65,247,474
Expenditures		
Certificated Salaries	30,968,387	31,555,713
Classified Salaries	9,427,050	9,752,729
Employee Benefits	17,038,413	17,587,862
Books and Supplies	2,716,479	1,614,007
Services & Operating Exp.	5,921,786	5,934,395
Capital Outlay	76,001	25,000
Other Outgo (Excluding Indirect Costs)	50,000	25,000
Other Outgo (Indirect Costs)	--	--
Total Expenditures	66,198,116	66,494,706
Excess of Revenues Over/(Under) Expenditures	(548,041)	(1,247,232)
Other Financing Sources (Uses)		
Operating Transfers in	--	--
Operating Transfers out	(307,000)	(407,000)
Other Sources (Uses)	--	--
Total Other Financing Sources (Uses)	(307,000)	(407,000)
Net Change in Fund Balance	(855,041)	(1,654,232)
Fund Balance, July 1	16,416,870	15,561,829
Fund Balance, June 30	$15,561,829	$13,907,031

(1) Budget and estimated actual balances shown do not include certain funds included in the District's audited financial statements.
Source: Encinitas Union School District.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District maintains an unrestricted reserve that meets the State's minimum requirements.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget (**"SB 858"**), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the District level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of three times the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA under 400,000, the limit is two times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

On October 11, 2017, the Governor signed new legislation ("**SB 751**") amending Section 42127.01 of the Education Code, effective January 1, 2018. SB 751 raises the reserve cap established under SB 858 to no more than 10% of a school district's combined assigned or unassigned ending general fund balance and provides that the reserve cap will be triggered only if there is a minimum balance of 3% of the Proposition 98 reserve. Basic aid school districts and small districts with ADA of 2,500 or less are exempt from the reserve cap. The District cannot predict if or when the reserve cap enacted by SB 751 will be triggered and what impact it may have on the District's reserves.

Funding Trends - Basic Aid Funding

As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target.

Community Supported Districts (formerly known as **"Basic Aid"**) are those whose local property tax revenues exceed the funding entitlement under the LCFF. Community Supported Districts do not receive any funds from the State appropriation, however, they do receive funds from the State for categorical and grant programs restricted to a special population or for certain purposes such as disabled students or instructional equipment. The current law in California allows these districts to keep the excess property tax revenues without penalty. The implication for Community Supported Districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining such districts' primary funding sources. Rather, property tax growth and the local economy become the determinant factors.

As previously described, the District has been a Basic Aid District in prior years, and following implementation of the LCFF in fiscal year 2013-14, local property tax revenues have exceeded the District's funding entitlement under LCFF, resulting in continued status of "Basic Aid," or "Community Supported" district. The District expects that it will continue to be a Community Supported District.

Funding Trends Under LCFF. The following table sets forth LCFF funding for the District for fiscal years 2014-15 through 2020-21 (Budgeted).

AVERAGE DAILY ATTENDANCE AND STATE FUNDING UNDER LCFF
Fiscal Years 2014-15 and 2020-21
Encinitas Union School District

Fiscal Year	ADA	LCFF Entitlement Per ADA
2014-15	5,255	$7,917
2015-16	5,127	8,639
2016-17	5,138	9,090
2017-18	5,165	9,442
2018-19	5,114	10,016
2019-20(1)	5,131	10,426
2020-21(1)	5,140	10,702

(1) Estimated Actual/Budgeted.
Source: California Department of Education, School Fiscal Services 2014-15 through 2018-19; Encinitas Union School District 2019-20 and 2020-21.

District's Unduplicated Student Count. Under LCFF, school districts are entitled to supplemental and concentration grant funding based on the unduplicated count of targeted students. The District's percentage of unduplicated students is approximately 18% for the purposes of calculation supplemental and concentration grant funding.

Possible Impacts of COVID-19. As described herein, the short-term and long-term impact of COVID-19 on the District's attendance, revenues and local property values cannot be predicted. The Bonds described in this Official Statement are secured by *ad valorem* property taxes, and not the District's general fund. See "SECURITY FOR THE BONDS – COVID-19 Global Pandemic."

Revenue Sources

The District categorizes its general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

LCFF Sources. District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238.03(c) itemizes the local revenues that are subtracted from the base entitlement to determine the amount of the State apportionment of funding. Historically, the more local property taxes a district received, the less State equalization aid it was entitled to.

Federal Revenues**.** The federal government provides funding for several District programs, including special education programs, programs under the Every Student Succeeds Act, the Individuals with Disabilities Education Act, and specialized programs such as Drug Free Schools and others.

Other State Revenues**.** As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's funding entitlement under the LCFF and its property tax revenues. In addition to such apportionment revenue, the District receives other State revenues.

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instruction material.

Other Local Revenues**.** In addition to local property taxes, the District receives additional local revenues from items such as interest earnings and other local sources.

District Retirement Systems

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.*

Implementation of GASB Nos. 68 and 71. Commencing with fiscal year ended June 30, 2015, the District implemented the provisions of GASB Statement Nos. 68 and 71 which require certain new pension disclosures in the notes to its audited financial statements commencing with the audit for fiscal year 2014-15. Statement No. 68 generally requires the District to recognize its proportionate share of the unfunded pension obligation for STRS and PERS by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. As a result of the implementation of GASB Statement Nos. 68 and 71, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014. See APPENDIX B for additional information.

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended. The program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers and the State. The District's employer contributions to STRS for recent fiscal years, and the budgeted contribution for fiscal year 2020-21 are set forth in the following table.

STRS Contributions
Encinitas Union School District
Fiscal Years 2014-15 through 2020-21 (Projected)

Fiscal Year	Amount
2014-15	$2,252,144
2015-16	2,644,631
2016-17	3,329,719
2017-18	3,821,962
2018-19	4,654,053
2019-20 (1)	7,567,021
2020-21 (1)	8,031,494

(1) Estimated Actual/Budgeted.
Source: Encinitas Union School District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately $107.2 billion as of June 30, 2018 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (**"AB 1469"**), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 10.73%, 12.58%, 14.43% and 16.28% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

EMPLOYER CONTRIBUTION RATES (STRS)
Fiscal Years 2019-20 through 2022-23

Fiscal Year	Employer Contribution Rate(1)
2019-20	17.10%
2020-21	18.40
2021-22 (2)	18.60
2022-23 (2)	18.10

(1) Expressed as a percentage of covered payroll.
(2) The employer contribution rate is projected to decrease in fiscal years 2021-22 and 2022-23. Projections may change based on actual experience.
Source: AB 1469

Based upon the recommendation from its actuary, for Fiscal Year 2021-2022 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "**STRS Board**"), is required to increase or decrease the employer contribution rate to reflect the contribution required to eliminate the remaining unfunded actuarial obligation with respect to service credited to members of the STRS plan before July 1, 2014 (the "**2014 Liability**") by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which employees' contributions to the STRS plan are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, A.B. 1469 also requires the STRS Board to report to the State legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS plan and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for employers and the State in order to eliminate the 2014 Liability.

On February 14, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation as of June 30, 2016. The revised actuarial assumptions include (i) decreasing the investment rate of return to 7.25% and then to 7.00%, for the June 30, 2016 and June 30, 2017 actuarial valuations, respectively, (ii) decreasing projected wage growth to 3.50% (from 3.75%), and (iii) decreasing the inflation factor to 2.75% (from 3.00%).

The State also contributes to STRS, currently in an amount equal to 7.328% of teacher payroll in Fiscal Year 2018-2019. Based upon the recommendation from its actuary, starting for fiscal year 2017-2018 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account, which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the "Schools Pool." Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, the District is required to contribute an amount based on an actuarially determined employer rate. The District's employer contributions to PERS for recent fiscal years, and the budgeted contribution for fiscal year 2019-20, are set forth in the following table.

PERS Contributions
Encinitas Union School District
Fiscal Years 2014-15 through 2020-21 (Budgeted)

Fiscal Year	Amount
2014-15	$684,254
2015-16	749,787
2016-17	949,825
2017-18	1,115,087
2018-19	1,445,902
2019-20 [1]	1,600,539
2020-21 [1]	1,573,818

(1) Estimated Actual/Budgeted.
Source: Encinitas Union School District.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately $27.2 billion as of June 30, 2018 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

PERS Discount Rate
Fiscal Years 2018-19 through 2020-21

Fiscal Year	Amount
2018-19	7.375%
2019-20	7.250
2020-21	7.000

Source: PERS.

The new rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, were implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 11.847%, 13.888%, 15.531%, and 18.062% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2019-20 through 2022-23(1)

Fiscal Year	Employer Contribution Rate(2)
2019-20	19.721%
2020-21	22.900
2021-22	24.600
2022-23	25.300

(1) The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.
(2) Expressed as a percentage of covered payroll.
Source: PERS

On February 13, 2018, the Board of Administration of PERS voted to shorten the period over which PERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period, the contributions required to be made by employers may increase beginning in fiscal year 2020-21.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

COVID-19 Impacts: Recent investment losses in the PERS and STRS portfolios as a result of the general market downturn caused by the COVID-19 outbreak may result in increases in the District's required contributions in future years. The District cannot predict the level of such increases, if any.

Additional Information. Additional information regarding the District's retirement programs is available in Note 12 to the District's audited financial statements attached to this Official Statement as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter*

Post-Employment Retirement Benefits

Plan Description. 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. Membership of the Plan as of June 30, 2017 was 64 retirees and 441 active plan members.

Benefits Provided. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements. The contribution requirements of Plan members and the District are established and may be amended by the District, Encinitas Teachers Association ("**ETA**"), and the local California Service Employees Association (**CSEA**), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2018-19, the District paid $644,462 in benefits.

Actuarial Assumptions and Other Inputs. The District's OPEB liability of $9,059,685 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2017 using an inflation rate of 3.00%, salary increases of 3.00%, average, including inflation, discount rate of 3.13%, and a healthcare cost trend rate of 5.00% for 2019. The discount rate was based on the Bond Buyer 20-bond general Obligation Index. Mortality rates were based on the 2015 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.). If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

Changes in OPEB Liability of the District. The changes in OPEB liability of the District as of June 30, 2019, is shown in the following table:

CHANGES IN TOTAL OPEB LIABILITY
Encinitas Union School District

Balance at June 30, 2018	$8,562,658
Changes for the year	
Service Cost	521,052
Interest	298,407
Changes of assumptions or other inputs	322,030
Benefit payments	(644,462)
Net changes	497,027
Balance at June 30, 2019	$9,059,685

Source: Encinitas Union School District.

OPEB Expense. For the year ended June 30, 2019, the District recognized an OPEB expense of $(28,604). For additional information about the District's other postemployments benefits, see Note 9 of the District's audited financial statements for fiscal year ended June 30, 2019, attached to the Official Statement as APPENDIX B.

Insurance-Joint Powers Agreements

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, 2019, the District made payments totaling $711,766 for annual premiums.

Existing Debt Obligations

General Obligation Bonds. The District has general obligation bonds secured by *ad valorem* taxes levied and collected within the District, on a parity basis with the Bonds, as described below. The following table shows the outstanding principal amount of general obligation bonded debt of the District as of August 1, 2020.

Summary of Outstanding General Obligation Bond Indebtedness
Encinitas Union School District

Issue Date	Issue Name	Original Principal Amount	Outstanding Principal as of 8/1/2020
08/09/1996	General Obligation Bonds, Election of 1996, Series 1996	$29,498,820	$1,082,362
04/20/2011	General Obligation Bonds, Election of 2010, Series 2011	12,998,719	12,998,719
02/13/2013	General Obligation Bonds, Election of 2010, Series 2013	9,998,411	9,998,411
09/03/2015	General Obligation Bonds, Election of 2010, Series 2015	13,999,453	13,999,453
05/18/2017	General Obligation Bonds, Election of 2010, Series 2017	7,200,000	7,200,000
Total		$73,695,403	$45,278,945

Investment of District Funds

In accordance with Government Code Section 53600 *et seq.*, the San Diego County Treasurer-Tax Collector (the "**Treasurer**") manages funds deposited with it by the District. San Diego County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq.* In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code.

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes (see "—Funding of Education Generally" above). State funds typically make up the majority of a district's LCFF funding. School districts also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding.

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

***General**.* The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. School districts in California receive operating income primarily from two sources: (1) the State funded portion which is derived from the State's general fund, and (2) a locally funded portion, being a district's share of the 1% general *ad valorem* tax levy authorized by the California Constitution (see "DISTRICT FINANCIAL INFORMATION – Education Funding Generally" above). School districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The COVID-19 pandemic is expected to have a material impact on State revenues and appropriations.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly available information provided by the State. None of the District, the Underwriter or the County is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

***The Budget Process**.* The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each House of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature, and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets

Certain information about the State budgeting process and the State budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

- The California State Treasurer internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State budget, past State budgets, and the impact of those budgets on school districts in the State.

- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State budgets.

- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Prior Years' Budgeting Techniques*.* Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2019-20 State budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 55 at the November 8, 2016 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

2013-14 State Budget: Significant Change in Education Funding. As described previously herein, the 2013-14 State Budget and its related implementing legislation enacted significant reforms to the State's system of K-12 education finance with the enactment of the LCFF. Significant reforms such as the LCFF and other changes in law may have significant impacts on the District's finances.

2020-21 State Budget

Introduction and Background. The Governor signed the fiscal year 2020-21 State Budget (the **"2020-21 State Budget"**) on June 29, 2020. The 2020-21 State Budget notes that the COVID-19 pandemic has impacted every sector of the State's economy and has caused record high unemployment, and further action from the federal government is needed as a result of the crisis. The Governor is pursuing $1 trillion in flexible federal aid to state and local governments across the country, which support will be critical to mitigate the effects of the public health crisis, encourage recovery, and support persons in need.

At the time of the Governor's proposed 2020-21 State Budget in January, the State was projecting a surplus of $5.6 billion. At the time of the May Revision with respect to the 2020-21 State Budget, the State had a budget deficit of $54.3 billion. The 2020-21 State Budget includes measures to close the gap and bring the State's resources and spending into balance while preserving reserves for future years.

To reduce the structural deficit in the coming years, the 2020-21 State Budget sustains the January 1, 2022 suspension of several ongoing programmatic expansions that were made in the 2019 Budget Act. In addition, the 2020-21 State Budget accelerates the suspension of most Proposition 56 (2016 tobacco tax measure) tax rate increases to July 1, 2021. Despite these measures, the State forecasts an operating deficit of $8.7 billion in 2021-22, after accounting for reserves.

Closing the Budget Gap. The 2020-21 State Budget uses the following strategies to close the budget gap:

- Reserve Draw Down: Draws down $8.8 billion in reserves, including from the State's Rainy Day Fund ($7.8 billion), the Safety Net Reserve ($450 million), and all of the funds in the Public School System Stabilization Account.

- Triggers: Includes $11.1 billion in funding reductions and deferrals that will be restored if at least $14 billion in federal funds are received by October 15, 2020. If the State receives a lesser amount between $2 billion and $14 billion, the reductions and deferrals will be partially restored. The trigger includes $6.6 billion in deferred funding for schools.

- Federal Funds: Relies on $10.1 billion in federal funds that provide State general fund relief, including $8.1 billion already received.

- Revenues: Temporarily suspends the use of net operating losses for medium and large businesses and temporarily limits to $5 million the amount of business incentive credits a taxpayer can use in any given tax year. These short-term limitations will generate $4.4 billion in new revenues in the 2020-21 fiscal year.

- Borrowing/Transfers/Deferrals: Relies on $9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 schools. Approximately $900 million in additional special fund borrowing is associated with the reductions to employee compensation and is contained in the trigger.

- Other Solutions: Cancelling multiple program expansions and anticipating increased government efficiencies, higher ongoing revenues above the May Revision forecast and lower health and human services caseload costs than the May Revision estimated.

General Budget Highlights. Certain highlights of the 2020-21 State Budget are:

Emergency Response: COVID-19 and other emergency response efforts included in the 2020-21 State Budget are:

• Responding to COVID-19: The State expects to receive over $72 billion in federal assistance to State programs, of which unemployment insurance represents about $52 billion of this total. Under the CARES Act, the State received $9.5 billion for various uses including $4.4 billion to mitigate K-14 learning loss. The amount of $5.9 million of General Fund spending for 2020-21 and $4.8 million ongoing is allocated to support the State Department of Health's response to COVID-19.

• Enhancements to Emergency Responses and Preparedness: $117.6 million is allocated to the State Office of Emergency Services to enhance emergency preparedness and response capabilities, including with respect to power outages, earthquakes, wildfires and cybersecurity.

• Forestry and Fire Protection: $90 million is allocated to enhance CAL FIRE's fire protection capabilities, including for wildfire prediction and modeling technology.

Revenue Solutions. Revenue measures which are expected to net $4.3 billion in 2020-21, $3.1 billion in 2021-22 and $1.3 billion in 2022-23, include:

• Certain Tax Measure Extensions. Extending certain tax measures including certain sales tax exemptions through the end of 2022-23, extending the carryover period for film credits from 6 years to 9 years, and extending the current exemption from the minimum tax for first year corporations to first year limited liability corporations, partnerships, and limited liability partnerships.

• Expansion of Earned Income Tax. Expanding the Earned Income Tax Credit to certain taxpayers.

• Changes to Tax Laws and Sales Tax. Changes in tax law including suspending net operating losses for 2020, 2021, and 2022 for medium and large businesses, and limiting certain business incentive tax credits, and with respect to closing the sale tax loss gap, requiring used car dealers to remit sales tax to the Department of Motor Vehicles with registration fees.

Recovery for Small Businesses. The 2020-21 State Budget includes a waiver of the minimum franchise tax for the first year of operation, $100 million budgeted for the State's small business loan program, $25 million to provide capital to enable the origination of more loans in underbanked communities, and adding funding of $758,000 ongoing for positions relating to small business support.

Housing. Up to $500 million is allocated in State tax credits for low-income housing in 2021, under certain conditions. The 2020-21 State Budget provides $331 million in National Mortgage Settlement funds to help prevent avoidable foreclosures and evictions, and $8.3 billion across multiple departments and programs to address housing throughout the State.

K-12 Education Funding Summary. For K-12 education funding, the 2020-21 State Budget provides for funding under Proposition 98 of $70.9 billion, which is more than $10 billion below the minimum guarantee contained in the State's 2019-20 budget. For K-12 schools, this results in Proposition 98 per pupil spending of $10,654 in 2020-21, which is a $1,339 decrease over the 2019-20 per pupil spending levels. Additionally, in the same period, per pupil spending from all State, federal, and local sources decreased by approximately $542 per pupil to $16,881.

Efforts to mitigate the impact of the decline in K-12 funding in the 2020-21 State Budget include:

Deferrals: $1.9 billion of LCFF apportionment deferrals in 2019-20, growing to $11 billion LCFF apportionment deferrals in 2020-21. These deferrals will allow LCFF funding to remain at 2019-20 levels in both fiscal years. The statutory LCFF cost-of-living adjustment is suspended in 2020-21. Of the total deferrals, $5.8 billion will be triggered off in 2020-21 if the federal funding becomes available.

Learning Loss Mitigation: A one-time investment of $5.3 billion ($4.4 billion federal Coronavirus Relief Fund, $539.9 million Proposition 98 General Fund, and $355.2 million federal Governor's Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures. Funds will be allocated to local educational agencies on an equity basis, with an emphasis on ensuring the greatest resources are available to local educational agencies serving students with the greatest needs.

Supplemental Appropriations: In 2019-20 and 2020-21, the Proposition 98 funding level drops below the target funding level by a total of approximately $12.4 billion. To accelerate the recovery from this funding reduction, the 2020-21 State Budget provides supplemental appropriations above the constitutionally-required Proposition 98 funding level, beginning in 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5 percent of State general fund revenues per year, up to a cumulative total of $12.4 billion.

Revised PERS and STRS Contributions. To provide local educational agencies with increased fiscal relief, the 2020-21 State Budget redirects $2.3 billion appropriated in the 2019 Budget Act to STRS and PERS for long-term unfunded liabilities to reduce employer contribution rates in 2020-21 and 2021-22. This reallocation will reduce the

STRS employer rate from 18.41 percent to approximately 16.15 percent in 2020-21 and from 17.9 percent to 16.02 percent in 2021-22. The PERS Schools Pool employer contribution rate will be further reduced from 22.67 percent to 20.7 percent in 2020-21 and from 24.6 percent to 22.84 percent in 2021-22.

Federal Funds. The 2020-21 State Budget appropriates $1.6 billion in federal Elementary and Secondary School Emergency Relief funds that the State was recently awarded. Of this amount, 90 percent ($1.5 billion) will be allocated to local educational agencies in proportion to the amount of Title I-A funding they receive to be used for COVID-19 related costs. The remaining 10 percent ($164.7 million) is available for certain COVID-19 related State-level activities, such as providing additional funding for student meals and social services.

Special Education. The 2020-21 State Budget increases special education base rates to $625 per pupil pursuant to a new funding formula, apportioned using the existing hold harmless methodology, and provides $100 million to increase funding for students with low-incidence disabilities. Additional federal funding received by the State is also allocated to various special education programs.

Average Daily Attendance. To ensure funding stability regardless of the instructional model undertaken in the 2020-21 academic year, the 2020-21 State Budget includes a hold harmless for the average daily attendance used to calculate school funding for all local educational agencies and includes requirements for distance learning to ensure that, when in-person instruction is not possible, students continue to receive access to a quality education via distance learning.

In addition, the 2020-21 State Budget includes certain employee protection terms to ensure the continuity of employment for essential school staff during the COVID-19 pandemic. As such, the 2020-21 State Budget includes the suspension of the August 15, 2020, layoff window for teachers and other non-administrative certificated staff, and the suspension of layoffs for classified staff working in transportation, nutrition, and custodial services from July 1, 2020 through June 30, 2021. The 2020-21 State Budget also includes the intent of the State Legislature that school districts, community college districts, joint powers authorities, and county offices of education retain all classified employees in the 2020-21 fiscal year.

Disclaimer Regarding State Budgets.

The implementation of the foregoing 2020-21 State Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2019-20 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

The State has not entered into any contractual commitments with the District, the County, the Underwriter or the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the sources of information listed below are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of State budget information set forth or referred to or incorporated in this Official Statement.

Availability of State Budgets. The complete 2020-21 State Budget are available from the California Department of Finance website at www.ebudget.ca.gov. An impartial analysis of the budget is published by the Legislative Analyst Office, and is available at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Bonds.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State legislature or the Governor to address the State's current or future revenues and expenditures, or possible future budget deficits and the impact such actions will have on State revenues available in the current or future years for education. Future State budgets will be affected by national and State economic conditions and other factors over which the District has no control. The COVID-19 outbreak has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels for fiscal year 2019-20 and beyond. In addition, the outbreak could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See "SECURITY FOR THE BONDS – COVID-19 Global Pandemic" herein. The District also cannot predict whether the federal government will provide additional funding in amounts sufficient to offset any of the fiscal impacts of the COVID-19 outbreak. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its own budgets.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Refunding Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Refunding Bonds. The tax levied by the County for payment of the Refunding Bonds was approved by the District's voters in compliance with Article XIIIA and all applicable laws.

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness (which provided the authority for the issuance of the Refunded Bonds), and (iii) (as a result of an amendment to Article XIIIA approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for the payment of the Refunding Bonds falls within the exception described in (iii) of the immediately preceding sentence. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Legislation Implementing Article XIIIA*.* Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Inflationary Adjustment of Assessed Valuation*.* As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The SBE has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIIIB of the California Constitution

Article XIIIB ("**Article XIIIB**") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years. However, in the event that a school district's revenues exceed its spending limit, the district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("**unitary property**"). Under the State Constitution, such property is assessed by the SBE as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Articles XIIIC and XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID (respectively, "**Article XIIIC**" and "**Article XIIID**"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIIC to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Refunding Bonds.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "**Accountability Act**"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Proposition 111

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("**Proposition 111**") which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California *per capita* personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "**first test**") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to *per capita* personal income) and enrollment (the "**second test**"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the "**third test**"). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as "**Proposition 39**") to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. Constitutional amendments may be changed only with another statewide vote. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by Proposition 39 are K-12 school districts including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary school district or high school district), or $25 (for a community college district), per $100,000 of taxable property value. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the "Local Taxpayer, Public Safety, and Transportation Protection Act of 2010," approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Proposition 30 and Proposition 55

The Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as **"Proposition 30"**), temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by:

(i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $600,000 but less than $1,000,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers). Proposition 55 (described below) extended said increases to personal income rates through the end of 2030.

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "Proposition 98" and "Proposition 111" above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the **"EPA"**). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, was a proposed constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the sales tax increases of Proposition 30.

California Senate Bill 222

Senate Bill 222 ("**SB 222**") was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by *ad valorem* tax collections such as the Refunding Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 111, 22, 26, 30, 39 and 55 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2019

The District's audited financial statement for fiscal year 2018-19 contain a pagination error. No pages are omitted from the audited financial statements included in this Appendix B.

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Annual Financial Report
June 30, 2019

Encinitas Union School District

ENCINITAS UNION SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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 the Encinitas Union School District (the District) as of and for the year ended June 30, 2019, 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; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. 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.

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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 the Encinitas Union School District, as of June 30, 2019, 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 5 through 14, budgetary comparison schedule on page 67, schedule of changes in the District's total OPEB liability and related ratios on page 68, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 69, schedule of the District's proportionate share of the net pension liability on page 70, and the schedule of District contributions on page 71, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Encinitas Union School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *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 the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2019, on our consideration of the Encinitas Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Encinitas Union School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Encinitas Union School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
November 11, 2019

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Encinitas, CA 92024-4349
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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, 2019, with comparative information for the year ending June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

> The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
>
> The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities 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 $14,384,194 at June 30, 2019. This was a decrease of $7,266,154 from the prior year.
- Overall revenues were $73,917,880 which were exceeded by expenditures of $81,184,034.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $14,384,194 for the fiscal year ended June 30, 2019. Of this amount, $(84,515,957) 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	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current and other assets	$ 43,362,205	$ 43,065,804	$ 434,554	$ 408,836	$ 43,796,759	$ 43,474,640
Capital assets	103,405,681	111,149,201	-	-	103,405,681	111,149,201
Total Assets	**146,767,886**	**154,215,005**	**434,554**	**408,836**	**147,202,440**	**154,623,841**
Deferred Outflows of Resources	**17,674,973**	**17,051,145**	332,672	225,085	**18,007,645**	**17,276,230**
LIABILITIES						
Current liabilities	2,702,269	3,265,114	171,789	174,958	2,874,058	3,440,072
Long-term obligations	80,015,580	80,616,410	316,460	300,663	80,332,040	80,917,073
Aggregate net pension liability	60,514,817	58,012,891	816,718	738,221	61,331,535	58,751,112
Total Liabilities	**143,232,666**	**141,894,415**	**1,304,967**	**1,213,842**	**144,537,633**	**143,108,257**
Deferred Inflows of Resources	**6,269,864**	**7,117,209**	**18,394**	**24,257**	**6,288,258**	**7,141,466**
NET POSITION						
Net investment in capital assets	87,226,467	90,673,180	-	-	87,226,467	90,673,180
Restricted	11,673,684	11,051,597	-	-	11,673,684	11,051,597
Unrestricted (deficit)	(83,959,822)	(79,470,251)	(556,135)	(604,178)	(84,515,957)	(80,074,429)
Total Net Position	**$ 14,940,329**	**$ 22,254,526**	**$ (556,135)**	**$ (604,178)**	**$ 14,384,194**	**$ 21,650,348**

The $(84,515,957) in unrestricted net position represents the accumulated results of all past years' operations. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased by 5.5 percent $(84,515,957) compared to $(80,074,429).

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 16. 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	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	$ 1,214,626	$ 899,864	$ 2,052,489	$ 1,997,442	$ 3,267,115	$ 2,897,306
Operating grants and contributions	10,018,776	7,375,955	46,023	10,942	10,064,799	7,386,897
General revenues:						
Federal and State aid not restricted	4,836,748	4,759,011	-	-	4,836,748	4,759,011
Property taxes	52,727,163	50,000,178	-	-	52,727,163	50,000,178
Other general revenues	3,012,429	4,691,967	9,626	3,923	3,022,055	4,695,890
Total Revenues	**71,809,742**	**67,726,975**	**2,108,138**	**2,012,307**	**73,917,880**	**69,739,282**
Expenses						
Instruction	47,482,944	43,030,279	-	-	47,482,944	43,030,279
Instruction-related	6,283,345	5,501,776	-	-	6,283,345	5,501,776
Pupil services	5,798,600	5,250,976	-	-	5,798,600	5,250,976
Administration	3,666,178	3,693,418	-	-	3,666,178	3,693,418
Plant services	5,240,018	4,680,907	-	-	5,240,018	4,680,907
Facilities acquisition and construction	9,000	-	-	-	9,000	-
Ancillary and community services	332,251	302,609	-	-	332,251	302,609
Enterprise services	31,584	13,056	2,060,095	2,616,485	2,091,679	2,629,541
Debt service - interest	3,522,097	3,114,044	-	-	3,522,097	3,114,044
Other outgo	21,695	144,160	-	-	21,695	144,160
Depreciation	6,736,227	6,965,713	-	-	6,736,227	6,965,713
Total Expenses	**79,123,939**	**72,696,938**	**2,060,095**	**2,616,485**	**81,184,034**	**75,313,423**
Change in Net Position	**$ (7,314,197)**	**$ (4,969,963)**	**$ 48,043**	**$ (604,178)**	**$ (7,266,154)**	**$ (5,574,141)**

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was $79,123,939. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $52,727,163 because the cost was paid by those who benefited from the programs ($1,214,626) or by other governments and organizations who subsidized certain programs with grants and contributions ($10,018,776). We paid for the remaining "public benefit" portion of our governmental activities with $7,849,177 in Federal and State funds, and with other revenues, like interest and general entitlements. The District focused its resources on those expenses that benefit the educational opportunities of the students. Instruction-related and pupil services expenses represented 75.3 percent of expenses, demonstrating the District's commitment to students. Overall expenditures increased by 8.8 percent for 2018-2019 from the 2017-2018 fiscal year.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, ancillary and community services, enterprise services, debt service, 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	
	2019	2018	2019	2018
Instruction	$ 47,482,944	$ 43,030,279	$ 39,558,342	$ 37,025,131
Instruction-related activities	6,283,345	5,501,776	5,873,257	5,311,292
Pupil services	5,798,600	5,250,976	3,612,303	3,464,285
Administration	3,666,178	3,693,418	3,378,213	3,539,841
Plant services	5,240,018	4,680,907	5,079,331	4,613,630
Facility acquisition and construction	9,000	-	9,000	-
Ancillary and community services	332,251	302,609	73,406	289,052
Enterprise services	31,584	13,056	31,584	13,056
Debt service - interest	3,522,097	3,114,044	3,522,097	3,114,044
Other outgo	21,695	144,160	16,777	85,075
Depreciation	6,736,227	6,965,713	6,736,227	6,965,713
Total	**$ 79,123,939**	**$ 72,696,938**	**$ 67,890,537**	**$ 64,421,119**

The District's net expense for instruction, instruction-related, and pupil services increased from 2018 to 2019 maintaining learning and support programs for students. Plant services expense increased by 11.9 percent from 2018 to 2019 demonstrating the District's commitment to maintain its facilities in good repair. The District increased the total cost of instruction and instruction related services by 10.8 percent in providing services to students. Administration decreased in total cost of 0.70 percent from prior year.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $36,291,711, which is an increase of $472,463 from last year (Table 4).

Table 4

	Fund Balance			
	July 1, 2018	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2019
General Fund	$ 20,379,148	$ 66,536,878	$ 65,826,278	$ 21,089,748
Special Reserve Fund for Capital Outlay Projects	7,216,070	654,171	724,294	7,145,947
Bond Interest and Redemption Fund	5,502,315	4,366,384	4,465,550	5,403,149
Cafeteria Fund	198,771	1,340,495	1,323,568	215,698
Building Fund	1,597,407	35,605	28,562	1,604,450
Capital Facilities Fund	818,640	459,158	554,375	723,423
Foundation Fund	106,897	2,399	-	109,296
Total	**$ 35,819,248**	**$ 73,395,090**	**$ 72,922,627**	**$ 36,291,711**

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 $2.6 million or 5.76 percent. This increase of revenues was then partially offset with expenses such as iPad replacements ($600k), capital facilities projects ($500k) and equipment purchase ($225).

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 5, 2019. (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 67.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had $103,405,681 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 $7,743,520, or 7.0 percent, from last year (Table 5).

Table 5

	Governmental Activities		
	2019	2018	Net Change
Land and construction in process	$ 22,936,547	$ 25,573,684	$ (2,637,137)
Buildings and improvements	74,299,026	78,056,829	(3,757,803)
Furniture and equipment	6,170,108	7,518,688	(1,348,580)
Total	**$ 103,405,681**	**$ 111,149,201**	**$ (7,743,520)**

The majority of the decrease in capital assets was derived from items that were previously recorded as work in progress. These items will not materialize and have been removed.

Long-Term Obligations

At the end of this year, the District had $80,322,040 in long-term obligations versus $80,917,073 last year, a decrease of .72 percent. Those long-term obligations consisted of:

Table 6

	Governmental Activities	
	2019	2018
General obligation bonds - net (financed with property taxes)	$ 70,708,229	$ 71,651,682
Compensated absences	213,755	323,758
Net ther postemployment benefits (OPEB) liability	9,093,596	8,640,970
	$ 80,015,580	**$ 80,616,410**

The District's general obligation bond rating achieved a rating of AA+ by S&P, which is one notch way from the highest AAA rating possible. The State limits the amount of general obligation debt that districts can issue to 1.25 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $70,708,229 is significantly below this $254,368,212 statutorily-imposed limit.

Other obligations include compensated absences payable, postemployment benefits (not including health benefits) and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

At the end of the year, the District has a net pension liability of $61,331,535, an increase of $2,580,423 or 4.4 percent.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019 ARE NOTED BELOW:

Encinitas Union School District (EUSD) received a number of accolades during 2018-2019, including:

California Civics Learning Awards:
The 2019 Civic Learning Awards, now in its sixth 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. Flora Vista Elementary School was one of three schools statewide to receive an Award of Excellence, the highest level. La Costa Heights Elementary received an Award of Distinction. Note: Having previously won these awards, El Camino Creek Elementary School can reapply in two years. It is quite the accomplishment to receive these awards and represents the incredible work being done at our schools.

Teamwork, Regulation, Acceptance, and Community (TRAC) and Social-Emotional Learning Program:
Following a successful pilot at two schools, the TRAC and Social-Emotional Learning program was implemented at all nine campuses in the District. The purpose of the TRAC program is to provide universal social emotional instruction to the entire school population. Helping our students gain skills to boost their self-awareness, increase self-esteem and self-regulation, improve social skills, encourage empathy, and learn to seek internal motivation for their personal and academic successes will not only support the students throughout their lives, but helps our community as well. The goal of the TRAC program is to create positive relationships and an atmosphere where each student feels connected, cared about, and physically and emotionally safe.

California Student Media Festival and Innovative Video in Education Awards:
Film Guild students received five nominations and won three of the top awards from the state's California Student Media Festival, held in Los Angeles. In addition, twenty films created by Film Guild students were also nominated for the Innovative Video in Education (iVIE) Awards in San Diego.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2019-2020 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.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth.

Factors related to 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.

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, 2019. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

ENCINITAS UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	$ 40,509,767	$ 588,153	$ 41,097,920
Receivables	2,484,727	9,780	2,494,507
Internal balances	163,379	(163,379)	-
Stores inventories	204,332	-	204,332
Capital assets			
Land and construction in process	22,936,547	-	22,936,547
Capital assets being depreciated	154,883,446	-	154,883,446
Accumulated depreciation	(74,414,312)	-	(74,414,312)
Total Capital Assets	103,405,681	-	103,405,681
Total Assets	146,767,886	434,554	147,202,440
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	275,956	9,059	285,015
Deferred outflows of resources related to pensions	17,399,017	323,613	17,722,630
Total Deferred Outflows of Resources	17,674,973	332,672	18,007,645
LIABILITIES			
Accounts payable	1,711,803	107,663	1,819,466
Accrued interest payable	41,342	-	41,342
Unearned revenue	949,124	64,126	1,013,250
Long-term obligations:			
Current portion of long-term obligations other than pensions	4,325,000	-	4,325,000
Noncurrent portion of long-term obligations other than pensions	75,690,580	316,460	76,007,040
Total Long-Term Obligations	80,015,580	316,460	80,332,040
Aggregate net pension liability	60,514,817	816,718	61,331,535
Total Liabilities	143,232,666	1,304,967	144,537,633
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	229,232	8,468	237,700
Deferred inflows of resources related to pensions	6,040,632	9,926	6,050,558
Total Deferred Inflows of Resources	6,269,864	18,394	6,288,258
NET POSITION			
Net investment in capital assets	87,226,467	-	87,226,467
Restricted for:			
Debt service	5,361,807	-	5,361,807
Capital projects	723,423	-	723,423
Educational programs	887,200	-	887,200
Other activities	4,701,254	-	4,701,254
Unrestricted (deficit)	(83,959,822)	(556,135)	(84,515,957)
Total Net Position	$ 14,940,329	$ (556,135)	$ 14,384,194

The accompanying notes are an integral part of these financial statements.

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ENCINITAS UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 47,482,944	$ 136,329	$ 7,788,273	$ (39,558,342)
Instruction-related activities:				
Supervision of instruction	1,638,464	7	158,339	(1,480,118)
Instructional library, media, and technology	1,970,438	-	37,423	(1,933,015)
School site administration	2,674,443	-	214,319	(2,460,124)
Pupil services:				
Home-to-school transportation	622,289	-	-	(622,289)
Food services	1,252,642	783,881	424,042	(44,719)
All other pupil services	3,923,669	15,039	963,335	(2,945,295)
Administration:				
Data processing	59,711	-	-	(59,711)
All other administration	3,606,467	11,411	276,554	(3,318,502)
Plant services	5,240,018	39,406	121,281	(5,079,331)
Facility acquisition and construction	9,000	-	-	(9,000)
Community services	332,251	228,230	30,615	(73,406)
Enterprise services	31,584	-	-	(31,584)
Interest on long-term obligations	3,522,097	-	-	(3,522,097)
Other outgo	21,695	323	4,595	(16,777)
Depreciation (unallocated)[1]	6,736,227	-	-	(6,736,227)
Total Governmental Activities	$ 79,123,939	$ 1,214,626	$ 10,018,776	(67,890,537)
Business-Type Activities				
Enterprise services	$ 2,060,095	$ 2,052,489	$ 46,023	-
General revenues and subventions:				
Property taxes, levied for general purposes				48,416,242
Property taxes, levied for debt service				4,311,326
Taxes levied for other specific purposes				(405)
Federal and State aid not restricted to specific purposes				4,836,748
Interest and investment earnings				748,938
Miscellaneous				2,263,491
Subtotal, General Revenues				60,576,340
Change in Net Position				(7,314,197)
Net Position - Beginning				22,254,526
Net Position - Ending				$ 14,940,329

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

The accompanying notes are an integral part of these financial statements.

Business-Type Activities	Total
$ -	$ (39,558,342)
-	(1,480,118)
-	(1,933,015)
-	(2,460,124)
-	(622,289)
-	(44,719)
-	(2,945,295)
-	(59,711)
-	(3,318,502)
-	(5,079,331)
-	(9,000)
-	(73,406)
-	(31,584)
-	(3,522,097)
-	(16,777)
-	(6,736,227)
-	(67,890,537)
38,417	38,417
-	48,416,242
-	4,311,326
-	(405)
-	4,836,748
-	748,938
9,626	2,273,117
9,626	60,585,966
48,043	(7,266,154)
(604,178)	21,650,348
$ (556,135)	$ 14,384,194

ENCINITAS UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	$ 23,487,606	$ 6,511,111	$ 5,403,149	$ 2,502,813	$ 37,904,679
Receivables	2,226,248	73,942	-	154,255	2,454,445
Due from other funds	185,006	570,884	-	19,456	775,346
Stores inventories	171,025	-	-	33,307	204,332
Total Assets	$ 26,069,885	$ 7,155,937	$ 5,403,149	$ 2,709,831	$ 41,338,802
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 1,663,296	$ 9,191	$ -	$ 36,136	$ 1,708,623
Due to other funds	2,367,717	799	-	20,828	2,389,344
Unearned revenue	949,124	-	-	-	949,124
Total Liabilities	4,980,137	9,990	-	56,964	5,047,091
Fund Balances:					
Nonspendable	181,025	-	-	33,307	214,332
Restricted	887,200	-	5,403,149	2,619,560	8,909,909
Assigned	12,979,370	7,145,947	-	-	20,125,317
Unassigned	7,042,153	-	-	-	7,042,153
Total Fund Balances	21,089,748	7,145,947	5,403,149	2,652,867	36,291,711
Total Liabilities and Fund Balances	$ 26,069,885	$ 7,155,937	$ 5,403,149	$ 2,709,831	$ 41,338,802

The accompanying notes are an integral part of these financial statements.

ENCINITAS UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019

Total Fund Balance - Governmental Funds		**$ 36,291,711**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 177,819,993	
Accumulated depreciation is	(74,414,312)	
Net Capital Assets		103,405,681
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(41,342)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		4,409,567
Deferrred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	5,929,006	
Net change in proportionate share of net pension liability	1,671,663	
Differences between projected and actual earnings on pension plan investments	113,449	
Differences between expected and actual experience in the measurement of the total pension liability	1,051,499	
Changes of assumptions	8,633,400	
Total Deferred Outflows of Resources Related to Pensions		17,399,017
Deferrred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(3,564,922)	
Differences between projected and actual earnings on pension plan investments	(1,797,608)	
Differences between expected and actual experience in the measurement of the total pension liability	(678,102)	
Total Deferred Inflows of Resources Related to Pensions		(6,040,632)
Deferred outflows and inflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows and inflows of resources related to OPEB at year-end consist of changes in assumptions.		46,724

The accompanying notes are an integral part of these financial statements.

ENCINITAS UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (Continued)
JUNE 30, 2019

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (60,514,817)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	$ (16,910,403)	
Premium on bond issuance	(873,261)	
Compensated absences (vacations)	(213,755)	
Net other postemployment benefits (OPEB) liability	(9,093,596)	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	(52,924,565)	
Total Long-Term Obligations		(80,015,580)
Total Net Position - Governmental Activities		**$ 14,940,329**

The accompanying notes are an integral part of these financial statements.

ENCINITAS UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Local Control Funding Formula	$ 51,226,090	$ -	$ -	$ -	$ 51,226,090
Federal sources	1,978,255	-	-	466,247	2,444,502
Other State sources	7,627,827	-	20,935	41,612	7,690,374
Other local sources	5,683,287	154,171	4,345,449	1,322,462	11,505,369
Total Revenues	66,515,459	154,171	4,366,384	1,830,321	72,866,335
EXPENDITURES					
Current					
Instruction	44,926,014	-	-	-	44,926,014
Instruction-related activities:					
Supervision of instruction	1,649,184	-	-	-	1,649,184
Instructional library, media, and technology	1,969,713	-	-	-	1,969,713
School site administration	2,670,532	-	-	-	2,670,532
Pupil services:					
Home-to-school transportation	622,289	-	-	-	622,289
Food services	-	-	-	1,262,975	1,262,975
All other pupil services	3,916,456	-	-	-	3,916,456
Administration:					
Data processing	59,711	-	-	-	59,711
All other administration	3,632,262	-	-	2,750	3,635,012
Plant services	5,222,176	138,781	-	60,593	5,421,550
Community services	349,599	-	-	-	349,599
Other outgo	21,695	-	-	-	21,695
Facility acquisition and construction	279,311	564,094	-	580,187	1,423,592
Debt service					
Principal	-	-	4,210,000	-	4,210,000
Interest and other	-	-	255,550	-	255,550
Total Expenditures	65,318,942	702,875	4,465,550	1,906,505	72,393,872
Excess (Deficiency) of Revenues Over Expenditures	1,196,517	(548,704)	(99,166)	(76,184)	472,463
Other Financing Sources (Uses)					
Transfers in	21,419	500,000	-	7,336	528,755
Transfers out	(507,336)	(21,419)	-	-	(528,755)
Net Other Financing Sources (Uses)	(485,917)	478,581	-	7,336	-
NET CHANGE IN FUND BALANCES	710,600	(70,123)	(99,166)	(68,848)	472,463
Fund Balance - Beginning	20,379,148	7,216,070	5,502,315	2,721,715	35,819,248
Fund Balance - Ending	$ 21,089,748	$ 7,145,947	$ 5,403,149	$ 2,652,867	$ 36,291,711

The accompanying notes are an integral part of these financial statements.

ENCINITAS UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds		**$**	**472,463**
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 exceeds capital outlays in the period.			
Depreciation expense	$ (6,736,227)		
Capital outlays	1,659,684		
Net Expense Adjustment			(5,076,543)
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.			(2,666,977)
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 more than the amounts earned by $110,003.			110,003
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.			(1,342,116)
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.			(141,263)

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		
General obligation bonds	$	4,210,000
Governmental funds report the effects of premiums, whereas the amounts are deferred and amortized on the Statement of Activities.		
Amortization of premium		79,765
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues,regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by $41,342, and second, $3,346,312 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		(3,346,312)
An Internal Service Fund is used by the District's management to the other postemployment benefits contributions other than pensions. The net position of the Internal Service Fund is reported with governmental activities.		386,783
Change in Net Position of Governmental Activities	**$**	**(7,314,197)**

The accompanying notes are an integral part of these financial statements.

ENCINITAS UNION SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Business-Type Activities Enterprise Fund	Governmental Activities
	Child Care Fund	Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	$ 588,153	$ 2,605,088
Receivables	9,780	30,282
Due from other funds	-	1,777,377
Total Assets	597,933	4,412,747
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	9,059	-
Deferred outflows of resources related to pensions	323,613	-
	332,672	-
LIABILITIES		
Current Liabilities		
Accounts payable	107,663	3,180
Due to other funds	163,379	-
Unearned revenue	64,126	-
Total Current Liabilities	335,168	3,180
Noncurrent Liabilities		
Net OPEB liability	316,460	-
Net pension liability	816,718	-
Total Liabilities	1,468,346	3,180
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	8,468	-
Deferred inflows of resources related to pensions	9,926	-
	18,394	-
NET POSITION (Deficit)		
Restricted (Deficit)	(556,135)	4,409,567
Total Net Position (Deficit)	$ (556,135)	$ 4,409,567

The accompanying notes are an integral part of these financial statements.

ENCINITAS UNION SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities Enterprise Fund	Governmental Activities
	Child Care Fund	**Self-Insurance Fund**
OPERATING REVENUES		
Local and intermediate sources	$ 2,052,489	$ 896,653
OPERATING EXPENSES		
Payroll costs	1,610,704	-
Supplies and materials	267,618	-
Other operating costs	181,773	574,384
Total Operating Expenses	2,060,095	574,384
Operating Income (Loss)	(7,606)	322,269
NONOPERATING REVENUES		
Interest income	9,626	64,514
Grants	46,023	-
Total Nonoperating Revenues	55,649	64,514
Change in Net Position	48,043	386,783
Total Net Position - Beginning	(604,178)	4,022,784
Total Net Position - Ending	$ (556,135)	$ 4,409,567

The accompanying notes are an integral part of these financial statements.

ENCINITAS UNION SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities Enterprise Fund	Governmental Activities
	Child Care Enterprise	**Internal Service Fund**
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	$ 2,017,677	$ (16,291)
Other operating cash receipts	(2,577)	-
Cash payments to other suppliers of goods or services	(236,326)	(6,738)
Cash payments to employees for services	(1,513,179)	-
Other operating cash payments	(181,773)	(574,384)
Net Cash Provided/(Used) by Operating Activities	83,822	(597,413)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Nonoperating grants received	46,023	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	9,626	64,514
Net Increase/(Decrease) in Cash and Cash Equivalents	139,471	(532,899)
Cash and Cash Equivalents - Beginning	448,682	3,137,987
Cash and Cash Equivalents - Ending	$ 588,153	$ 2,605,088
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ (7,606)	$ 322,269
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Changes in assets and liabilities:		
Receivables	(2,928)	(15,612)
Due from other fund	-	(897,332)
Deferred outflows of resources	(107,587)	-
Accounts payable	31,292	(6,738)
Due to other fund	116,681	-
Unearned revenue	(34,461)	-
Net OPEB Liability	15,797	-
Deferred inflows of resources	(5,863)	-
Net pension liability	78,497	-
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	$ 83,822	$ (597,413)

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

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

As a result, the General Fund reflects an increase fund balance, revenues and expenditures and other financing uses, of $4,672,878, $103,845, and $257,891, respectively.

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

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

Non-Major Governmental Funds

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

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

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

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

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

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

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and permanent funds 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. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, 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 revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the 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 held at June 30, 2019, 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 used.

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 estimated fair market 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 Obligations

All payables, accrued liabilities, and long-term obligations 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 obligations 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 obligations 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 obligations 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.

In governmental fund financial statements, bond premiums are recognized in the current period. 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.

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 District reports deferred outflows of resources for pension related items and for OPEB related items.

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 District reports deferred inflows of resources for pension related items and for OPEB related items.

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.

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.

Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. 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 $11,673,684 of restricted net position which is restricted by enabling legislation.

Operating Revenues and Expenses

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

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

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

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

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

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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

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

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.

- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

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

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

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

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

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

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	$	40,509,767
Business-type activities		588,153
Total Deposits and Investments	$	41,097,920

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	$	20,000
Cash in revolving		10,000
Investments		41,067,920
Total Deposits and Investments	$	41,097,920

Policies and Practices

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

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

General Authorizations

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

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

Interest Rate Risk

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

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

Investment Type	Reported Amount	Average Days to Maturity
San Diego County Treasury Investment Pool	$ 41,067,920	528 days

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the San Diego County Treasury Investment Pool has been rated by Standard and Poor's Investor Service as of June 30, 2019, as AAAf.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. At June 30, 2019, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the San Diego County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Reported Amount	Uncategorized
San Diego County Treasury Investment Pool	$ 41,067,920	$ 41,067,920

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Enterprise Fund Child Care Fund
Federal Government						
Categorical aid	$ 1,310,958	$ -	$ 112,100	$ -	$ 1,423,058	$ -
State Government						
Categorical aid	169,378	-	6,465	-	175,843	-
Lottery	259,392	-	-	-	259,392	-
Due from SELPA	81,140	-	-	-	81,140	-
Local Government						
Interest	274,782	73,942	26,338	30,282	405,344	5,395
Other Local Sources	130,598	-	9,352	-	139,950	4,385
Total	$ 2,226,248	$ 73,942	$ 154,255	$ 30,282	$ 2,484,727	$ 9,780

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 20,468,378	$ -	$ -	$ 20,468,378
Construction in progress	5,105,306	789,033	3,426,170	2,468,169
Total Capital Assets Not Being Depreciated	25,573,684	789,033	3,426,170	22,936,547
Capital Assets Being Depreciated:				
Land improvements	2,882,364	-	-	2,882,364
Buildings and improvements	134,151,044	1,384,753	-	135,535,797
Furniture and equipment	16,220,194	245,091	-	16,465,285
Total Capital Assets Being Depreciated	153,253,602	1,629,844	-	154,883,446
Total Capital Assets	178,827,286	2,418,877	3,426,170	177,819,993
Less Accumulated Depreciation:				
Land improvements	2,684,548	8,339	-	2,692,887
Buildings and improvements	56,292,031	5,134,217	-	61,426,248
Furniture and equipment	8,701,506	1,593,671	-	10,295,177
Total Accumulated Depreciation	67,678,085	6,736,227	-	74,414,312
Governmental Activities Capital Assets, Net	$ 111,149,201	$ (4,317,350)	$ 3,426,170	$ 103,405,681

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Unallocated	$ 6,736,227

NOTE 6 - 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, 2019, between major and non-major governmental funds, the enterprise fund, and the internal service fund are as follows:

	Due To				
Due From	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total
General Fund	$ -	$ 570,884	$ 19,456	$ 1,777,377	$ 2,367,717
Special Reserve Fund for Capital Outlay Projects	799	-	-	-	799
Non-Major Governmental Funds	20,828	-	-	-	20,828
Enterprise Fund - Child Care Fund	163,379	-	-	-	163,379
Total	$ 185,006	$ 570,884	$ 19,456	$ 1,777,377	$ 2,552,723

The balance of $20,828 due to the General Fund from the Cafeteria Non-Major Governmental Fund resulted from payroll and indirect costs due.

A balance of $19,456 due to the Cafeteria Non-Major Governmental Fund from the General Fund resulted from an operating contribution.

A balance of $1,776,927 due to the Internal Service Fund from the General Fund resulted from a contribution for premium benefits.

The balance of $163,379 due to the General Fund from the Enterprise Fund - Child Care Fund resulted from payroll and indirect costs due.

A balance of $570,884 due to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Fund from the General Fund resulted from a transfer for capital project costs.

All remaining balances resulted from the time lag between the date that (1) interfund goods and services are provide or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

Transfer From	Transfer To: General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
General Fund	$ -	$ 500,000	$ 7,336	$ 507,336
Special Reserve Fund for Capital Outlay Projects	21,419	-	-	21,419
Total	$ 21,419	$ 500,000	$ 7,336	$ 528,755

The General Fund transferred to the Cafeteria Non-Major Governmental Fund for reimbursement of program costs.	$ 7,336
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for capital outlay projects.	500,000
The Special Reserve Fund for Capital Outlay Projects transferred to the General Fund for reimbursement of project costs.	21,419
Total	$ 528,755

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

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Enterprise Fund: Child Care Fund
Salaries and benefits	$ 1,080,158	$ -	$ 30,542	$ 3,180	$ 1,113,880	$ 52,893
LCFF apportionment	177,344	-	-	-	177,344	-
Supplies and services	42,179	318	-	-	42,497	48,520
Other services	349,831	-	1,960	-	351,791	6,220
Construction	-	8,873	2,176	-	11,049	-
Other significant payables	13,784	-	1,458	-	15,242	30
Total	$ 1,663,296	$ 9,191	$ 36,136	$ 3,180	$ 1,711,803	$ 107,663

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consists of the following:

	General Fund	Enterprise Fund Child Care Fund
Federal financial assistance	$ 25,894	$ -
Other local	923,230	64,126
Total	$ 949,124	$ 64,126

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
Governmental Activities					
General obligation bonds	$ 70,698,656	$ 3,346,312	$ 4,210,000	$ 69,834,968	$ 4,325,000
Premium on bond issuance	953,026	-	79,765	873,261	-
Compensated absences	323,758	-	110,003	213,755	-
Net other postemployment benefits (OPEB) liability	8,640,970	1,125,692	673,066	9,093,596	-
Total	$ 80,616,410	$ 4,472,004	$ 5,072,834	$ 80,015,580	$ 4,325,000
Business-Type Activities					
Net other postemployment benefits (OPEB) liability	$ 300,663	$ 15,797	$ -	$ 316,460	$ -

Payments for general obligation bonds are made in the Bond Interest and Redemption Fund. Compensated absences are typically liquidated by the fund in which the employee worked. Net other postemployment benefits are generally paid by the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Accreted	Redeemed	Bonds Outstanding June 30, 2019
08/01/96	8/1/21	3.60 to 5.85	$ 29,498,820	$ 15,627,359	$ 804,566	$ 4,210,000	$ 12,221,925
04/20/11	8/1/35	5.43 to 6.75	12,998,720	20,122,786	1,357,252	-	21,480,038
02/05/13	8/1/37	3.00 to 4.35	9,998,411	12,287,916	523,139	-	12,811,055
9/3/15	8/1/39	2.49 to 4.61	13,999,453	15,460,595	661,355	-	16,121,950
4/27/17	8/1/29	2.75 to 4.00	7,200,000	7,200,000	-	-	7,200,000
				$ 70,698,656	$ 3,346,312	$ 4,210,000	$ 69,834,968

Election of 1995

In August 1996, the District issued current and capital appreciation, General Obligation Bonds, Series 1996, in the amount of $29,498,820 (accreting to $69,360,000). The capital appreciation bonds of $28,748,820 mature through August 2021, with interest rates ranging from 3.60 to 5.85 percent. Proceeds from the sale of the bonds were used to acquire, construct, and improve grades kindergarten through six school facilities and associated support costs authorized by law. At June 30, 2019, the principal balance outstanding was $12,221,925.

Election of 2010

In April 2011, the District issued capital appreciation, General Obligation Bonds, Series 2011 in the amount of $12,998,720 (accreting to $27,670,000). The bonds mature through August 2035, with interest rates ranging from 5.43 to 6.75 percent. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction, and equipping of certain District property and facilities, and refund outstanding capital lease obligations. At June 30, 2019, the principal balance outstanding was $21,480,038.

In February 2013, the District issued current and capital appreciation, General Obligation Bonds, Series 2013 in the amount of $9,998,411 (accreting to $15,150,000). The bonds mature through August 2037, with interest rates ranging from 3.00 to 4.35 percent. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction, and equipping of certain District property and facilities. At June 30, 2019, the principal balance outstanding was $12,811,055.

In September 2015, the District issued capital appreciation General Obligation Bonds, Series 2015 in the amount of $13,999,453 (accreted to $31,570,000). The bonds mature through August 2039, with interest rates ranging from 2.49 to 4.61 percent. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction, and equipping of certain District property and facilities. At June 30, 2019, the principal balance outstanding was $16,121,950.

In April 2017, the District issued current interest, General Obligation Bonds, Series 2017 in the amount of $7,200,000. The bonds mature through August 2029, with interest rates ranging from 2.75 to 4.00 percent. Proceeds from the sale of the bonds were used to finance the repair, upgrading, acquisition, construction, and equipping of certain District property and facilities. At June 30, 2019, the principal balance outstanding was $7,200,000.

The bonds mature through 2040 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturiy	Total
2020	$ 4,202,085	$ 122,915	$ 248,050	$ 4,573,050
2021	4,072,117	367,883	248,050	4,688,050
2022	3,947,723	612,277	248,050	4,808,050
2023	3,922,695	777,305	476,269	5,176,269
2024	2,626,474	403,526	694,513	3,724,513
2025-2029	14,805,511	3,279,489	2,974,635	21,059,635
2030-2034	15,974,745	4,700,255	1,927,993	22,602,993
2035-2039	17,926,559	11,173,441	702,851	29,802,851
2040	2,357,059	3,642,941	-	6,000,000
Total	$ 69,834,968	$ 25,080,032	$ 7,520,411	$ 102,435,411

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to $213,755.

Net Other Post Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2019, 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	$ 9,059,685	$ 285,015	$ 237,700	$ 449,712
Medicare Premium Payment (MPP) Program	350,371	-	-	(28,604)
Total	$ 9,410,056	$ 285,015	$ 237,700	$ 421,108

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, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	64
Active employees	441
	505

Benefits Provided

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

The contribution requirements of Plan members and the District are established and may be amended by the District, Encinitas Teachers Association (ETA), and the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District paid $644,462 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $9,059,685 was measured as of June 30, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions

The total OPEB liability as of June 30, 2019 was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total liability to June 30, 2019. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00	percent
Salary increases	3.00	percent, average, including inflation
Discount rate	3.13	percent
Healthcare cost trend rates	5.00	percent for 2019

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

Mortality rates were based on the 2015 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Changes in the Total OPEB Liability

		Total OPEB Liability
Balance at June 30, 2018	$	8,562,658
Service cost		521,052
Interest		298,407
Changes of assumptions or other inputs		322,030
Benefit payments		(644,462)
Net change in total OPEB liability		497,027
Balance at June 30, 2018	$	9,059,685

Changes of assumptions and other inputs reflect a change in the discount rate from 3.62 percent in 2018 to 3.13 percent in 2019.

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 (2.13%)	$	9,756,117
Current discount rate (3.13%)		9,059,685
1% increase (4.13%)		8,415,961

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 (4.00%)	$	8,027,980
Current healthcare cost trend rate (5.00%)		9,059,685
1% increase (6.00%)		10,277,624

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

For the year ended June 30, 2018, the District recognized OPEB expense of $449,712. At June 30, 2019, 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
Changes of assumptions	$ 285,015	$ 237,700

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 446
2021	446
2022	446
2023	446
2024	446
Thereafter	45,085
	$ 47,315

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, 2017, 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, benefit payments 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, 2019, the District reported a liability of $350,371 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018 and June 30, 2017, respectively, was 0.0915 percent and 0.0901 percent, resulting in a net increase in the proportionate share of 0.0014 percent.

For the year ended June 30, 2019, the District recognized OPEB expense of $(28,604).

Actuarial Methods and Assumptions

The June 30, 2018 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018, using the assumptions listed in the following table:

Measurement Date	June 30, 2018	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.87%	3.58%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2017, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

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, 2018, 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 30,2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.87%)	$ 387,528
Current discount rate (3.87%)	350,371
1% increase (4.87%)	316,821

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 current Medicare costs trend rates, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 319,503
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	350,371
1% increase (4.7% Part A and 5.1% Part B)	383,569

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 10,000	$ -	$ -	$ -	$ 10,000
Stores inventories	171,025	-	-	33,307	204,332
Total Nonspendable	181,025	-	-	33,307	214,332
Restricted					
Legally restricted programs	887,200	-	-	291,687	1,178,887
Capital projects	-	-	-	2,327,873	2,327,873
Debt service	-	-	5,403,149	-	5,403,149
Total Restricted	887,200	-	5,403,149	2,619,560	8,909,909
Assigned					
Board fund balance policy	6,556,839	-	-	-	6,556,839
Deferred maintenance	2,411	-	-	-	2,411
Capital projects	-	7,145,947	-	-	7,145,947
Other assignments	6,420,120	-	-	-	6,420,120
Total Assigned	12,979,370	7,145,947	-	-	20,125,317
Unassigned					
Reserve for economic uncertainties	1,967,051	-	-	-	1,967,051
Remaining unassigned	5,075,102	-	-	-	5,075,102
Total Unassigned	7,042,153	-	-	-	7,042,153
Total	$ 21,089,748	$ 7,145,947	$ 5,403,149	$ 2,652,867	$ 36,291,711

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, 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 2019, 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, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 46,870,593	$ 13,577,620	$ 6,050,558	$ 4,570,864
CalPERS	14,460,942	4,145,010	-	2,846,475
Total	$ 61,331,535	$ 17,722,630	$ 6,050,558	$ 7,417,339

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, 2017, 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, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were $4,654,053.

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

At June 30, 2019, 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	$ 46,870,593
State's proportionate share of the net pension liability associated with the District	26,835,606
Total	$ 73,706,199

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.0510 percent and 0.0498 percent, resulting in a net increase in the proportionate share of 0.0012 percent.

For the year ended June 30, 2019, the District recognized pension expense of $4,570,864. In addition, the District recognized pension expense and revenue of $3,152,579 for support provided by the State. At June 30, 2019, 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	$ 4,654,053	$ -
Net change in proportionate share of net pension liability	1,496,750	3,564,922
Differences between projected and actual earnings on pension plan investments	-	1,804,815
Differences between expected and actual experience in the measurement of the total pension liability	145,344	680,821
Changes of assumptions	7,281,473	-
Total	$ 13,577,620	$ 6,050,558

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
2020	$ 391,875
2021	(284,356)
2022	(1,514,169)
2023	(398,165)
Total	$ (1,804,815)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, 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
2020	$ 443,731
2021	443,731
2022	443,733
2023	1,463,494
2024	1,749,777
Thereafter	133,358
Total	$ 4,677,824

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, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 68,659,933
Current discount rate (7.10%)	46,870,593
1% increase (8.10%)	28,805,115

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, 2017 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, 2019, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were $1,445,902.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $14,460,942. The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.0542 percent and 0.0534 percent, resulting in a net increase in the proportionate share of 0.0008 percent.

For the year ended June 30, 2019, the District recognized pension expense of $2,846,475. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Pension contributions subsequent to measurement date	$ 1,445,902
Net change in proportionate share of net pension liability	188,628
Differences between projected and actual earnings on pension plan investments	118,612
Differences between expected and actual experience in the measurement of the total pension liability	948,006
Changes of assumptions	1,443,862
Total	$ 4,145,010

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
2020	$ 431,419
2021	103,169
2022	(330,622)
2023	(85,354)
Total	$ 118,612

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, 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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,143,604
2021	1,082,653
2022	354,239
Total	$ 2,580,496

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, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 21,054,439
Current discount rate (7.15%)	14,460,942
1% increase (8.15%)	8,990,691

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 $4,768,700 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor or June 27, 2019, appropriated for an additional 2018-2019 contribution on behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contributions has been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigations 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, 2019.

Construction Commitments

As of June 30, 2019, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Capril/Ocean Knoll Elementary School - Flooring Project	$ 300,000	08/31/19
Mission Estancia/Paul Ecke Central Elementary Schools - Asphalt	30,000	12/31/19
Farm Lab Projects	37,000	06/30/20
Districtwide Kitchen Upgrades	1,500,000	06/30/20
	$ 1,867,000	

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, 2019, the District made payments totaling $711,766 for annual premiums.

REQUIRED SUPPLEMENTARY INFORMATION

ENCINITAS UNION SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 50,450,271	$ 51,381,762	$ 51,226,090	$ (155,672)
Federal sources	1,739,497	2,116,693	1,978,255	(138,438)
Other State sources	3,813,261	4,977,527	7,627,827	2,650,300
Other local sources	3,551,374	5,452,180	5,683,287	231,107
Total Revenues [1]	59,554,403	63,928,162	66,515,459	2,587,297
EXPENDITURES				
Current				
Certificated salaries	28,727,874	29,318,027	29,623,097	(305,070)
Classified salaries	8,759,895	8,983,633	8,787,241	196,392
Employee benefits	16,238,644	16,148,502	18,407,102	(2,258,600)
Books and supplies	1,584,700	2,522,795	1,847,427	675,368
Services and operating expenditures	5,689,949	6,651,676	6,135,396	516,280
Other outgo	100,000	100,000	21,695	78,305
Capital outlay	150,000	211,983	496,984	(285,001)
Total Expenditures [1]	61,251,062	63,936,616	65,318,942	(1,382,326)
Excess (Deficiency) of Revenues Over Expenditures	(1,696,659)	(8,454)	1,196,517	1,204,971
Other Financing Sources (Uses)				
Transfers in	-	21,419	21,419	-
Transfers out	(7,000)	(528,419)	(507,336)	21,083
Net Financing Sources (Uses)	(7,000)	(507,000)	(485,917)	21,083
NET CHANGE IN FUND BALANCES	(1,703,659)	(515,454)	710,600	1,226,054
Fund Balance - Beginning	20,379,148	20,379,148	20,379,148	-
Fund Balance - Ending	$ 18,675,489	$ 19,863,694	$ 21,089,748	$ 1,226,054

[1] On behalf payments of $2,476,761 relating to Senate Bill 90, are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

ENCINITAS UNION SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 521,052	$ 546,524
Interest	298,407	261,115
Changes of assumptions	322,030	(310,838)
Benefit payments	(644,462)	(548,738)
Net change in total OPEB liability	497,027	(51,937)
Total OPEB liability - beginning	8,562,658	8,614,595
Total OPEB liability - ending	$ 9,059,685	$ 8,562,658
Covered payroll	N/A[1]	N/A[1]
District's net OPEB liability as a percentage of covered payroll	N/A[1]	N/A[1]

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

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

See accompanying note to required supplementary information.

ENCINITAS UNION SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2019

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

[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.

See accompanying note to required supplementary information.

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ENCINITAS UNION SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
District's proportion of the net pension liability	0.0510%	0.0498%
District's proportionate share of the net pension liability	$ 46,870,593	$ 46,014,779
State's proportionate share of the net pension liability associated with the District	26,835,606	27,221,954
Total	$ 73,706,199	$ 73,236,733
District's covered - employee payroll	$ 26,486,223	$ 26,468,362
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	177%	174%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability	0.0542%	0.0534%
District's proportionate share of the net pension liability	$ 14,460,942	$ 12,736,333
District's covered - employee payroll	$ 7,179,750	$ 6,839,178
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	201%	186%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%

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

See accompanying note to required supplementary information.

2017	2016	2015
0.0490%	0.0560%	0.0580%
$ 39,272,664	$ 37,648,203	$ 33,981,002
22,360,518	19,911,696	20,519,196
$ 61,633,182	$ 57,559,899	$ 54,500,198
$ 24,647,074	$ 25,361,982	$ 26,213,193
159%	148%	130%
70%	74%	77%
0.0530%	0.0520%	0.0500%
$ 10,411,255	$ 7,724,889	$ 5,684,758
$ 6,328,919	$ 5,813,049	$ 5,311,849
165%	133%	107%
74%	79%	83%

ENCINITAS UNION SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
Contractually required contribution	$ 4,654,053	$ 3,821,962
Contributions in relation to the contractually required contribution	(4,654,053)	(3,821,962)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 28,587,549	$ 26,486,223
Contributions as a percentage of covered - employee payroll	16.28%	14.43%
CalPERS		
Contractually required contribution	$ 1,445,902	$ 1,115,087
Contributions in relation to the contractually required contribution	(1,445,902)	(1,115,087)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 8,005,215	$ 7,179,750
Contributions as a percentage of covered - employee payroll	18.062%	15.531%

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

See accompanying note to required supplementary information.

	2017	2016	2015
	$ 3,329,720	$ 2,644,631	$ 2,252,144
	(3,329,720)	(2,644,631)	(2,252,144)
	$ -	$ -	$ -
	$ 26,468,362	$ 24,647,074	$ 25,361,982
	12.58%	10.73%	8.88%
	$ 949,825	$ 749,787	$ 684,254
	(949,825)	(749,787)	(684,254)
	$ -	$ -	$ -
	$ 6,839,178	$ 6,328,919	$ 5,813,049
	13.888%	11.847%	11.771%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

At June 30, 2019, the District's General Fund exceeded the budgeted amount in total as follows:

	Expenditures		
General Fund	Budget	Actual	Excess
Certificated salaries	$ 29,318,027	$ 29,623,097	$ 305,070
Employee benefits	$ 16,148,502	$ 18,407,102	$ 2,258,600
Capital outlay	$ 211,983	$ 496,984	$ 285,001

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 3.62 percent to 3.13 percent since the previous valuation.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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 3.58 percent to 3.87 percent since the previous valuation.

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

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

Changes in Benefit Terms **–** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions **–** There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

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

SUPPLEMENTARY INFORMATION

ENCINITAS UNION SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE)			
Title I, Part A - Low Income and Neglected	84.010	14329	$ 496,316
Title II, Part A - Supporting Effective Instruction Local Grants	84.367	14341	83,697
Title III, English Learner Student Program	84.365	14346	69,029
Title III, Immigrant Student Program	84.365	15146	10,284
Passed through North Coastal Consortium for Special Education			
Special Education (IDEA) Cluster			
Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,057,643
Local Assistance, Part B, Sec 611, Private Schools ISPs	84.027	10115	12,985
Preschool Grants, Part B, Sec 619	84.173	13430	51,862
Preschool Staff Development, Part B, Sec 619	84.173A	13431	504
Mental Health Allocation Plan, Part B Sec 611	84.027A	15197	59,830
Subtotal Special Education (IDEA) Cluster			1,182,824
Total U.S. Department of Education			1,842,150
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services			
Medicaid Cluster:			
Medi-Cal Billing Option	93.778	10013	84,554
Subtotal Mediciad Cluster			84,554
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Program Cluster:			
National School Lunch	10.555	13396	368,081
Basic School Breakfast	10.553	13390	551
Especially Needy Breakfast	10.553	13526	33,431
Food Distribution	10.555	13396	64,184
Subtotal Child Nutrition Program Cluster			466,247
Total Expenditures of Federal Awards			$ 2,392,951

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

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
Leslie Schneider	Vice President	2020
Rimga Viskanta	Clerk	2020
Greg Sonken	Member	2022
Marla Strich	Member	2022

ADMINISTRATION

Dr. Timothy Baird	Superintendent
Andree Grey	Assistant Superintendent, Educational Services
Angelica Lopez	Assistant Superintendent, Administrative Services
Ami Shackelford	Assistant Superintendent, Business Services

See accompanying note to supplementary information.

ENCINITAS UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Final Report	
	Amended Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,823.43	2,829.37
Fourth through sixth	2,191.93	2,194.63
Total Regular ADA	5,015.36	5,024.00
Extended Year Special Education		
Transitional kindergarten through third	15.91	15.91
Fourth through sixth	12.76	12.76
Total Extended Year Special Education	28.67	28.67
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.95	1.02
Fourth through sixth	3.33	3.65
Total Special Education, Nonpublic, Nonsectarian Schools	4.28	4.67
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.11	0.11
Fourth through sixth	0.35	0.35
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.46	0.46
Total School District	5,048.77	5,057.80
Basic Aid - District of Choice ADA		
Transitional kindergarten through third	37.29	36.59
Fourth through sixth	19.93	19.87
Total District of Choice	57.22	56.46
Total ADA	5,105.99	5,114.26

See accompanying note to supplementary information.

ENCINITAS UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	54,510	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,510	180	N/A	Complied
Grade 2		54,510	180	N/A	Complied
Grade 3		54,510	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,510	180	N/A	Complied
Grade 5		54,510	180	N/A	Complied
Grade 6		54,510	180	N/A	Complied

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

ENCINITAS UNION SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020 [1]	2019	2018	2017
GENERAL FUND [3]				
Revenues	$ 63,312,101	$ 66,411,614	$ 60,590,196	$ 60,043,628
Other sources	-	21,419	380,878	-
Total Revenues and Other Sources	63,312,101	66,433,033	60,971,074	60,043,628
Expenditures	64,919,559	65,039,632	60,586,941	61,399,553
Other uses	307,000	528,755	892,999	-
Total Expenditures and Other Uses	65,226,559	65,568,387	61,479,940	61,399,553
INCREASE (DECREASE) IN FUND BALANCE	$ (1,914,458)	$ 864,646	$ (508,866)	$ (1,355,925)
ENDING FUND BALANCE	$ 14,502,412	$ 16,416,870	$ 15,552,224	$ 16,061,090
AVAILABLE RESERVES [2]	$ 7,092,557	$ 7,042,153	$ 7,065,780	$ 9,086,890
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	10.87%	10.74%	11.49%	14.80%
LONG-TERM OBLIGATIONS	N/A	$ 141,663,575	$ 139,668,185	$ 131,477,022
K-12 AVERAGE DAILY ATTENDANCE AT P-2	5,008	5,049	5,104	5,065

The General Fund balance has increased by $355,780 over the past two years. The fiscal year 2019-2020 budget projects a decrease of $1,914,458 (11.7 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by $10,186,553 over the past two years.

Average daily attendance has decreased by 16 over the past two years. An additional decline of 41 ADA is anticipated during fiscal year 2019-2020.

[1] Budget 2020 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

[3] General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund, and the Special Reserve Fund for Other than Capital Outlay Projects as required by GASB Statement No. 54.

See accompanying note to supplementary information.

ENCINITAS UNION SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Cafeteria Fund	Building Fund	Capital Facilities Fund	Foundation Permanent Fund	Total Non-Major Governmental Funds
ASSETS					
Deposits and investments	$ 87,954	$ 1,590,145	$ 716,601	$ 108,113	$ 2,502,813
Receivables	128,769	17,481	6,822	1,183	154,255
Due from other funds	19,456	-	-	-	19,456
Stores inventories	33,307	-	-	-	33,307
Total Assets	$ 269,486	$ 1,607,626	$ 723,423	$ 109,296	$ 2,709,831
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 32,960	$ 3,176	$ -	$ -	$ 36,136
Due to other funds	20,828	-	-	-	20,828
Total Liabilities	53,788	3,176	-	-	56,964
Fund Balances:					
Nonspendable	33,307	-	-	-	33,307
Restricted	182,391	1,604,450	723,423	109,296	2,619,560
Total Fund Balances	215,698	1,604,450	723,423	109,296	2,652,867
Total Liabilities and Fund Balances	$ 269,486	$ 1,607,626	$ 723,423	$ 109,296	$ 2,709,831

See accompanying note to supplementary information.

ENCINITAS UNION SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Cafeteria Fund	Building Fund	Capital Facilities Fund	Foundation Permanent Fund	Total Non-Major Governmental Funds
REVENUES					
Federal sources	$ 466,247	$ -	$ -	$ -	$ 466,247
Other State sources	41,612	-	-	-	41,612
Other local sources	825,300	35,605	459,158	2,399	1,322,462
Total Revenues	1,333,159	35,605	459,158	2,399	1,830,321
EXPENDITURES					
Current					
Instruction	-	-	-	-	-
Pupil services					
Food services	1,262,975	-	-	-	1,262,975
Administration					
All other administration	-	-	2,750	-	2,750
Plant services	60,593	-	-	-	60,593
Facility acquisition and construction	-	28,562	551,625	-	580,187
Total Expenditures	1,323,568	28,562	554,375	-	1,906,505
Excess (Deficiency) of Revenues Over Expenditures	9,591	7,043	(95,217)	2,399	(76,184)
Other Financing Sources					
Transfers in	7,336	-	-	-	7,336
NET CHANGE IN FUND BALANCES	16,927	7,043	(95,217)	2,399	(68,848)
Fund Balance - Beginning	198,771	1,597,407	818,640	106,897	2,721,715
Fund Balance - Ending	$ 215,698	$ 1,604,450	$ 723,423	$ 109,296	$ 2,652,867

See accompanying note to supplementary information.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Billing Option funds that have been recorded in the current period as revenues, but have not been expended as of June 30, 2019. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 2,444,502
Medi-Cal Billing Option	93.778	(51,551)
Total Schedule of Expenditures of Federal Awards		$ 2,392,951

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Encinitas Union School District
Encinitas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2019, 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 November 11, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Encinitas Union School District in a separate letter dated November 11, 2019.

Purpose of this Report

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

Eide Bailly LLP

Rancho Cucamonga, California
November 11, 2019

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Encinitas Union School District
Encinitas, California

Report on Compliance for Each Major Federal Program

We have audited Encinitas Union School District's (the District) 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, 2019. 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 the 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.

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Opinion on Each Major Federal Program

In our opinion, Encinitas Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

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 Encinitas Union School District's internal control over compliance.

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

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

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

Eide Bailly LLP

Rancho Cucamonga, California
November 11, 2019

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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 as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Encinitas Union School District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Encinitas Union School District's State programs based on our audit of the types of compliance requirements referred to above. 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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. 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 opinions. Our audit does not provide a legal determination of Encinitas Union School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Encinitas Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

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

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

	Procedures Performed
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

The District is an elementary school district and does not offer a continuation education program; therefore, we did not perform procedures over Continuation Education.

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

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

The District does not offer a Middle or Early College High School Program; therefore, we did not perform any procedures for the Middle or Early College High School Program.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

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 have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Eide Bailly LLP

Rancho Cucamonga, California
November 11, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No
STATE AWARDS	
Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

ENCINITAS UNION SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

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

Governing Board
Encinitas Union School District
Encinitas, California

In planning and performing our audit of the financial statements of Encinitas Union School District (the District) for the year ended June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated November 11, 2019, on the government-wide financial statements of the District.

DISBURSEMENTS

Observation

We noted six of 40 Direct Pay disbursements selected for testing contained purchases that were delivered to a residential address. These purchases lacked explicit receiving documentation indicating that the District/site had received the items that were purchased.

Recommendation

Receiving documentation must be reviewed, making sure that the address is a District location and that all goods were received. Items should not be delivered to residential addresses. Should items be delivered to a residential address, additional controls must be in place showing that site administration (other than the purchaser) have verified that all items were taken to the site.

Observation

We noted one of the 34 Travel and Conference disbursements selected for testing was approved after the event had taken place. In addition, one Travel Request Form was approved after the individual had registered to attend the event.

Recommendation

The District should take the necessary steps to ensure that all conference related expenditures are supported by an authorized conference request and reimbursement form that is pre-approved. This would allow the reviewing administrator to determine if the proposed conference related activities are appropriate for the funding source.

Governing Board
Encinitas Union School District

VACATION BALANCES

Observation

The District transitioned to an automated system of recording employee absence requests using the Absence Management Module. An extract of the absences recorded on this system is used to post the absences on the payroll system. However, the District has not yet reconciled the absences recorded in the Frontline System with the absences posted on the PeopleSoft System. There is a difference of approximately 235.46 hours noted between the two systems. The current vacation balance for employees is potentially overstated as absences are not recorded.

In addition, although the District transitioned to the online system, a manual monthly vacation worksheet is still maintained by the school sites and District departments. However, there is no reconciliation required between the manual worksheets and the absences recorded in the Frontline System.

Recommendation

The District should consider designing and implementing a reconciliation process to ensure the employee absences are accurately recorded. This would allow the District to potentially identify inaccuracies and obtain assurance that vacation balances represented on the PeopleSoft System are representative of the actual employee accruals. Also, the District should consider having a review procedure of the vacation accrual to verify employee absences are accurately recorded.

We will review the status of the current year comments during our next audit engagement.

Eide Bailly LLP

Rancho Cucamonga, California
November 11, 2019

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION
THE CITY OF ENCINITAS AND THE COUNTY OF SAN DIEGO

*The following information concerning the City of Encinitas (the "**City**") and the County of San Diego (the "**County**") is included only for the purpose of supplying general information regarding the area of the District. The Bonds are not a debt of the City, the County, the State or any of its political subdivisions (other than the District), and neither the City, the County, the State nor any of its political subdivisions (other than the District) is liable therefor.*

The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak, and the economic and other impacts of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact, are developing and uncertain. The information set forth in this Appendix C predates the outbreak of the COVID-19 pandemic and should not be relied upon as representative of the current demographics within the District.

General

The City. The City is a coastal beach city, located along six miles of Pacific Ocean coastline in San Diego County, California. Located within Southern California, it is approximately 25 miles) north of the City of San Diego and about 95 miles south of Los Angeles. As of the January 1, 2016, the city had a population of 61,928. Incorporated in 1986, the City drew together the communities of New Encinitas, Old Encinitas, Cardiff-by-the-Sea, Olivenhain and Leucadia.

The County. The County is the southernmost major metropolitan area in the State. The County covers 4,255 square miles, extending 70 miles along the Pacific Coast from the border with Mexico to Orange County, and inland 75 miles to Imperial County. The County is approximately the size of the State of Connecticut.

The County possesses a diverse economic base consisting of electronics manufacturing and shipbuilding, tourism, biotech and software development, and defense-related industries. The County is also growing as a center for culture and education. Over 30 recognized art organizations including the San Diego Opera, the Old Globe Theater productions, the La Jolla Chamber Orchestra, as well as museums and art galleries, are located in the County.

The County was incorporated on February 18, 1850 and functions under a charter adopted in 1933, and is amended from time to time. The County is governed by a five-member Board of Supervisors elected to four-year terms in district nonpartisan elections. The Board of Supervisors appoints the Chief Administrative Officer and the County Counsel. Elected officials include the Assessor/County Clerk/Recorder, District Attorney, Sheriff and Treasurer/Tax Collector.

Population

The following table lists population estimates for the County for the last five calendar years, as of January 1.

SAN DIEGO COUNTY
Population Estimates
Calendar Years 2016 through 2020 as of January 1

	2016	**2017**	**2018**	**2019**	**2020**
Carlsbad	112,462	112,990	113,635	113,635	114,463
Chula Vista	263,278	265,673	268,406	271,032	272,202
Coronado	24,990	24,262	21,360	23,814	21,381
Del Mar	4,264	4,272	4,274	4,275	4,268
El Cajon	103,399	103,706	103,903	104,104	104,393
Encinitas	**62,026**	**62,151**	**62,180**	**62,096**	**62,183**
Escondido	151,319	151,916	152,149	152,391	153,008
Imperial Beach	27,555	27,613	27,678	27,934	28,055
La Mesa	59,620	59,756	59,820	59,827	59,966
Lemon Grove	26,310	26,408	26,368	26,426	26,526
National City	61,104	61,456	62,276	62,254	62,099
Oceanside	176,191	176,525	176,916	177,242	177,335
Poway	49,308	49,325	49,293	49,298	49,338
San Diego	1,393,165	1,405,701	1,423,620	1,428,600	1,430,489
San Marcos	93,393	93,906	94,853	96,651	97,209
Santee	56,378	56,595	56,890	57,780	57,999
Solana Beach	13,698	13,737	13,723	13,786	13,838
Vista	99,135	101,879	101,984	102,098	102,928
Balance Of County	507,555	509,018	506,990	507,069	505,675
County Total	3,285,150	3,306,889	3,326,318	3,340,312	3,343,355

Source: State Department of Finance estimates (as of January 1).

Employment and Industry

The unemployment rate in the County was 12.3% in July 2020, down from a revised 13.8% in June 2020, and above the year-ago estimate of 3.6%. This compares with an unadjusted unemployment rate of 13.7% for the State and 10.5% for the nation during the same period.

The table below shows the San Diego-Carlsbad Metropolitan Statistical Area's labor patterns during 2015 through 2019.

SAN DIEGO-CARLSBAD MSA
(San Diego County)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)
(March 2019 Benchmark)

	2015	2016	2017	2018	2019
Civilian Labor Force [(1)]	1,548,600	1,563,000	1,572,800	1,581,500	1,590,600
Employment	1,468,100	1,489,100	1,509,600	1,528,100	1,539,900
Unemployment	80,500	73,900	63,200	53,500	50,700
Unemployment Rate	5.2%	4.7%	4.0%	3.4%	3.2%
Wage and Salary Employment: [(2)]					
Agriculture	9,100	8,900	8,700	9,300	9,600
Natural Resources and Mining	300	300	300	400	400
Construction	69,900	76,300	79,500	83,700	84,000
Manufacturing	106,600	108,400	109,400	112,300	115,100
Wholesale Trade	44,100	43,700	43,800	43,800	44,200
Retail Trade	146,800	147,500	149,000	148,000	145,400
Trans., Warehousing, Utilities	28,400	29,700	32,000	33,300	34,400
Information	23,400	23,200	23,400	23,600	23,500
Finance and Insurance	43,500	45,100	46,300	46,700	46,200
Professional and Business Services	229,500	234,700	239,000	248,900	256,600
Educational and Health Services	192,700	198,700	204,300	208,900	216,000
Leisure and Hospitality	182,400	190,400	195,600	199,600	202,400
Other Services	53,200	54,400	55,000	55,500	55,800
Federal Government	46,000	46,800	46,900	47,100	47,700
State Government	45,700	47,600	49,300	50,700	52,100
Local Government	144,500	147,900	150,100	150,300	149,900
Total all Industries [(3)]	1,393,900	1,431,500	1,460,900	1,491,400	1,513,500

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Major Employers

The table below lists the major employers in the County as of September 2020, listed alphabetically.

San Diego County
Major Employers
(Listed Alphabetically)
September2020

Employer Name	Location	Industry
32nd St Naval Station	San Diego	Federal Government-National Security
Barona Resort & Casino	Lakeside	Casinos
Employees'association-Sdg-E	San Diego	Associations
General Dynamics NASSCO	San Diego	Ship Builders & Repairers (mfrs)
Illumina Inc	San Diego	Biotechnology Products & Services
Kaiser Permanente Vandever Med	San Diego	Physicians & Surgeons
Kaiser Permanente Zion Med Ctr	San Diego	Hospitals
Mccs Mcrd	San Diego	Towing-Marine
Merchants Building Maintenance	San Diego	Janitor Service
Palomar Medical Ctr Downtown	Escondido	Hospitals
Palomar Pomerado Health Rehab	Escondido	Rehabilitation Services
Rady Children's Hospital	San Diego	Hospitals
San Diego Community College	San Diego	Junior-Community College-Tech Institutes
San Diego County Sheriff	Santee	Police Departments
Scripps Mercy Hosp Sn Diego	San Diego	Hospitals
Scripps Research Institute	La Jolla	Laboratories-Research & Development
Seaworld San Diego	San Diego	Water Parks
Sharp Mary Birch Hosp	San Diego	Hospitals
Sharp Memorial Hospital	San Diego	Hospitals
Sony Electronics	San Diego	Electronic Equipment & Supplies-Retail
Uc San Diego Health	San Diego	Health Care Management
Ucsd	La Jolla	University-College Dept/Facility/Office
University of California	La Jolla	University-College Dept/Facility/Office
University-Calfornia Sn Diego	La Jolla	Schools-Universities & Colleges Academic
US Navy Med Ctr-Orthopedics	San Diego	Clinics

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2020 1st Edition.

Median Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City of Encinitas San Diego County, the State and the United States for the period 2016 through 2020.

SAN DIEGO COUNTY, STATE OF CALIFORNIA
AND UNITED STATES
Effective Buying Income
As of January 1, 2016 through 2020

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2016	City of Encinitas	$2,588,943	$74,804
	San Diego County	84,949,559	55,146
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	City of Encinitas	$2,778,970	$78,268
	San Diego County	91,727,879	58,408
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Encinitas	$3,002,650	$83,074
	San Diego County	96,442,532	61,649
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Encinitas	$3,284,818	$88,415
	San Diego County	102,896,146	65,279
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Encinitas	$3,419,326	$91,048
	San Diego County	108,796,519	68,543
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303

Source: The Nielsen Company (US), Inc for years 2016 through 2018; Claritas, LLC for 2019 and 2020.

Construction Activity

Provided below are the building permits and valuations for the City and County for calendar years 2015 through 2019.

CITY OF ENCINTAS
Total Building Permit Valuations
(Valuations in Thousands)

	2015	2016	2017	2018	2019
Permit Valuation					
New Single-family	$42,845.2	$18,658.3	$33,319.9	$35,570.6	$38,036.6
New Multi-family	601.6	312.1	0.0	0.0	0.0
Res. Alterations/Additions	12,572.3	17,311.2	14,718.2	16,144.2	14,321.9
Total Residential	56,019.1	36,281.6	48,038.1	51,714.8	52,358.5
New Commercial	337.1	2,760.9	1,104.3	9,002.2	8,014.3
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	2,344.5	3,756.6	2,493.5	2,213.0	12,347.0
Com. Alterations/Additions	6,894.3	5,658.4	7,715.1	10,525.6	37,008.1
Total Nonresidential	9,575.9	12,175.9	11,312.9	21,740.8	57,369.4
New Dwelling Units					
Single Family	149	87	110	148	169
Multiple Family	4	2	0	0	0
TOTAL	153	89	110	148	169

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF SAN DIEGO
Total Building Permit Valuations
(Valuations in Thousands)

	2015	2016	2017	2018	2019
Permit Valuation					
New Single-family	$1,069,273.0	$833,134.7	$1,378,079.4	$1,201,187.4	$1,022,156.9
New Multi-family	1,028,733.2	1,256,903.4	912,036.6	992,359.0	668,849.0
Res. Alterations/Additions	349,035.7	382,198.9	342,709.7	480,327.0	393,649.1
Total Residential	2,447,041.9	2,472,236.9	2,632,825.7	2,673,873.4	2,084,655.0
New Commercial	521,789.4	560,233.2	770,075.8	510,108.1	861,274.4
New Industrial	77,376.7	18,721.2	68,351.7	25,882.0	40,892.2
New Other	493,580.0	317,405.1	443,191.1	239,647.3	223,176.2
Com. Alterations/Additions	769,756.2	981,463.0	1,089,684.1	1,126,206.0	1,234,198.2
Total Nonresidential	1,862,502.3	1,877,822.5	2,371,302.7	1,901,843.4	2,359,541.0
New Dwelling Units					
Single Family	3,136	2,420	3,960	3,438	3,045
Multiple Family	6,869	7,680	6,056	6,132	4,405
TOTAL	10,005	10,100	10,016	9,570	7,450

Source: Construction Industry Research Board, Building Permit Summary.

Commercial Activity

A summary of historic taxable sales within the City during the past five years in which data is available is shown in the following table. Total taxable sales during the first quarter of calendar year 2020 in the City were reported to be $218,257,308, a 18.33% decrease over the total taxable sales of $267,255,683 reported during the first quarter of calendar year 2019.

CITY OF ENCINITAS
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2015 through 2019
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015[(1)]	1,836	$985,983	3,127	$1,130,941
2016	1,829	977,801	3,098	1,109,799
2017	1,884	1,011,747	3,160	1,148,424
2018	1,890	1,034,535	3,278	1,182,641
2019	1,833	1,010,444	3,235	1,164,668

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Department of Tax and Fee Administration.

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during the first quarter of calendar year 2020 in the County were reported to be $12,260,424,497, a 10.94% decrease over the total taxable sales of $13,766,495,651 reported during the first quarter of calendar year 2019.

SAN DIEGO COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2015 through 2019
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015[(1)]	36,549	$37,989,566	95,645	$54,185,588
2016	58,391	38,576,363	95,435	55,407,867
2017	59,798	39,814,505	97,412	56,993,548
2018	59,836	41,886,825	100,674	59,041,042
2019	59,447	42,748,210	101,901	61,106,480

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Department of Tax and Fee Administration.

Transportation

Surface, sea and air transportation facilities serve County residents and businesses. Interstate 5 parallels the coast from Mexico to the Los Angeles Area and points north. Interstate 15 runs inland, leading the Riverside-San Bernardino, Las Vegas, and Salt Lake City. Interstate 8 runs eastward through the southern United States.

San Diego's International Airport (Lindbergh Field) is located approximately one mile west of the downtown area at the edge of San Diego Bay. The facilities are owned and maintained by the San Diego Unified Port District and are leased to commercial airlines and other tenants. The airport is California's third most active commercial airport, served by 20 major airlines. In addition to San Diego International Airport, there are several general aviation airports located in the County.

Public transit in the metropolitan area is provided by the Metropolitan Transit Development Board. The San Diego Trolley, developed by the Metropolitan Transit Development Board beginning in 1979, has been expanded. A total of 17.6 miles were added to the original 108 miles; construction was completed in 1990.

San Diego is the terminus of the Santa Fe Railway's main line from Los Angeles. Amtrak passenger service is available at San Diego, with stops at Solana Beach and Oceanside in the North County.

San Diego's harbor is one of the world's largest natural harbors. The Port of San Diego is administered by the San Diego Unified Port District, which includes the cities of San Diego, National City, Chula Vista, Imperial Beach and Coronado.

APPENDIX D

FORMS OF OPINION OF BOND COUNSEL

Series 2020A Refunding Bonds

Board of Trustees
Encinitas Union School District
101 South Rancho Santa Fe Road
Encinitas, California 92024

OPINION: $2,440,000 Encinitas Union School District 2020 General Obligation Refunding Bonds, Series A (Federally Taxable 2022 Crossover Refunding)

Members of the Board of Trustees:

We have acted as bond counsel to the Encinitas Union School District (the "District") in connection with the issuance by the Board of Trustees of the District (the "Board") of its $2,440,000 principal amount of Encinitas Union School District (San Diego County, California) 2020 General Obligation Refunding Bonds, Series A (Federally Taxable 2022 Crossover Refunding) (the "Bonds"). The Bonds have been authorized to be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the "Bond Law"), and a resolution of the Board of Trustees of the District (the "Board") adopted on August 18, 2020 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is duly created and validly existing as a school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution and the Bonds.

2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District. Prior to August 1, 2022 (the "Crossover Date"), the Bonds will be secured by and payable solely from proceeds of the bonds and deposited in the escrow fund therefor. Following the Crossover Date, the County of San Diego is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates).

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

Board of Trustees
Encinitas Union School District
101 South Rancho Santa Fe Road
Encinitas, California 92024

OPINION: $20,465,000 Encinitas Union School District 2020 General Obligation Refunding Bonds, Series B (Federally Taxable 2025 Crossover Refunding)

Members of the Board of Trustees:

We have acted as bond counsel to the Encinitas Union School District (the "District") in connection with the issuance by the Board of Trustees of the District (the "Board") of its $20,465,000 principal amount of Encinitas Union School District (San Diego County, California) 2020 General Obligation Refunding Bonds, Series B (Federally Taxable 2025 Crossover Refunding) (the "Bonds"). The Bonds have been authorized to be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the "Bond Law"), and a resolution of the Board of Trustees of the District (the "Board") adopted on August 18, 2020 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is duly created and validly existing as a school district with the power to issue the Bonds and to perform its obligations under the Bond Resolution and the Bonds.

2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District. Prior to August 1, 2025 (the "Crossover Date"), the Bonds will be secured by and payable solely from proceeds of the bonds and deposited in the escrow fund therefor. Following the Crossover Date, the County of San Diego is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates).

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$2,440,000
ENCINITAS UNION SCHOOL DISTRICT
(San Diego County, California)
2020 General Obligation Refunding Bonds, Series A
(Federally Taxable 2022 Crossover Refunding)

20,465,000
ENCINITAS UNION SCHOOL DISTRICT
(San Diego County, California)
2020 General Obligation Refunding Bonds, Series B
(Federally Taxable 2025 Crossover Refunding)

Continuing Disclosure Certificate

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Encinitas Union School District (the "District") in connection with the issuance of Encinitas Union School District (San Diego County, California) 2020 General Obligation Refunding Bonds, Series A (Federally Taxable 2022 Crossover Refunding) and the Encinitas Union School District (San Diego County, California) 2020 General Obligation Refunding Bonds, Series B (Federally Taxable 2025 Crossover Refunding) (together, the "Bonds"). The Bonds are being issued under a resolution adopted by the Board of Trustees of the District on August 18, 2020 (the "Bond Resolution"). The Treasurer-Tax Collector of San Diego County, California, is initially acting as paying agent for the Bonds (the "Paying Agent"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

"*Annual Report*" means any Annual Report provided by the District under and as described in Sections 3 and 4.

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means initially Isom Advisors, a Division of Urban Futures, Inc. or any third-party Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Participating Underwriter*" means Raymond James & Associates, Inc., the original underwriter of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

"*Paying Agent*" means the Treasurer-Tax Collector of San Diego County, California, or any successor thereto.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing no later than March 31, 2021 with the report for the 2019-20 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide in a timely manner (or cause the Dissemination Agent to provide in a timely manner) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice of failure to file.

(c) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the

Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information for the most recently completed fiscal year, or, if available at the time of filing the Annual Report, for the fiscal year in which the Annual Report is filed:

(i) Assessed value of taxable property in the jurisdiction of the District;

(ii) Assessed valuation of the properties of the top 20 secured property taxpayers in the District;

(iii) Property tax collection delinquencies for the District, but only if available from the County at the time of filing the Annual Report and only if the District's general obligation bond levies are not included in San Diego County's Teeter Plan;

(iv) The District's most recently adopted Budget or approved interim report with budgeted figures which is available at the time of filing the Annual Report; and

(v) Such further information, if any, as may be necessary to make the statements made pursuant to (a) and (b) of this Section 4, in the light of the circumstances under which they are made, not misleading.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material.

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in subsections (a)(2), (a)(6) (other than adverse tax opinions with respect to the tax status of the Bonds or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a notice of Proposed Issuance (IRS Form 5701 TEB) with respect to the Bonds), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) or (a)(15) above, the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds.

(c) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule, and the issuer thereof has entered into a continuing disclosure undertaking for such municipal securities.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the District. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision hereof, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 9. Additional Information. Nothing in this Disclosure Certificate prevents the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: October 15, 2020

ENCINITAS UNION SCHOOL DISTRICT

By: ________________________________
Superintendent

ACCEPTANCE OF DUTIES
AS DISSEMINATION AGENT:

By ________________________________
Authorized Officer

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APPENDIX F

DTC AND THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Refunding Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Refunding Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Refunding Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Refunding Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Refunding Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.