

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT

PROPOSITION AA

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

YEAR ENDED JUNE 30, 2020

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA
BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
Financial Statements and Supplemental Information
Year Ended June 30, 2020

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INTRODUCTION

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

Introduction and Citizens' Oversight Committee Member Listing

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

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

The San Dieguito Union High School District Proposition AA Independent Citizens' Oversight Committee as of June 30, 2020 was comprised of the following members:

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Robin Duveen	President-Taxpayer Association Member	April 2021
Jerilyn Larson	Representative-Member-At-Large	April 2021
Kristina Leyva	Secretary-Member-At-Large	April 2021
Adam Peck	Member-Business Organization	April 2021
Lucienne McCauley	Member-Senior Citizen Organization	April 2021
Amy Flicker	Member-Active Teacher-Parent Organization	April 2021
John Wood	Member-Parent of SDUHSD Student	April 2021
Diane Chau	Member-At-Large	April 2021
Peter Chu	Member-At-Large	April 2021

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Proposition AA Building Fund (21-39) of San Dieguito Union High School District, which comprise the balance sheet as of June 30, 2020, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Proposition AA Building Fund (21-39) of San Dieguito Union High School District as of June 30, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2021, on our consideration of San Dieguito Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Dieguito Union High School District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of Proposition 39, as incorporated in California Constitution Article 13A, we have also issued our performance audit report dated April 14, 2021 on our consideration of the District's compliance with the requirements of Proposition 39 with regards to the Proposition AA Building Fund (21-39). That report is an integral part of our audit of the District's Proposition AA Building Fund (21-39) for the fiscal year ended June 30, 2020 and should be considered in assessing the results of our financial audit.

Wilkinson Hadley King & Co., LLP

El Cajon, California
April 14, 2021

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2020
(Unaudited)

This section of San Dieguito Union High School District's (District) Proposition AA Building Fund annual financial and performance audit report presents management's discussion and analysis of the Proposition AA Bond Program during the year ending June 30, 2020. Readers should also review the financial statements and notes to the basic financial statements included in the audit report to enhance their understanding of the Proposition AA Bond Program's financial and program performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

On November 6, 2012, the voters of the San Dieguito Union High School District community voted to approve Proposition AA to authorize the District to issue up to \$449 million of general obligation bonds to finance certain specified capital projects and facilities. In April 2013, the district issued the first series of those bonds in the amount of \$160 million to fund projects. The second series of those bonds were issued in April 2015, in the amount of \$117 million. The third series of those bonds were issued in July 2016, in the amount of \$62 million. The fourth series of bonds were issued in May 2018 in the amount of \$25 million. The latest series of bonds, in the amount of \$145.2 million, were issued in May 2020 as refunding bonds. The District currently has \$356.4 million outstanding in general obligation bonds, as of June 30, 2020.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2020 are as follows:

- The fund balance for Proposition AA Building Fund is \$14.2 million, as of June 30, 2020, which is \$25.6 million lower than June 30, 2019 as projects continue.
- Revenues consisted of other state income, interest earned, and other local income (including reimbursements and settlements). Revenue totaled \$675,000 as of June 30, 2020, as compared to \$2.8 million as of June 30, 2019.
- Expenditures and other outgo as of June 30, 2020, totaled \$25.4 million, as compared to \$43.5 million in June 30, 2019.

FINANCIAL ANALYSIS OF THE PROPOSITION AA BUILDING FUND

Balance Sheet

The District's Proposition AA Building Fund balance as of June 30, 2020 was \$14.2 million (see Table A-1 below).

Table A-1

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND
GENERAL OBLIGATION BONDS
JUNE 30, 2020**

	Building Fund		Total % Change over 18-19
	2018-19	2019-20	
Cash	41,434,007	16,265,074	-60.7%
Accounts Receivable	570,585	86,758	-84.8%
Total Assets	\$ 42,004,592	\$ 16,351,832	-61.0%
Accounts Payable	2,242,205	2,065,163	-7.9%
Due to Other Funds	2,298	4,307	87.42%
Total Liabilities	\$ 2,244,503	\$ 2,069,470	-7.8%
Fund Balance	39,760,089	14,282,362	-51.1%
Total Liabilities and Fund Balance	\$ 42,004,592	\$ 16,351,832	-61.1%

Fund Balance

The interest income reported represents funds earned on the cash held by the San Diego County Treasurer. The total expenditures of \$25.4 million are only for Proposition AA voter authorized expenses (see Table A-2 below).

Table A-2

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
 PROPOSITION AA BUILDING FUND
 GENERAL OBLIGATION BONDS
 June 30, 2020

<i>Revenues</i>	Building Fund		Total % Change over 18-19
	2018-19	2019-20	
Other State Income	65,218	20,093	-69.2%
Interest Income	1,339,596	619,943	-53.7%
Reimbursement - CVMS Expansion	1,193,907	0	
Insurance Settlement	144,776	0	
Other Reimbursement Costs	21,610	32,701	-51.3%
Rebates and Refunds	25,799	2,187	-91.5%
Other Local Income	0	0	
Total Revenues	\$ 2,790,906	\$ 674,924	-75.8%
 <i>Expenditures</i>			
Classified Salaries	724,445	801,466	10.6%
Employee Benefits	301,422	287,428	4.6%
Non-Capitalized Equipment	0	43,319	
Computer Licensing	20,855	13,455	-35.5%
Services and other operating expenses	0	10,466	
Capital Outlay:			
Land Improvements	0	15,880	
New Construction	40,860,274	21,806,497	-46.6%
Construction Improvement	328,611	921,100	180.0%
Equipment	1,260,881	1,445,047	14.6%
Equipment Replacement	0	42,404	
Total Expenditures	\$ 43,496,488	\$ 25,387,062	-41.6%
 <i>Other Financing Sources (Uses)</i>			
Proceeds from refunding bonds	0	145,285,000	
Debt Service Principal	0	(128,250,000)	
Debt Service Interest	0	(16,350,000)	
Cost of Issuance	0	(685,000)	
Interfund Transfer to General Fund	(765,589)	(765,589)	
	\$ (765,589)	\$ (765,589)	
 Net Change in Fund Balance	 (41,471,171)	 (25,477,727)	 -38.6%
 Fund Balance, Beginning	 81,231,260	 39,760,089	 -51.1%
 Fund Balance, Ending	 \$ 39,760,089	 \$ 14,282,362	 -64.1%

Long-Term Debt: At the end of the year, San Dieguito Union High School District had \$347,365,00 in long-term debt outstanding. This is an increase of \$13,445,000 from the prior year.

General Obligation Bonds Payable	Building Fund		% Change
	2018-19	2019-20	over 18-19
Due within one year	3,590,000	5,740,000	59.9%
Due in more than one year	330,330,000	341,625,000	3.4%
Total General Obligation Bonds Payable	\$ 333,920,000	\$ 347,365,000	4.0%

PROPOSITION AA BUILDING FUND PLANNING AND CONSTRUCTION YEAR IN REVIEW

The 2019-2020 fiscal year began with the following three school construction projects underway throughout the San Dieguito Union High School District:

- Oak Crest Middle School – Administration Building
- Diegueno Middle School – New Building P
- San Dieguito High School Academy – Arts and Humanities Building

Breaking ground on the first day of 2019-2020 fiscal year was the Sunset High School (Now Requeza Education Center, home to Sunset High School and C.O.A.S.T. Academy) Reconstruction Project.

By the end of September 2019, the Oak Crest Middle School – Administration Building Project was completed.

By mid-year in January 2020, the Diegueno Middle School – New Building P and the San Dieguito High School Academy – Arts and Humanities Building projects had been completed. In addition, planning was nearing completion for construction of the upcoming La Costa Canyon High School – Culinary Arts Modernization Project.

At the start of May 2020, the La Costa Canyon High School – Culinary Arts Modernization Project began construction.

Planning that began in 2019-2020 was still underway for four school projects with anticipated 2020-2021 construction starts:

- Audio/Visual Technology Improvements – Canyon Crest Academy
- Audio/Visual Technology Improvements – Carmel Valley Middle School
- Oak Crest Middle School – Buildings C and I Modernization
- Torrey Pines High School – the Balance of the I Building project: New Art Classroom Building, Campus Green and Parking Lot

Overall, the three school construction projects completed in 2019-2020 were delivered on time and under or near budget, with a projected savings of \$1.45 million to be used towards other voter-approved Prop AA projects.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- Possible increases in building costs during construction

Requests for Information

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the San Dieguito Union High School District's Proposition AA Building Fund finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Associate Superintendent of Business Services, San Dieguito Union High School District, 710 Encinitas Blvd., Encinitas, CA 92024.

FINANCIAL STATEMENTS

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

Balance Sheet
June 30, 2020

ASSETS

Current Assets

Cash and cash equivalents	\$ 16,265,074
Accounts receivable	<u>86,758</u>
Total Current Assets	<u><u>16,351,832</u></u>

TOTAL ASSETS

\$ 16,351,832

LIABILITIES AND FUND BALANCE

Current Liabilities

Accounts payable	\$ 2,065,163
Due to other funds	<u>4,307</u>
Total Current Liabilities	<u><u>2,069,470</u></u>

Fund Balance

Restricted for capital projects	<u>14,282,362</u>
Total Fund Balance	<u><u>14,282,362</u></u>

TOTAL LIABILITIES AND FUND BALANCE

\$ 16,351,832

The accompanying notes are an integral part of this statement.

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended June 30, 2020

REVENUES	
Other state income	\$ 20,093
Interest income	619,943
Reimbursement retention fees overage	32,701
Rebates and refunds	2,187
TOTAL REVENUES	<u>674,924</u>
 EXPENDITURES	
Classified salaries	801,466
Employee benefits and taxes	287,428
Non-capitalized equipment	43,319
Computer licensing	13,455
Services and other operating expenses	10,466
Capital Outlay:	
Land improvements	15,880
New construction	21,806,497
Construction improvements	921,100
Equipment	1,445,047
Equipment replacement	42,404
TOTAL EXPENDITURES	<u>25,387,062</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 (24,712,138)
 OTHER FINANCING SOURCES (USES):	
Proceeds from refunding bonds	145,285,000
Debt service principal	(128,250,000)
Debt service interest	(16,350,000)
Cost of issuance	(685,000)
Interfund transfer to General Fund	(765,589)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(765,589)</u>
 NET CHANGE IN FUND BALANCE	 (25,477,727)
 FUND BALANCE, BEGINNING OF YEAR	 <u>39,760,089</u>
 FUND BALANCE, END OF YEAR	 <u>\$ 14,282,362</u>

The accompanying notes are an integral part of this statement.

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

Notes to the Financial Statements
Year Ended June 30, 2020

A. Definition of the Fund

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

B. Summary of Significant Policies

Basis of Presentation

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's School Accounting Manual. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

Fund Structure

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

Basis of Accounting

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

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

Budgets and Budgetary Accounting

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

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

Notes to the Financial Statements
Year Ended June 30, 2020

Encumbrances

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

Use of Estimates

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

Cash in County Treasury

In accordance with Education Code §41001, the District maintains a substantial amount of its cash in the San Diego County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

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

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

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

Receivables and Payables

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

Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
Notes to the Financial Statements
Year Ended June 30, 2020

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

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65. At June 30, 2019 the Districts Proposition AA Building Fund (21-39) did not have any deferred inflows or deferred outflows of resources.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Notes to the Financial Statements
Year Ended June 30, 2020

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 Inputs: Unobservable inputs for an asset or liability.

C. Fair Value Measurements

The District's investments attributed to Proposition AA Building Fund (21-39) at June 30, 2020, categorized within the fair value hierarchy established by generally accepted accounting principles were as follows:

	Amount	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External investment pools measured at fair value				
San Diego County Treasury	\$ 16,265,074	\$ -	\$ 16,265,074	\$ -
Total investments by fair value level	\$ 16,265,074	\$ -	\$ 16,265,074	\$ -

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

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
Notes to the Financial Statements
Year Ended June 30, 2020

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise; or an academic background in public finance. In addition, the County Treasury is audited annually by an independent auditor.

D. Cash and Investments

Cash in County Treasury

The District maintains significantly all of its cash in the San Diego County Treasury as part of the common investment pool. As of June 30, 2020, the portion of cash in the San Diego County Treasury attributed to Building Fund (21-39) was \$16,265,074. The fair value of Building Fund (21-39)'s portion of this pool as of that date, as provided by the pool sponsor, was \$16,265,074. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District's Building Fund (21-39) was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end the District's Building Fund (21-39) was not exposed to concentration of credit risk.

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d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District's Building Fund (21-39) was not exposed to foreign currency risk.

E. Accounts Receivable

As of June 30, 2020 accounts receivable consisted of:

	Accounts Receivable
Local Sources:	
Interest	\$ 85,892
Rebates and refunds	866
Total Accounts Receivable	\$ 86,758

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

F. Accounts Payable

As of June 30, 2020 accounts payable consisted of:

	Accounts Payable
Vendors payable	\$ 2,051,404
Payroll and related liabilities	117
Pension related benefits	13,317
Use tax payable	325
Total Accounts Payable	\$ 2,065,163

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G. Interfund Balances and Activities

Interfund transfers to and from other funds at June 30, 2020 are as follows:

Transfer to General Fund	<u>\$ 765,589</u>
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The amount transferred to the General Fund represents the portion of lease principal payment due on the solar facilities project in accordance with the authorized purpose under the facility lease agreement with the San Dieguito Public Facilities Financing Authority in conjunction with the Bond Project List as listed in the full text of the Proposition AA Ballot Measure.

Due to and due from other funds at June 30, 2020 are as follows:

	Due To Other Funds
Due to General Fund	\$ 3,684
Due to Self Insurance Fund	<u>623</u>
Total Due To Other Funds	<u>\$ 4,307</u>

The amount due to the Self Insurance Fund and General Fund represents the portion of OPEB contribution and transfer attributed to Building Fund (21-39).

H. General Obligation Bonds

2013 General Obligation Bonds

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

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2015 General Obligation Bonds

In April 2015, the District issued \$7,010,000 taxable, 2012 Election, Series B-1, General Obligation Bonds and \$110,030,000 tax-exempt, 2012 Election, Series B-2 General Obligation Bonds. The issue consisted of \$61,050,000 of current interest bonds with interest rates ranging from 0.60% to 4.50% with annual maturities from August 2016 through August 2036 and \$55,990,000 in a term bond with an interest rate of 4.00% with an annuity maturity date of February 1, 2040. Interest on the bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2016. The bonds were authorized at an election of the registered voters held on November 6, 2012 at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of the bonds in order to finance specific construction, acquisition and modernization projects approved by the voters including lease payments with respect to such facilities in addition to purchasing the San Dieguito Public Facilities Authority's interest in and pay and prepay lease payments due on the Torrey Pines High School Projects.

2016 General Obligation Bonds

In July 2016, the District issued \$795,000 taxable, 2012 Election, Series C-1, General Obligation Bonds and \$61,205,000 tax-exempt, 2012 Election, Series C-2 General Obligation Bonds. The issue consisted of \$14,000,000 of current interest bonds with interest rates ranging from 0.80% to 4.75% with annual maturities from August 2017 through August 2036 and \$48,000,000 in a term bond with an interest rate of 4.00% with an annuity maturity date of February 1, 2041. Interest on the bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2017. The bonds were authorized at an election of the registered voters held on November 6, 2012 at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of the bonds in order to finance specific construction, acquisition and modernization projects approved by the voters including lease payments with respect to such facilities in addition to purchasing the San Dieguito Public Facilities Authority's interest in and pay and prepay lease payments due on the Torrey Pines High School Projects.

2018 General Obligation Bonds

In May 2018, the District issued \$3,100,000 taxable, 2012 Election, Series D-1, General Obligation Bonds and \$21,900,000 tax-exempt, 2012 Election, Series D-2 General Obligation Bonds. The issue consisted of \$25,000,000 of current interest bonds with interest rates ranging from 2.59% to 4.00% with annual maturities from August 2019 through August 2042. Interest on the bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2019. The bonds were authorized at an election of the registered voters held on November 6, 2012 at which 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of the bonds in order to finance specific construction, acquisition and modernization projects approved by the voters including lease payments with respect to such facilities in addition to purchasing the San Dieguito Public Facilities Authority's interest in and pay and prepay lease payments due on the Torrey Pines High School Projects.

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2020 General Obligation Bonds

In May 2020, the District issued \$145,285,000 General Obligation Refunding Bonds. The general obligation refunding bonds bear fixed interest rates of 1.07% to 2.85% with annual maturities from August 2020 through August 2038. Interest is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2020. The proceeds of \$145,285,000 were used to partially refund \$128,250,000 of the District's outstanding 2012 Election, Series A-2 Tax Exempt General Obligation Bonds in addition to paying the costs relating to the execution and delivery of the refunding bonds as associated with the refunding plan. The net proceeds of \$144,600,000 (after issuance costs of \$685,000) was deposited into a separate escrow fund for the partial refunding of the 2012 Election, Series A-2 Tax Exempt Bonds. The partial refunding of the 2012 Election, Series A-2 Tax Exempt Bonds will occur on the call date of August 1, 2023.

The maturity value of the old debt amounted to \$128,250,000 with the face value of the new debt at \$145,285,000, which resulted in a loss on refunding of \$17,035,000. The refunding decreased the debt service payments by \$11,356,166 and resulted in a calculated economic gain to the District of \$7,503,342.

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

Description	Date of Issuance	Interest Rate	Maturity Date	Original Issue Amount	Beginning Balance	Increases	Decreases	Ending Balance
Election 2012 Series A	03/27/13	1.00-5.00%	08/01/24	\$ 160,000,000	\$ 143,285,000	\$ -	\$ 129,570,000	\$ 13,715,000
2012 A Premium	03/27/13		08/01/24	8,336,717	6,412,859	-	5,698,402	714,457
2012 Discount	03/27/13		08/01/24	(744,000)	(572,310)		(508,549)	(63,761)
Total 2012 Series A				<u>\$ 167,592,717</u>	<u>\$ 149,125,549</u>	<u>\$ -</u>	<u>\$ 134,759,853</u>	<u>\$ 14,365,696</u>
Election 2012 Series B	04/15/15	0.60-4.50%	08/01/40	\$ 117,040,000	\$ 104,430,000	\$ -	\$ -	\$ 104,430,000
2012 B Premium	04/15/15		08/01/40	6,379,386	5,294,892	-	255,175	5,039,717
Total 2012 Series B				<u>\$ 123,419,386</u>	<u>\$ 109,724,892</u>	<u>\$ -</u>	<u>\$ 255,175</u>	<u>\$ 109,469,717</u>
Election 2012 Series C	06/28/16	0.80-4.75%	08/01/41	\$ 62,000,000	\$ 61,205,000	\$ -	\$ -	\$ 61,205,000
2012 C Premium	06/28/16		08/01/41	2,970,848	2,614,346	-	118,834	2,495,512
Total 2012 Series C				<u>\$ 64,970,848</u>	<u>\$ 63,819,346</u>	<u>\$ -</u>	<u>\$ 118,834</u>	<u>\$ 63,700,512</u>
Election 2012 Series D	05/16/18	2.59-4.00%	08/01/42	\$ 25,000,000	\$ 25,000,000	\$ -	\$ 2,270,000	\$ 22,730,000
2012 D Premium	05/16/18		08/01/42	939,590	900,440	-	39,150	861,290
Total 2012 Series D				<u>\$ 25,939,590</u>	<u>\$ 25,900,440</u>	<u>\$ -</u>	<u>\$ 2,309,150</u>	<u>\$ 23,591,290</u>
Refunding Bonds 2020	05/12/20	1.07-2.85%	08/01/38	<u>\$ 145,285,000</u>	<u>\$ -</u>	<u>\$ 145,285,000</u>	<u>\$ -</u>	<u>\$ 145,285,000</u>
TOTAL				<u>\$ 527,207,541</u>	<u>\$ 348,570,227</u>	<u>\$ 145,285,000</u>	<u>\$ 137,443,012</u>	<u>\$ 356,412,215</u>

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The annual requirements to amortize the general obligation bonds payable outstanding as of June 30, 2020 is as follows:

Year Ended June 30	Principal	Interest	Total
2021	\$ 5,740,000	\$ 10,064,913	\$ 15,804,913
2022	6,590,000	10,842,480	17,432,480
2023	4,655,000	10,609,545	15,264,545
2024	5,240,000	10,435,249	15,675,249
2025	7,225,000	10,228,734	17,453,734
2026-2030	49,930,000	47,540,102	97,470,102
2031-2035	82,040,000	38,474,790	120,514,790
2036-2040	123,105,000	23,306,012	146,411,012
2041-2045	62,840,000	3,978,750	66,818,750
Total	<u>\$ 347,365,000</u>	<u>\$ 165,480,575</u>	<u>\$ 512,845,575</u>

I. Bond Premium

Bond premium arises when the market rate of interest is lower than the stated interest rate on the bond. Generally Accepted Accounting Principles (GAAP) require that the premium increase the face value of the bond and then amortize the premium over the life of the bond.

The District has issued bonds at a premium. The premiums are being amortized over the life of the debt using the straight-line method.

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

	2013 Series A Bonds	2015 Series B Bonds	2016 Series C Bonds	2018 Series D Bonds
Total Interest Payments on Bonds	\$113,607,493	\$ 88,265,753	\$ 42,624,776	\$ 18,093,285
Less Bond Premium	(8,336,717)	(6,379,386)	(2,852,014)	(939,590)
Add Bond Discount	744,000	-	-	-
Net Interest Payments	<u>\$106,014,776</u>	<u>\$ 81,886,367</u>	<u>\$ 39,772,762</u>	<u>\$ 17,153,695</u>
Par Amount of Bonds	\$160,000,000	\$117,040,000	\$ 62,000,000	\$ 25,000,000
Periods	25	25	25	25
Effective Interest Rate	2.650%	2.790%	2.560%	2.740%

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J. Construction Commitments

As of June 30, 2020 the Building Fund (21-39) had the following commitments with respect to unfinished capital projects:

<u>Project</u>	<u>Commitment</u>	<u>*Expected Date of Final Completion</u>	<u>Percentage Complete</u>
Diegueno MS New Building P Phase 2 Modernization	\$ 9,795,266	08/31/20	89.10%
La Costa Canyon HS Culinary Arts Improvements	1,447,716	10/31/20	48.00%
Sunset HS Campus Reconstruction	22,281,466	10/31/20	84.90%
Torrey Pines HS Innovation Arts Building, Ph3, Pt 1	867,230	12/31/21	Planning
Oak Crest MS Modernization of Crest Hall	1,143,864	09/30/22	Planning
Oak Crest MS Modernization of C and I Buildings	1,911,145	07/31/21	Planning

*Expected date of final completion subject to change.

K. Pension Plans

The following information presented below is the District's government-wide pension plan amounts for CalPERS and CalSTRS. As of June 30, 2020, the Building Fund (21-39) or bond fund was 0.62% of the District's total State Teachers' Retirement System expenditures and 2.44% of the District's total Public Employee's Retirement System expenditures.

1. General Information About the Pension Plans

a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

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b. Benefits Provided

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

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

	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55-60	55-62
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%*	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2020)	10.250%	10.205%
Required Employer Contribution Rates (at June 30, 2020)	17.100%	17.100%
Required State Contribution Rates (at June 30, 2020)	10.328%	10.328%

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

**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	52-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.5%	1.0 - 2.5%
Required Employee Contribution Rates (at June 30, 2020)	7.000%	7.000%
Required Employer Contribution Rates (at June 30, 2020)	19.721%	19.721%

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c. Contributions

CalSTRS

For the fiscal year ended June 30, 2020 (measurement date June 30, 2019), Section 22950 of the California Education Code requires members to contribute monthly to the system 10.205% (if hired on or after January 1, 2013) or 10.250% (if hired before January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 17.10% of creditable compensation for the measurement period ended June 30, 2019 and for the fiscal year ended June 30, 2020. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the fiscal year ended June 30, 2020 (measurement date June 30, 2019), the employee contribution rate was 7.00% and employer contribution rate was 19.721% of covered payroll.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the fiscal year ended June 30, 2020 (measurement date June 30, 2019) the State contributed 10.328% of salaries creditable to CalSTRS. Consistent with the requirements of GASB 85, the District has recorded these contributions as revenue and expense in the fund financial statements (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). Contributions reported for on behalf payments are based on the District's proportionate share of the State's contribution for the fiscal year.

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Contributions made by the State on behalf of the District's Building Fund and the State's pension expense associated with District employees for the past three fiscal years is as follows:

CalSTRS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2018	8.292%	\$ 22,309	\$ 5,681
2019	15.643%	28,217	(8,819)
2020	10.328%	19,847	6,274

CalPERS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	6.940%	\$ 37,001	\$ -

d. Contributions Recognized

For the fiscal year ended June 30, 2020 (measurement period June 30, 2019), the contributions recognized for each plan were:

	District Share of CalSTRS	Bond Share of CalSTRS
Contributions - Employer	\$ 12,335,516	\$ 32,860
Contributions - State On Behalf Payments	7,450,363	19,847
Total Contributions	\$ 19,785,879	\$ 52,707
	District Share of CalPERS	Bond Share of CalPERS
Contributions - Employer	\$ 4,220,232	\$ 85,661
Contributions - State On Behalf Payments	-	-
Total Contributions	\$ 4,220,232	\$ 85,661

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	District Proportionate Share of Net Pension Liability	Bond Proportionate Share of Net Pension Liability
CaSTRS	\$ 116,366,979	\$ 306,177
CalPERS	41,047,346	1,121,179
Total Net Pension Liability	\$ 157,414,325	\$ 1,427,356

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2019, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2019 and June 30, 2020 were as follows:

	District Share for CaSTRS			Bond Share for CaSTRS		
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	Bond Proportionate Share	State's Proportionate Share	Total For Bond Employees
Proportion - June 30, 2019	0.1281%	0.0703%	0.1984%	0.0005%	0.0002%	0.0007%
Proportion - June 30, 2020	0.1288%	0.0731%	0.2020%	0.0003%	0.0002%	0.0005%
Change in Proportion	0.0007%	0.0028%	0.0036%	-0.0002%	0.0000%	-0.0002%

	District's Share CalPERS	Bond Share CalPERS
Proportion - June 30, 2019	0.1497%	0.0041%
Proportion - June 30, 2020	0.1408%	0.0038%
Change in Proportion	-0.0089%	-0.0003%

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a. Pension Expense

For the measurement period ended June 30, 2019 (fiscal year June 30, 2020), pension expense was recognized as follows:

Pension expense for the CalSTRS plan was as follows:

	<u>District Share of CalSTRS</u>	<u>Bond Share of CalSTRS</u>
Change in Net Pension Liability (Asset)	\$ (1,390,698)	\$ (159,791)
State on Behalf Pension Expense	2,355,141	6,274
Employer Contributions to Pension Expense	12,335,516	32,860
(Increase) Decrease in Deferred Outflows of Resources	5,325,404	102,332
Increase (Decrease) in Deferred Inflows of Resources	<u>(3,882,036)</u>	<u>109,798</u>
Total Pension Expense	<u>\$ 14,743,327</u>	<u>\$ 91,473</u>

Pension expense for the CalPERS plan was as follows:

	<u>District Share of CalPERS</u>	<u>Bond Share of CalPERS</u>
Change in Net Pension Liability (Asset)	\$ 1,133,680	\$ 18,125
Employer Contributions to Pension Expense	4,220,232	118,773
(Increase) Decrease in Deferred Outflows of Resources	\$ 1,015,887	\$ 39,398
Increase (Decrease) in Deferred Inflows of Resources	<u>\$ 1,886,749</u>	<u>\$ 25,037</u>
Total Pension Expense	<u>\$ 8,256,548</u>	<u>\$ 201,333</u>

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b. Deferred Outflows and Inflows of Resources

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>District Share of Deferred Outflows of Resources</u>			<u>Bond Share of Deferred Outflows of Resources</u>		
	CaSTRS	CalPERS	Total	CaSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 12,335,516	\$ 4,220,232	\$ 16,555,748	\$ 32,860	\$ 118,773	\$ 151,633
Differences between actual and expected experience	247,838	3,694,580	3,942,418	916	104,979	105,895
Changes in assumptions	10,346,269	3,308,300	13,654,569	38,251	104,747	142,998
Changes in employer's proportionate share	3,446,678	515,385	3,962,063	162,589	26,999	189,588
Total Deferred Outflows of Resources	\$ 26,376,301	\$ 11,738,497	\$ 38,114,798	\$ 234,616	\$ 355,498	\$ 590,114

	<u>District Share of Deferred Inflows of Resources</u>			<u>Bond Share of Deferred Inflows of Resources</u>		
	CaSTRS	CalPERS	Total	CaSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (2,123,055)	\$ -	\$ (2,123,055)	\$ (5,691)	\$ -	\$ (5,691)
Changes in employer's proportionate share	(709,693)	(2,813,907)	(3,523,600)	(124,747)	(188,498)	(313,245)
Net difference between projected and actual earnings	(7,592,824)	(467,483)	(8,060,307)	(29,935)	(14,516)	(44,451)
Total Deferred Inflows of Resources	\$ (10,425,572)	\$ (3,281,390)	\$ (13,706,962)	\$ (160,373)	\$ (203,014)	\$ (363,387)

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2021. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended	<u>District Share of Deferred Outflows of Resources</u>		<u>District Share of Deferred Inflows of Resources</u>		Net Effect On Expenses
	CaSTRS	CalPERS	CaSTRS	CalPERS	
June 30					
2021	\$ 19,249,444	\$ 7,416,413	\$ (4,223,126)	\$ (394,410)	\$ 22,048,321
2022	6,740,085	2,844,558	(4,227,030)	(1,614,449)	3,743,164
2023	193,387	1,083,509	(1,394,357)	(908,276)	(1,025,737)
2024	193,385	394,017	(157,050)	(364,255)	66,097
2025	-	-	(424,009)	-	(424,009)
Total	\$ 26,376,301	\$ 11,738,497	\$ (10,425,572)	\$ (3,281,390)	\$ 24,407,836

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Year Ended June 30	Bond Share of Deferred Outflows of Resources		Bond Share of Deferred Inflows of Resources		Net Effect On Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2021	\$ 138,348	\$ 223,929	\$ (46,204)	\$ (44,812)	\$ 271,261
2022	95,810	89,561	(46,212)	(83,706)	55,453
2023	229	31,247	(35,504)	(61,981)	(66,009)
2024	229	10,761	(31,314)	(12,515)	(32,839)
2025	-	-	(1,139)	-	(1,139)
Total	\$ 234,616	\$ 355,498	\$ (160,373)	\$ (203,014)	\$ 226,727

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS	CalPERS
Fiscal Year	June 30, 2020	June 30, 2020
Measurement Date	June 30, 2019	June 30, 2019
Valuation Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.50%
Wage Growth	3.50%	(3)
Investment Rate of Return	7.10%	7.15%
Post Retirement Increase	(1)	(4)
Mortality	(2)	(5)

- (1) CalSTRS post retirement benefit increases assumed at 2% simple for DB annually maintaining 85% purchasing power level for DB. Increases are not applicable for for DBS/CBB.
- (2) CalSTRS projects mortality by setting the projection scale equal to 100% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.
- (3) Wage growth is a component of inflation for CalPERS assumptions.
- (4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.
- (5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.10% for CalSTRS and 7.15% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

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The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts.

The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

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

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. The last ALM completed by CalSTRS was conducted in 2015. CalSTRS is in process of completing the next ALM and expects to complete the process by November 2019. CalPERS completed their ALM in 2018 with new policies in effect on July 1, 2018. Both CalSTRS and CalPERS conduct new ALM's every 4 years.

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

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

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

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CalSTRS

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Global Equity	47.00%	4.80%
Fixed Income	12.00%	1.30%
Real Estate	13.00%	3.60%
Private Equity	13.00%	6.30%
Risk Mitigating Strategies	9.00%	1.80%
Inflation Sensitive	4.00%	3.30%
Cash/Liquidity	2.00%	-0.40%

*20 year average

CalPERS

<u>Asset Class*</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10**</u>	<u>Real Return Years 11+***</u>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

*In the basic financial statements, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

**An expected inflation of 2.00% is used for this period.

***An expected inflation of 2.92% is used for this period.

e. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>District Share</u>		<u>Bond Share</u>	
	<u>CalSTRS</u>	<u>CalPERS</u>	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.10%	6.15%	6.10%	6.15%
Net Pension Liability	\$ 173,463,845	\$ 58,112,390	\$ 456,406	\$ 1,605,995
Current Discount Rate	7.10%	7.15%	7.10%	7.15%
Net Pension Liability	\$ 116,366,979	\$ 41,047,346	\$ 306,177	\$ 1,121,179
1% Increase	8.10%	8.15%	8.10%	8.15%
Net Pension Liability	\$ 72,773,836	\$ 24,815,220	\$ 191,477	\$ 685,794

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

<u>CalSTRS - District Share</u>	<u>Increase (Decrease)</u>				
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>	<u>State's Share of Net Pension Liability (c)</u>	<u>District's Share of Net Pension Liability (a) - (b) - (c)</u>
Balance at June 30, 2019	\$ 628,546,649	\$ 446,185,706	\$ 182,360,943	\$ 64,603,266	\$ 117,757,677
Changes for the year:					
CalSTRS auditor adjustment	-	(3,674)	3,674	1,330	2,344
Change in proportionate share	11,220,257	7,964,911	3,255,346	2,598,212	657,134
Service cost	14,248,349	-	14,248,349	5,158,545	9,089,804
Interest	45,356,401	-	45,356,401	16,421,065	28,935,336
Differences between expected and actual experience	(3,730,220)	-	(3,730,220)	(1,350,508)	(2,379,712)
Change in benefits	64,628	-	64,628	23,398	41,230
Contributions - Employer	-	11,399,632	(11,399,632)	(4,127,181)	(7,272,451)
Contributions - Employee	-	7,367,535	(7,367,535)	(2,667,380)	(4,700,155)
Contributions - State On Behalf	-	10,774,337	(10,774,337)	(3,900,797)	(6,873,540)
Net investment income	-	30,087,813	(30,087,813)	(10,893,147)	(19,194,666)
Other income	-	257,708	(257,708)	(93,302)	(164,406)
Benefit payments, including refunds of employee contributions	(30,891,914)	(30,891,914)	-	-	-
Administrative expenses	-	(512,886)	512,886	185,688	327,198
Borrowing costs	-	(212,677)	212,677	76,999	135,678
Other expenses	-	(8,634)	8,634	3,126	5,508
Net Changes	<u>36,267,501</u>	<u>36,222,151</u>	<u>45,350</u>	<u>1,436,048</u>	<u>(1,390,698)</u>
Balance at June 30, 2020	<u>\$ 664,814,150</u>	<u>\$ 482,407,857</u>	<u>\$ 182,406,293</u>	<u>\$ 66,039,314</u>	<u>\$ 116,366,979</u>

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<u>CalSTRS - Bond Share</u>	<u>Increase (Decrease)</u>				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	Bond's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2019	\$ 2,192,100	\$ 1,556,104	\$ 635,996	\$ 170,028	\$ 465,968
Changes for the year:					
CalSTRS auditor adjustment	-	(10)	10	4	6
Change in proportionate share	(500,508)	(355,295)	(145,213)	9,191	(154,404)
Service cost	37,674	-	37,674	13,757	23,917
Interest	119,926	-	119,926	43,793	76,133
Differences between expected and actual experience	(9,863)	-	(9,863)	(3,602)	(6,261)
Change in benefits	171	-	171	62	109
Contributions - Employer	-	30,141	(30,141)	(11,007)	(19,134)
Contributions - Employee	-	19,480	(19,480)	(7,114)	(12,366)
Contributions - State on Behalf	-	28,488	(28,488)	(10,403)	(18,085)
Net investment income	-	79,554	(79,554)	(29,051)	(50,503)
Other income	-	681	(681)	(249)	(432)
Benefit payments, including refunds of employee contributions	(81,681)	(81,681)	-	-	-
Administrative expenses	-	(1,356)	1,356	495	861
Borrowing costs	-	(562)	562	205	357
Other expenses	-	(21)	21	10	11
Net Changes	<u>(434,281)</u>	<u>(280,581)</u>	<u>(153,700)</u>	<u>6,091</u>	<u>(159,791)</u>
Balance at June 30, 2020	<u>\$ 1,757,819</u>	<u>\$ 1,275,523</u>	<u>\$ 482,296</u>	<u>\$ 176,119</u>	<u>\$ 306,177</u>

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<u>CalPERS - District Share</u>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2019	\$ 136,910,890	\$ 96,997,223	\$ 39,913,667
Changes for the year:			
Change in proportionate share	(8,097,805)	(5,737,050)	(2,360,755)
Service cost	3,136,266	-	3,136,266
Interest	9,244,221	-	9,244,221
Differences between expected and actual experience	1,970,093	-	1,970,093
Contributions - Employer	-	3,560,099	(3,560,099)
Contributions - Employee	-	1,428,237	(1,428,237)
Net plan to plan resource movement	-	428	(428)
Net investment income	-	5,932,183	(5,932,183)
Benefit payments, including refunds of employee contributions	(6,123,001)	(6,123,001)	-
Administrative expenses	-	(65,012)	65,012
Other expenses	-	211	(211)
Net Changes	<u>129,774</u>	<u>(1,003,905)</u>	<u>1,133,679</u>
Balance at June 30, 2020	<u>\$ 137,040,664</u>	<u>\$ 95,993,318</u>	<u>\$ 41,047,346</u>
<u>CalPERS - Bond Share</u>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2019	\$ 3,783,671	\$ 2,680,616	\$ 1,103,055
Changes for the year:			
Change in proportionate share	(265,232)	(187,909)	(77,323)
Service cost	85,665	-	85,665
Interest	252,499	-	252,499
Differences between expected and actual experience	53,812	-	53,812
Contributions - Employer	-	97,242	(97,242)
Contributions - Employee	-	39,011	(39,011)
Net plan to plan resource movement	-	12	(12)
Net investment income	-	162,033	(162,033)
Benefit payments, including refunds of employee contributions	(167,245)	(167,245)	-
Administrative expenses	-	(1,776)	1,776
Other expenses	-	7	(7)
Net Changes	<u>(40,501)</u>	<u>(58,625)</u>	<u>18,124</u>
Balance at June 30, 2020	<u>\$ 3,743,170</u>	<u>\$ 2,621,991</u>	<u>\$ 1,121,179</u>

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

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L. Compensated Absences

As of June 30, 2020, the District had a compensated absences liability associated with employees charged to Proposition AA Building Fund (21-39) as follows:

	Proposition AA Building Fund (21-39)

Accrued Vacation Balances	\$ 190,834

M. Postemployment Benefits Other Than Pension Benefits

The following information presented below is the District's government-wide liability for OPEB. The bond fund had 0.7461% of the District's total OPEB expense.

1. General Information about the OPEB Plan

Plan Description

The District's defined benefit OPEB plan, San Dieguito Union High School District Retiree Health Care Plan (the Plan) provides OPEB for retirees that meet eligibility requirements until age 65. Retirees in the plan are eligible for the same medical plans as active employees. The Plan is a single-employer defined benefit OPEB plan administered by the District. Authority to establish and amend the benefit terms and financing requirements lie with the District's board of directors. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

Plan Eligibility

The District provides medical and prescription drug benefits to its employees up to age 65. The District pays up to 100% of the retiree only cost up to a maximum which is based on the highest employee only medical premium in effect in the year of retirement. The District does not provide any retiree health benefits beyond age 65.

For certificated employees, the District provides retiree medical and prescription drug benefits to eligible retirees. The District's financial obligation is to pay for the retiree's medical coverage to age 65. The District pays up to 100% of the retiree only cost up to a maximum which is based on the highest employee only medical premium in effect in the year of retirement. Eligibility for retiree health coverage requires retirement with at least 10 years of service on or after age 55.

For classified employees, other management, confidential, and administrative employees, the District provides medical and prescription drug benefits to the earlier of age 65 or the end of a period of ten years. The District pays up to 100% of the retiree only cost up to a maximum which is based on the highest employee only medical premium in effect in the year of retirement. The District does not provide any retiree health benefits beyond age 65 or after a period of 10 years, if earlier. Eligibility for retiree health coverage requires retirement with at least 10 years of District service.

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Retirees also have the option to elect dental coverage for themselves and eligible dependents but must pay the entire cost of coverage. Dependent coverage (except COBRA continuation) ceases upon the death of the retiree or when the retiree reaches age 65. The retiree pays for any amounts above the District's maximum contribution, for the cost of covering any eligible dependents and for the cost of coverage for employee dental.

Employees Covered by Benefit Terms

At June 30, 2020, the following retirees were covered by the benefit terms:

Inactive plan members of beneficiaries currently receiving benefit payments	63
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	950
Total number of participants	1,013

2. Total OPEB Liability

The District's Total OPEB liability of \$32,695,587 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

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

Inflation	2.55% per annum
Salary Increases	2.75% per annum, in aggregate
Discount Rate	3.50% per annum
Healthcare Cost Trend Rates	6.50% decreasing to 5.00%
Retiree's Share of Costs	0.00% of projected premiums

The discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices; S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO 20 Year Bond Index.

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for pension valuations. The CalPERS mortality table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. The CalSTRS mortality table was developed based on CalSTRS specific data. The table includes mortality improvements set at 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

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The actuarial assumptions used in the June 30, 2019 valuation were based on the results of CalPERS actuarial experience study for the period July 1, 1997 through June 30, 2011 and the CalSTRS experience study for the period July 1, 2010 through June 30, 2015.

Changes in Total OPEB Liability

	<u>District</u>	<u>Building Fund</u>
	<u>Total OPEB</u>	<u>(21-39)</u>
	<u>Liability</u>	<u>Total OPEB</u>
		<u>Liability</u>
Balance at June 30, 2019	\$ 31,558,515	\$ 234,164
Changes for the year:		-
Service Cost	2,411,837	20,800
Interest	1,167,457	10,068
Changes in assumptions or other inputs	(529,249)	(4,564)
Differences between expected and actual	(684,094)	(5,900)
Benefit payments	<u>(1,228,879)</u>	<u>(10,598)</u>
Net changes	<u>1,137,072</u>	<u>9,806</u>
Balance at June 30, 2020	<u>\$ 32,695,587</u>	<u>\$ 243,970</u>

There were no changes in benefit terms for the fiscal year ended June 30, 2020.

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 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(2.50%)</u>	<u>(3.50%)</u>	<u>(4.50%)</u>
District's Total OPEB Liability	\$ 35,248,960	\$ 32,695,587	\$ 30,296,111
Building Fund (21-39) Share Total Liability	\$ 262,992	\$ 243,970	\$ 226,039

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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 1-percentage-point-lower (5.50% decreasing to 4.00% per year) or 1-percentage-point higher (7.50% decreasing to 6.00% per year) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
	5.50%	6.50%	7.50%
	decreasing to	decreasing to	decreasing to
	4.00%	5.00%	6.00%
District's Total OPEB Liability	\$ 29,720,451	\$ 32,695,587	\$ 35,515,725
Building Fund (21-39) Share Total Liability	\$ 221,744	\$ 243,970	\$ 264,983

3. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019 the District recognized OPEB expense of \$3,288,568 (\$24,536 of which is associated with employees paid from Building Fund (21-39)). At June 30, 2020 the District reported deferred outflows of resources and deferred inflows related to the following sources:

	<u>District Deferred Outflows of Resources OPEB Related</u>	<u>Building Fund (21-39) Deferred Outflows of Resources OPEB Related</u>
Contributions subsequent to measurement date	\$ 1,231,330	\$ 10,619
	<u>District Deferred Inflows of Resources OPEB Related</u>	<u>Building Fund (21-39) Deferred Inflows of Resources OPEB Related</u>
Changes of assumptions	\$ (1,519,799)	\$ (8,999)
Differences between expected and actuarial experience in measurement of total OPEB	(615,685)	(5,310)
	<u>\$ (2,135,484)</u>	<u>\$ (14,309)</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense during the fiscal year ending June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the net pension liability (asset)	0.1288%	0.1281%	0.1294%	0.1209%	0.1196%	0.1263%	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 116,366,979	\$ 117,757,677	\$ 119,674,988	\$ 97,797,306	\$ 80,535,333	\$ 73,782,939	N/A	N/A	N/A	N/A
State's proportion of the net pension liability (asset) associated with the District Total	<u>66,039,313</u>	<u>67,671,121</u>	<u>71,067,638</u>	<u>60,499,140</u>	<u>50,492,934</u>	<u>46,983,210</u>	N/A	N/A	N/A	N/A
	<u>\$ 182,406,292</u>	<u>\$ 185,428,798</u>	<u>\$ 190,742,626</u>	<u>\$ 158,296,446</u>	<u>\$ 131,028,267</u>	<u>\$ 120,766,149</u>	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 68,044,491	\$ 68,044,491	\$ 68,421,216	\$ 68,951,765	\$ 60,074,753	\$ 55,280,293	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	171.02%	173.06%	174.91%	141.83%	134.06%	133.47%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	72.56%	70.99%	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A
Bond's proportion of the net pension liability (asset)	0.0003%	0.0005%	0.0005%	0.0003%	0.0003%	0.0003%	N/A	N/A	N/A	N/A
Bond's proportionate share of the net pension liability (asset)	\$ 306,177	\$ 465,968	\$ 442,453	\$ 227,743	\$ 189,457	\$ 179,292	N/A	N/A	N/A	N/A
State's proportion of the net pension liability (asset) associated with the Bond Total	<u>176,119</u>	<u>267,449</u>	<u>164,850</u>	<u>161,762</u>	<u>134,648</u>	<u>87,655</u>	N/A	N/A	N/A	N/A
	<u>\$ 482,296</u>	<u>\$ 733,417</u>	<u>\$ 607,303</u>	<u>\$ 389,505</u>	<u>\$ 324,105</u>	<u>\$ 266,947</u>	\$ -	\$ -	\$ -	\$ -
Bond's covered-employee payroll	\$ 269,238	\$ 253,127	\$ 253,127	\$ 139,898	\$ 130,046	\$ 135,951	N/A	N/A	N/A	N/A
Bond's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	113.72%	184.08%	174.79%	162.79%	145.68%	131.88%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	72.56%	70.99%	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full ten year trend is compiled, this schedule provides the information only for those years for which information is available.

See accompanying notes to required supplementary information

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
Schedule of Bond's Contributions
California State Teachers' Retirement System (CalSTRS)
Last Ten Fiscal Years*

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2013	2012	2011	2010
District:										
Contractually required contribution	\$ 12,335,516	\$ 11,404,127	\$ 9,928,410	\$ 8,674,132	\$ 6,446,021	\$ 4,908,890	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(12,335,516)	(11,404,127)	(9,928,410)	(8,674,132)	(6,446,021)	(4,908,890)	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 72,137,520	\$ 70,049,920	\$ 68,803,950	\$ 68,951,765	\$ 60,074,756	\$ 55,280,293	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A
Bond Portion:										
Contractually required contribution	\$ 32,860	\$ 29,704	\$ 38,851	\$ 31,843	\$ 15,011	\$ 11,548	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(32,860)	(29,704)	(38,851)	(31,843)	(15,011)	(11,548)	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bond's covered-employee payroll	\$ 192,164	\$ 182,457	\$ 269,238	\$ 253,127	\$ 139,898	\$ 130,046	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full ten year trend is compiled, this schedule provides the information only for those years for which information is available.

See accompanying notes to required supplementary information

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

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.1408%	0.1497%	0.1562%	0.1525%	0.1448%	0.1476%	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 41,047,346	\$ 39,913,666	\$ 37,278,559	\$ 30,126,345	\$ 21,336,448	\$ 16,750,628	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 19,710,497	\$ 19,959,745	\$ 20,056,300	\$ 20,047,717	\$ 18,471,841	\$ 16,097,264	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	208.25%	199.97%	185.87%	150.27%	115.51%	104.06%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.05%	70.85%	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A
Bond's proportion of the net pension liability (asset)	0.0038%	0.0041%	0.0050%	0.0047%	0.0049%	0.0047%	N/A	N/A	N/A	N/A
Bond's proportionate share of the net pension liability (asset)	\$ 1,121,179	\$ 1,103,054	\$ 1,198,884	\$ 927,127	\$ 723,958	\$ 531,976	N/A	N/A	N/A	N/A
Bond's covered-employee payroll	\$ 538,340	\$ 551,551	\$ 644,965	\$ 568,464	\$ 546,189	\$ 492,711	N/A	N/A	N/A	N/A
Bond's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	208.27%	199.99%	185.88%	163.09%	132.55%	107.97%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.05%	70.85%	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full ten year trend is compiled, this schedule provides the information only for those years for which information is available.

See accompanying notes to required supplementary information

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

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2013	2012	2011	2010
District:										
Contractually required contribution	\$ 4,220,232	\$ 3,682,051	\$ 3,188,655	\$ 2,784,227	\$ 2,188,359	\$ 1,894,809	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(4,220,232)	(3,682,051)	(3,188,655)	(2,784,227)	(2,188,359)	(1,894,809)	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 21,399,686	\$ 20,385,622	\$ 20,530,906	\$ 20,047,717	\$ 18,471,841	\$ 16,097,264	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A
Bond Portion:										
Contractually required contribution	\$ 118,773	\$ 97,235	\$ 85,661	\$ 89,573	\$ 67,346	\$ 64,292	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(118,773)	(97,235)	(85,661)	(89,573)	(67,346)	(64,292)	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Bond's covered-employee payroll	\$ 602,267	\$ 538,340	\$ 551,551	\$ 644,965	\$ 568,464	\$ 546,189	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	19.721%	18.062%	15.531%	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full ten year trend is compiled, this schedule provides the information only for those years for which information is available.

See accompanying notes to required supplementary information

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

Schedule of Changes in the Bond's Proportionate Share of the Total OPEB Liability and Related Ratio-OPEB Plan
Last Ten Fiscal Years*

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District total OPEB liability:										
Service cost	\$ 2,411,837	\$ 2,379,289	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	1,167,457	1,062,707	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	(529,249)	(244,107)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual	(684,094)	-								
Benefit payments	(1,228,879)	(1,032,339)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	1,137,072	2,165,550	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	31,558,515	29,392,965	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	\$ 32,695,587	\$ 31,558,515	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	\$ 85,698,581	\$ 54,295,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's OPEB liability as a percentage of covered employee payroll	38.15%	58.12%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bond portion total OPEB liability:										
Service cost	\$ 20,800	\$ 17,654	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	10,068	7,885	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	(4,564)	(1,811)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual	(5,900)									
Benefit payments	(10,598)	(7,660)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	\$ 9,806	\$ 16,068	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	234,164	218,096	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	\$ 243,970	\$ 234,164	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	\$ 801,466	\$ 402,870	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bond portion total OPEB liability as a percentage of covered employee payroll	30.44%	58.12%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full ten year trend is compiled, this schedule provides the information only for those years for which information is available.

See accompanying notes to required supplementary information

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

Notes to Required Supplementary Information
Year Ended June 30, 2020

Schedule of District's Proportionate Share - California State Teachers' Retirement System

- 1) Benefit Changes: In 2015, 2016, 2017, 2018, 2019, and 2020 there were no changes to benefits
- 2) Changes in Assumptions: In 2015, 2016, 2017, and 2019 there were no changes in assumptions. In 2018 there was a change in discount rate from 7.60% to 7.10%

Schedule of District's Contributions - California State Teachers' Retirement System

The total pension liability for California State Teachers' Retirement System was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2014, 2015, 2016, 2017, and 2018 and rolling forward the total pension liabilities to the June 30, 2015, 2016, 2017, 2018 and 2019 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Measurement Date	06/30/14	06/30/15	06/30/16	06/30/17
Valuation date	06/30/13	06/30/14	06/30/15	06/30/16
Experience Study	07/01/06-06/30/10	07/01/06-06/30/10	07/01/06-06/30/10	07/01/10-06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%	7.10%
Consumer Price Inflation	3.00%	3.00%	3.00%	2.75%
Wage Growth (Average)	3.75%	3.75%	3.75%	3.50%
Post-Retirement Benefit Increase	2.00% Simple	2.00% Simple	2.00% Simple	2.00% Simple

<u>Reporting Period</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Measurement Date	06/30/18	06/30/19
Valuation date	06/30/17	06/30/20
Experience Study	07/01/10-06/30/15	07/01/10-06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.10%	7.10%
Consumer Price Inflation	2.75%	2.75%
Wage Growth (Average)	3.50%	3.50%
Post-Retirement Benefit Increase	2.00% Simple	2.00% Simple

CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 experience study adopted by the CalSTRS board in February 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 CalSTRS 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. Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on CalSTRS website.

Schedule of District's Proportionate Share - California Public Employees' Retirement System

- 1) Benefit Changes: In 2015, 2016, 2017, 2018, 2019, and 2020 there were no changes to benefits
- 2) Changes in Assumptions: In 2015 & 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.50% to 7.65%. In 2018 the discount rate was changed from 7.65% to 7.15%. In 2019, demographic assumptions and inflation rate were changed in accordance with CalPERS experience study and review of Actuarial Assumptions December 2017, there were no changes to the discount rate in the period.

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

Notes to Required Supplementary Information
Year Ended June 30, 2020

Schedule of District's Contributions - California Public Employees' Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, 2015, 2016, 2017, and 2018 and rolling forward the total pension liabilities to June 30, 2015, 2016, 2017, 2018, and 2019 (measurement dates). The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, June 30, 2016, June 30, 2017 and June 30, 2018 (measurement dates) used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Measurement Date	06/30/14	06/30/15	06/30/16	06/30/17
Valuation date	06/30/13	06/30/14	06/30/15	06/30/16
Experience Study	07/01/97-06/30/11	07/01/97-06/30/11	07/01/97-06/30/11	07/01/97-06/30/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%	7.65%	7.15%
Consumer Price Inflation	2.75%	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%	3.00%
Post-Retirement Benefit Increase	2.00% Simple	2.00% Simple	2.00% Simple	2.00% Simple

<u>Reporting Period</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Measurement Date	06/30/18	06/30/19
Valuation date	06/30/17	06/30/18
Experience Study	07/01/97-06/30/15	07/01/97-06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.50%
Consumer Price Inflation	2.50%	2.50%
Wage Growth (Average)	3.00%	3.00%
Post-Retirement Benefit Increase	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the December 2017 experience study report (based on demographic data from 1997 to 2015) available on CalPERS website.

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

1) Benefit Changes: In 2018, there were no changes to benefits. In 2019, the District made benefit changes consistent with bargaining agreements. There have been no additional changes to benefits in periods being reported.

2) Changes in Assumptions: In 2018 there were no changes in assumptions. Changes in assumptions for the fiscal year ended June 30, 2019 included an increase in the discount rate from 3.40% to 3.50% based on a change in bond buyer 20 bond index rate. There were no changes in assumptions in 2020.

3) The following are the discount rates used for each period:

<u>Year</u>	<u>Discount Rate</u>
2018	3.40%
2019	3.50%
2020	3.50%

SUPPLEMENTARY INFORMATION

SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS
 General Obligation Bonds Project List
 Year Ended June 30, 2020

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

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

<u>Project Name</u>	<u>Location of Project</u>	<u>Status of Project</u>
New Building P Phase 2 Modernization	Diegueño Middle School	In Progress
Culinary Arts Improvements	La Costa Canyon High School	In Progress
Campus Reconstruction	Sunset High School/Coast	In Progress
Innovation Arts Building Improvements, Ph 3, Pt 1	Torrey Pines High School	In Progress
Arts and Humanities Building	San Dieguito Academy	Completed
A/V Equipment, Technology Upgrade	Carmel Valley Middle School	Completed
A/V Equipment, Technology Upgrade	Oak Crest Middle School	Completed
Science Classrooms/Quad	Oak Crest Middle School	Completed
Administration Building Reconstruction	Oak Crest Middle School	Completed
Modernization of Crest Hall	Oak Crest Middle School	In Progress
Modernization of C (balance of) and I Buildings	Oak Crest Middle School	In Progress

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Proposition AA Building Fund (21-39) of San Dieguito Union High School District, which comprise the balance sheet as of June 30, 2020, and the related statement of revenues, expenditures, and changes in fund balance for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Dieguito Union High School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Dieguito Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of San Dieguito Union High School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Dieguito Union High School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
April 14, 2021

Independent Auditor's Report on Performance

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

We were engaged to conduct a performance audit of the San Dieguito Union High School District Proposition AA Building Fund (21-39) for the year ended June 30, 2020.

Management's Responsibility for Performance Compliance

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

Auditor's Responsibility

We conducted this performance audit in accordance with the standards applicable to performance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives.

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

In connection with our performance audit, we performed an audit for compliance as required in the performance requirements for the Proposition AA General Obligation Bond for the fiscal year ended June 30, 2020. The objective of the audit of compliance applicable to San Dieguito Union High School District is to determine with reasonable assurance that:

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

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

Internal Control Evaluation

Procedure Performed

Inquiries were made of management regarding internal controls to:

- Prevent fraud, waste, or abuse regarding Proposition AA resources
- Prevent material misstatement in the Proposition AA Building Fund (21-39) financial statements
- Ensure all expenditures are properly allocated
- Ensure adequate separation of duties exists in the accounting of Proposition AA funds. All purchase requisitions are reviewed for proper supporting documentation. The Project Manager or the Executive Director of Planning Services gives directions and submits documentation to the Construction and Facilities Coordinator to initiate a purchase requisition. The budget is verified by the Facilities Planning Analyst (Budget) and supporting documents are reviewed by a second Facilities Planning Analyst (Contracts). This requisition is first forwarded to the Executive Director of Planning Services for an initial review and then forwarded to the finance office where the Budget Analyst verifies the budget string and the requisition is subsequently reviewed and approved by the Chief Financial Officer, Chief Facilities Officer, and the Director of Purchasing to ensure the requested purchase is an allowable project cost in accordance with the Proposition AA ballot measure initiative approved by local voters as well as the board approved budget, and by the Accounting Specialist that all expenditures are properly recorded by the project and expense category. Once the purchase requisition has gone through the approval process, the Facilities Planning Analyst (Contracts) creates a purchase order, which is provided to the vendor, who proceeds to provide the requested services or goods. Other copies of the purchase order are also submitted to the finance office, purchasing office, and the Facilities Planning Analyst (Budget) for monitoring and review.

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

Results of Procedures Performed

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

Tests of Expenditures

Procedures Performed

We tested expenditures to determine whether Proposition AA funds were spent solely on voter and Board approved school facilities projects as set forth in the Bond Project Lists and language of the Proposition AA ballot measure language. Our testing included \$24,744,797 of expenditures which was 95.6% of total bond expenditures for the year.

Results of Procedures Performed

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

Tests of Contracts and Bid Procedures

Procedures Performed

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

Results of Procedures Performed

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

Facilities Site Review

Procedures Performed

We reviewed the Independent Citizens' Oversight Committee minutes and agenda, before and after project photographs, and other pertinent information on Proposition AA designated projects and determined the Proposition AA funds expended for the year ended June 30, 2020 were for valid facilities acquisition and construction purposes as stated in the Bond Project List. Auditors performed review of significant bond projects.

Results of Procedures Performed:

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

Citizens' Oversight Committee

Procedures Performed

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

Results of Procedures Performed

We have determined the San Dieguito Union High School District's Proposition AA Building Fund (21-39) Citizens' Oversight Committee and its involvement is in compliance with Education Code Sections 15278 through 15282.

Our audit of compliance made for the purposes set forth in the second and third paragraphs of this report above would not necessarily disclose all instances of noncompliance.

Opinion on Performance

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

Purpose of the Report

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

Wilkinson Hadley King & Co., LLP

El Cajon, California
April 14, 2021

AUDITOR'S RESULTS, FINDINGS AND RECOMMENDATIONS

**SAN DIEGUITO UNION HIGH SCHOOL DISTRICT
PROPOSITION AA BUILDING FUND (21-39)
GENERAL OBLIGATION BONDS**
Schedule of Findings and Responses
Year Ended June 30, 2020

There were no findings to report.

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

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

There were no audit findings noted for the fiscal year ended June 30, 2019.