PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 19, 2019

NEW ISSUE – BOOK ENTRY ONLY **RATING: S&P: "AA-"**
(See "RATING" herein.)

In the opinion of Dannis Woliver Kelley, Bond Counsel to the District, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California. Bond Counsel observes that interest on the Bonds is not excluded from gross income for federal tax purposes. See "TAX MATTERS" herein.

$31,000,000*
2019 GENERAL OBLIGATION REFUNDING BONDS OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2002-1 OF THE POWAY UNIFIED SCHOOL DISTRICT
(San Diego County, California)
(Federally Taxable)

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

The 2019 General Obligation Refunding Bonds of School Facilities Improvement District No. 2002-1 of the Poway Unified School District (Federally Taxable) (the "Bonds") are being issued by the Poway Unified School District (the "District") on behalf of School Facilities Improvement District No. 2002-1 of the Poway Unified School District (the "Improvement District") to (i) refund a portion of the outstanding 2011 General Obligation Refunding Bonds of School Facilities Improvement District No. 2002-1 of the Poway Unified School District and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption "PLAN OF REFUNDING." The Bonds are issued on a parity basis with all other outstanding general obligation bonds of the Improvement District.

The Bonds are general obligations of the District, on behalf of the Improvement District, only and are not obligations of the County of San Diego (the "County"), the State of California or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes without limitation as to rate or amount (except for certain personal property which is taxable at limited rates), for each fiscal year upon the taxable property within the Improvement District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, and premium, if any, and interest on each Bond as the same becomes due and payable.

Interest on the Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2020. See ''THE BONDS'' herein.

The Bonds will be issued in book-entry form only, in denominations of $5,000 or integral multiples thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive certificates representing their interests in the Bonds. Payments on the Bonds will be made by the Treasurer- Tax Collector of San Diego County, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry Only System."

The Bonds are not subject to redemption prior to maturity. See "THE BONDS – No Redemption" herein.

MATURITY SCHEDULE
On Inside Cover Pages

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Dannis Woliver Kelley, San Diego, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, San Diego, California, is acting as Disclosure Counsel for the issue. Certain matters will be passed upon for the Underwriter by its counsel, Kronick Moskovitz Tiedemann &Girard, a Professional Corporation, Sacramento, California. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about October 16, 2019.

RAYMOND JAMES

The Date of this Official Statement is: ________, 2019.

* Preliminary, subject to change.

MATURITY SCHEDULE

$31,000,000*
2019 General Obligation Refunding Bonds of
School Facilities Improvement District No. 2002-1 of the
Poway Unified School District
(San Diego County, California)
(Federally Taxable)

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[1] (738850)

* Preliminary; subject to change.

[1] Copyright 2019, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. The CUSIP number is provided for convenience of reference only. Neither the District nor the Underwriter take any responsibility for the accuracy of such CUSIP number.

POWAY UNIFIED SCHOOL DISTRICT
San Diego County, State of California

Board of Education

Dr. Darshana Patel, *President*
Michelle O'Connor Ratcliff, *Vice President*
Ginger Couvrette, *Clerk*
Kimberley Beatty, *Member*
T.J. Zane, *Member*

District Administrators

Marian Kim Phelps, Ed.D., *Superintendent*
Ronald D. Little II, *Associate Superintendent, Business Support Services*
Greg Mizel, *Associate Superintendent of Student Support Services*
Jennifer Burks, Ed.D, *Associate Superintendent of Technology and Innovation*
James Jimenez, *Associate Superintendent, Personnel Support Services*
Carol Osborne, *Associate Superintendent, Learning Support Services*

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Dannis Woliver Kelley
San Diego, California

Financial Advisor

Isom Advisors, a Division of Urban Futures Incorporated
Walnut Creek, California

Paying Agent, Transfer Agent, Registration Agent and Escrow Agent

Treasurer-Tax Collector of San Diego County
San Diego, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

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No dealer, broker, salesperson or other person has been authorized by the Poway Unified School District (the "District") to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell, the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. Although certain information set forth in this Official Statement has been provided by the County of San Diego, the County of San Diego has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "THE SAN DIEGO COUNTY INVESTMENT POOL."

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

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds offered hereby at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, institutional investors, banks or others at prices lower or higher than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

$31,000,000*
2019 GENERAL OBLIGATION REFUNDING BONDS
OF SCHOOL FACILITIES IMPROVEMENT DISTRICT NO. 2002-1
OF THE POWAY UNIFIED SCHOOL DISTRICT
(San Diego County, California)
(Federally Taxable)

INTRODUCTION

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

The Poway Unified School District (the "District") proposes to issue $31,000,000* aggregate principal amount of 2019 General Obligation Refunding Bonds of School Facilities Improvement District No. 2002-1 of the Poway Unified School District (Federally Taxable) (the "Bonds") in order to (i) refund the 2011 General Obligation Refunding Bonds of School Facilities Improvement District No. 2002-1 of the Poway Unified School District (the "2011 Refunding Bonds") maturing on August 1, 2022 through August 1, 2027, inclusive (the "Refunded Bonds") and (ii) pay all legal, financial and contingent costs in connection with the issuance of the Bonds. See "PLAN OF REFUNDING" herein. The 2011 Refunding Bonds were issued to refund the General Obligation Bonds of School Facilities Improvement District No. 2002-1 of the Poway Unified School District, 2002 Election, Series A which were issued pursuant to an authorization for the issuance and sale of not to exceed $198,000,000 of general obligation bonds approved by the qualified voters of the Improvement District voting on the proposition at a general election held on November 5, 2002 (the "2002 Authorization"), pursuant to which no additional general obligation bonds remain for issuance. The Bonds are not counted against the 2002 Authorization and therefore, the District, on behalf of the Improvement District, may issue the Bonds, as well as additional refunding bonds in the future, to refund outstanding general obligation bonds issued pursuant to the 2002 Authorization.

The Bonds are issued on a parity basis with each other and all outstanding general obligation bonds of the Improvement District.

Registration

The Treasurer-Tax Collector of San Diego County (the "County Treasurer") will act as the initial registrar, transfer agent and paying agent for the Bonds (the "Paying Agent"). As long as The Depository Trust Company, New York, New York ("DTC") is the registered owner of the Bonds and DTC's book entry-method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. See "THE BONDS – Description of the Bonds" herein.

The District

The District, established in 1962, is located in northern San Diego County (the "County") and comprises approximately 100 square miles. The District provides education services in 25 elementary schools, one combination elementary and middle school, six middle schools, five high schools, one continuation high school and one adult school. The average daily attendance ("ADA") for the District for 2018-19 was 35,245 students and the budgeted ADA for fiscal year 2019-20 is 35,534 students. The audited financial statements for the District for the fiscal year ended June 30, 2018 are attached hereto as

APPENDIX B. For further information concerning the District, see the caption "POWAY UNIFIED SCHOOL DISTRICT" herein.

The Improvement District

The Board of Education (the "Board") of the District formed Improvement District No. 2002-1 of the Poway Unified School District (the "Improvement District") following a public hearing on August 6, 2002, pursuant to the provisions of Chapter 2 of Part 10 of Division 1 of Title 1 of the California Education Code (commencing with Section 15300 thereof) (the "Act") and related proceedings taken by the Board. The Improvement District consists of all of the territory located within the boundaries of the District except the noncontiguous territory located within the boundaries of certain then-existing community facilities districts formed by the District under the Mello-Roos Community Facilities Act of 1982, as amended (Section 53311 *et seq.* of the California Government Code). The Improvement District has a 2019-20 assessed valuation of $27,783,113,138. The Improvement District encompasses approximately 65 square miles, representing approximately 65% of the territory of the District. Approximately 19,808 of the District's 36,347 students currently reside within the Improvement District.

Sources of Payment for the Bonds

The Bonds are general obligations of the District, on behalf of the Improvement District, payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property within the Improvement District subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal and interest on the Bonds when due. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

Continuing Disclosure

The District, on behalf of the Improvement District, has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed by the District in connection with the Bonds. See "THE BONDS – Continuing Disclosure Agreement," "CONTINUING DISCLOSURE" herein and "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto.

Professionals Involved in the Offering

Dannis Woliver Kelley, Long Beach, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. The County Treasurer is acting as registrar, transfer agent and paying agent for the Bonds. U.S. Bank National Association is acting as escrow agent for the Refunded Bonds. Isom Advisors, a Division of Urban Futures Incorporated, Walnut Creek, California, is acting as Financial Advisor to the District in connection with the issuance of the Bonds. Kronick Moskovitz Tiedmann & Girard, a Professional Corporation, is acting as counsel to the Underwriter with respect to the Bonds. Causey Demgen & Moore P.C., certified public accountants, is acting as Verification Agent with respect to the Bonds. The above professionals will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section

27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Closing Date

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about October 16, 2019.*

THE BONDS

Authority for Issuance

The Bonds are being issued by the District, on behalf of the Improvement District, under the provisions of Title 5, Division 2, Part 1, Chapter 3, Articles 9 and 11 of the Government Code (commencing with Section 53550) (the "Act") and pursuant to a resolution of the Board of Education of the District adopted on September 12, 2019 (the "Resolution").

Purpose of Issue

The net proceeds of the Bonds will be applied to refund the Refunded Bonds. See "PLAN OF REFUNDING" herein.

Description of the Bonds

The Bonds will be dated their date of delivery and will be issued only as fully registered bonds in denominations of $5,000 principal amount or integral multiples thereof.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by the County Treasurer, as Paying Agent, to Cede & Co., as nominee for DTC (the "Nominee"). DTC is obligated, in turn, to remit such amounts to the DTC Participants (as

* Preliminary, subject to change.

defined herein) for subsequent disbursement to the Beneficial Owners. See "APPENDIX F – BOOK-ENTRY ONLY SYSTEM" herein.

Payment of the Bonds

Interest on the Bonds is payable commencing February 1, 2020, and semiannually thereafter on February 1 and August 1 of each year (each, an "Interest Payment Date"). The Bonds shall be issued in fully registered form, without coupons, in denominations of $5,000 or any integral multiple thereof.

Interest on each Bond shall accrue from its dated date at the interest rates applicable thereto as set forth on the inside cover page hereof. Interest shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date (the "Record Date"). Interest will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest with respect thereto shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on January 15, 2020, in which event interest shall be payable from its Dated Date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment.

Payments of interest will be made on each Interest Payment Date to the Nominee, and in the event the book-entry-only system is discontinued, by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of $1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

No Redemption*

The Bonds are not subject to redemption prior to maturity.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like tenor, series, maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

* Preliminary; subject to change.

Defeasance

If any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways: (a) by well and truly paying or causing to be paid the principal of and interest on all Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Paying Agent, in trust, at or before maturity, cash which is fully sufficient to pay all Bonds Outstanding on their redemption date or at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or (c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements of serving as Paying Agent pursuant to the Resolution, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and described under Section 149(b) of the Code and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, in the opinion of a verification agent satisfactory to the District, to pay and discharge all Bonds Outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; then all obligations of the District and the Paying Agent under the Resolution shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent.

Book-Entry Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in denominations of $5,000 principal amount or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book entry system, see APPENDIX F hereto.

Continuing Disclosure Agreement

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District, on behalf of the Improvement District, will enter into a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), in the form of APPENDIX D hereto, on or prior to the delivery of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. See "CONTINUING DISCLOSURE" herein and "APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto.

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SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

Sources of Funds

Principal Amount of Bonds
Net Original Issue Premium
Total Sources

Uses of Funds

Deposit to Escrow Fund
Costs of Issuance[1]
Total Uses

[1] Includes Underwriter's discount, Bond and Disclosure Counsel fees, financial advisory fees, paying agent fees, escrow agent fees, rating agency fees, verification agent fees, and other costs of issuance.

District Investments

The County manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the County Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County Treasury. See "SAN DIEGO COUNTYINVESTMENT POOL" herein.

DEBT SERVICE SCHEDULE

The following table summarizes the annual principal and interest payments on the Bonds.

ANNUAL DEBT SERVICE ON THE BONDS

Bond Year Ending August 1	Principal	Interest	Total Debt Service
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
Total			

The following table shows the annual debt service payments on all of the Improvement District's outstanding general obligation bonds, comprising the General Obligation Bonds of School Facilities Improvement District No. 2002-1 of the Poway Unified School District, 2002 Election, Series B (the "Series C Bonds"), the 2011 Refunding Bonds, the 2014 General Obligation Refunding Bonds of School Facilities Improvement District No. 2002-1 of the Poway Unified School District (the "2014 Refunding Bonds") and the Bonds.

DEBT SERVICE ON ALL OUTSTANDING GENERAL OBLIGATION BONDS OF THE IMPROVEMENT DISTRICT

Period Ending August 1	Series B Bonds	2011 Refunding Bonds[(1)]	2014 Refunding Bonds	The Bonds	Total Debt Service
2020	--	$ 4,853,500	$ 7,889,600		
2021	--	5,008,250	8,112,100		
2022	--	5,177,500	8,338,850		
2023	--	5,349,750	8,568,600		
2024	--	5,534,000	8,805,100		
2025	--	5,713,750	9,051,850		
2026	--	5,908,250	9,302,100		
2027	--	6,105,750	9,564,350		
2028	--	--	16,131,600		
2029	--	--	16,590,000		
2030	--	--	17,087,200		
2031	$19,050,000	--	--		
Total	$19,050,000	$43,650,750	$119,441,350		

(1) Includes debt service on the Refunded Bonds intended to be refunded by the Bonds described herein. See "PLAN OF REFUNDING."

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the District, on behalf of the Improvement District, payable solely from *ad valorem* property taxes levied and collected within the Improvement District. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the Improvement District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. See "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

The District is authorized to issue refunding bonds on behalf of the Improvement District to refund its outstanding general obligation bonds (including general obligation refunding bonds) under the Government Code (commencing with section 53550 thereof).

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the Improvement District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. School districts whose boundaries extend into more than one county are treated for property tax purposes as separate jurisdictions in each county in which they are located. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer and tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer and tax collector, as *ex officio* treasurer of each school district located in the county, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due.

Restrictions on use of *Ad Valorem* Taxes and Statutory Lien on Debt Service

Under State law, school districts may levy *ad valorem* taxes (in addition to their share of the 1% county tax to pay operating expenses) only to pay principal of and interest on general obligation bonds that, like the Bonds, are approved at an election to finance specified projects or are bonds issued to refund such general obligation bonds. Moreover, State law provides that the *ad valorem* taxes may be levied to pay the principal of and interest on bonds and for no other purpose. Consequently, under State law, the District is not authorized to divert revenue from *ad valorem* taxes levied to pay the Bonds to a purpose other than payment of the Bonds.

Pursuant to Section 53515 of the State Government Code, effective for any bonds issued on or after January 1, 2016, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

Pledge of Tax Revenues

Under the Resolution, the District, on behalf of the Improvement District, has pledged, as security for the Bonds and the interest thereon, the proceeds from the levy of the *ad valorem* tax within the Improvement District which the County levies and receives and all interest earnings thereon (the "Pledged Moneys"). The Pledged Moneys shall be used to pay the principal of, premium, if any, and interest on the Bonds when and as the same shall become due and payable.

The Bonds are the general obligations of the District, on behalf of the Improvement District, payable solely from Pledged Moneys and do not constitute an obligation of the County except as provided in the Resolution. No part of any fund or account of the County is pledged or obligated to the payment of the Bonds or the interest thereon. Other than the Pledged Moneys, no funds or accounts of the District or the Improvement District are pledged to payment of the Bonds.

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PLAN OF REFUNDING

The District intends to apply the net proceeds of the sale of the Bonds to (i) refund the 2011 Refunding Bonds maturing on August 1, 2022 through August 1, 2027, inclusive, and (iii) pay the costs of issuance of the Bonds.

Upon the issuance of the Bonds, the District will deposit the net proceeds of the Bonds into an Escrow Fund (the "Escrow Fund") established pursuant to the Escrow and Deposit Agreement, by and between the District and U.S. Bank National Association, as escrow agent (the "Escrow Agent") thereunder, in order to (i) pay interest on the Refunded Bonds coming due prior to August 1, 2021 (the "Redemption Date") and (ii) redeem the Refunded Bonds on the Redemption Date, at a redemption price of the par amount of the Refunded Bonds plus accrued interest.

The sufficiency of amounts deposited into the Escrow Fund, together with investment earnings thereon, to effect the payment and redemption of the Refunded Bonds will be verified by Causey Demgen & Moore P.C., certified public accountants (the "Verification Agent"). See the caption "ESCROW VERIFICATION" herein.

As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the Underwriter's and the Verification Agent's computations, the Refunded Bonds will be defeased and the obligation of the County to levy *ad valorem* taxes for payment of the Refunded Bonds will be satisfied and discharged. Amounts deposited into the Escrow Fund are not available to pay debt service on the Bonds.

TAX BASE FOR REPAYMENT OF THE BONDS

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the Improvement District. The Bonds are payable solely from ad valorem taxes levied and collected by the County on taxable property in the Improvement District. The District's general fund is not a source for the repayment of the Bonds.

Ad Valorem **Property Taxation**

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the County Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the County Treasurer.

Property taxes on the unsecured roll as of July 31 become delinquent, if unpaid, on August 31 and are subject to a 10% delinquency penalty. Unsecured property taxes remaining unpaid on October 31 are also subject to an additional penalty of one and one half percent per month on the first day of each month thereafter. The additional penalties shall continue to attach until the time of payment or until the time a court judgment is entered for the amount of unpaid taxes and penalties, whichever occurs first.

The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the respective County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

Assessed Valuations

The assessed valuation of property in the Improvement District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIIIA of the California Constitution. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES" herein.

The State Constitution currently requires a credit of $7,000 of the taxable value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies. Current law also provides, upon application, a basis exemption of $100,000 increased by inflation for veterans with specified disabilities or for unmarried spouses of deceased veterans. The exemption may be raised to $150,000 if the applicant meets the income limit of $40,000.

In addition, certain classes of property such as cemeteries, free public libraries and museums, public schools, churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

The following table presents the historical assessed valuation in the Improvement District since fiscal year 2007-08. The Improvement District's total assessed valuation is $27,783,113,138 for fiscal year 2019-20.

IMPROVEMENT DSITRICT NO. 2002-1
OF THE POWAY UNIFIED SCHOOL DISTRICT
Summary of Assessed Valuations
Fiscal Years 2007-08 Through 2019-20

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2007-08	$19,108,356,412	$1,079,418	$669,384,439	$19,778,820,269	--
2008-09	19,688,293,373	1,079,418	624,788,734	20,314,161,525	2.71%
2009-10	19,703,509,801	1,079,418	684,283,290	20,388,872,509	0.37
2010-11	19,579,176,931	1,079,418	667,057,006	20,247,313,355	(0.69)
2011-12	19,698,465,785	1,079,418	776,972,713	20,476,517,916	1.13
2012-13	19,569,507,275	1,079,418	811,400,748	20,381,987,441	(0.46)
2013-14	20,365,420,444	--	1,064,573,007	21,429,993,451	5.14
2014-15	21,555,579,771	--	1,021,190,271	22,576,770,042	5.35
2015-16	22,666,665,443	183,500	1,040,128,339	23,706,977,282	5.01
2016-17	23,437,053,553	183,500	1,152,363,805	24,589,600,858	3.72
2017-18	24,389,737,389	183,500	1,081,573,082	25,471,493,971	3.59
2018-19	25,662,645,510	799,326	1,103,123,063	26,766,567,899	5.08
2019-20	26,619,380,114	799,326	1,162,933,698	27,783,113,138	3.80

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the Improvement District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See "SECURITY FOR THE BONDS."

Recent California Drought Conditions and Wildfires. Water shortfalls resulting from the driest conditions in recorded State history caused Governor Brown, on January 17, 2014, to declare a State-wide Drought State of Emergency for California and directed State officials to take all necessary actions to prepare for water shortages. Following the Governor's declaration, the California State Water Resources Control Board (the "Water Board") issued a statewide notice of water shortages and potential future curtailment of water right diversions. Subsequent executive orders and Water Board regulations imposed reductions on water usage in response to the drought conditions. On April 7, 2017, the Governor announced the end of the State-wide drought in all but Fresno, Kings, Tulare and Tuolumne Counties in California but extended conservation measures indefinitely in order to prepare California for fluctuations in water conditions and potential future drought conditions. According to the U.S. Drought Monitor, as of March, 2019, California is not currently experiencing any drought conditions.

Additionally, in fall 2017 and summer and fall 2018, certain portions of the State were affected by large wildfires which destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas. Neither the District nor the District was not impacted by the wildfires.

The District cannot make any representation regarding the effects that the drought or fire conditions has had, or may have on the value of taxable property within the Improvement District, or to what extent drought or fire could cause disruptions to agricultural production, destroy property, reduce land values and adversely impact other economic activity within the boundaries of the District or the Improvement District.

Reassessments and Appeals of Assessed Valuations

Pursuant to California Proposition 8 of November 1978 ("Proposition 8"), property owners may apply for a reduction of their property tax assessment by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the factors described in the paragraph above or reductions in the fair market value of the taxable property. In most cases, an appeal is filed because the applicant believes that present market conditions (such as lower residential home sale prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIIIA of the California Constitution."

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

County assessors, at their discretion, may also, from time to time, review certain property types purchased between specific time periods (e.g., all single family homes and condominiums purchased shortly prior to widespread declines in the fair market value of residential real estate within the county, as occurred between 2009 and 2011) and may proactively, temporarily reduce the assessed value of qualifying properties to Proposition 8 assessed values without owner appeal therefor.

A property that has been reassessed under Proposition 8, whether pursuant to owner appeal or due to county assessor review, is subsequently reviewed annually to determine its lien date value. Assuming no change in ownership or new construction, and if and as market conditions improve, the assessed value of a property with a Proposition 8 assessed value in place may increase as of each property tax lien date by more than the standard annual inflationary factor growth rate allowed under Article XIIIA (currently, a 2% annual maximum) until such assessed value again equals the Article XIIIA base year value for such property as adjusted for inflation and years of ownership, at which point such property is again taxed pursuant to Article XIIIA and base year values may not be increased by more than the standard Article XIIIA annual inflationary factor growth rate. A change in ownership while a property is subject to a Proposition 8 reassessment assessed valuation will cause such assessed valuation to become fixed as a new Article XIIIA base year value for such property. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIIIA of the California Constitution" herein.

No assurance can be given that property tax appeals and reassessments in the future will not significantly reduce the assessed valuation of property within the Improvement District.

Assessed Valuation by Jurisdiction

The table below sets forth the assessed valuation within the Improvement District by political jurisdiction.

IMPROVEMENT DSITRICT NO. 2002-1
OF THE POWAY UNIFIED SCHOOL DISTRICT
2019-20 Assessed Valuation by Jurisdiction

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Poway	$11,006,203,997	39.61%	$11,059,518,009	99.52%
City of San Diego	15,396,919,292	55.42	264,495,510,966	5.82
City of Santee	240,179	0.00	6,642,538,231	0.00
Unincorporated San Diego County	1,379,749,670	4.97	77,548,869,915	1.78
Total District	$27,783,113,138	100.00%		
San Diego County	$27,783,113,138	100.00%	$556,205,983,982	5.00%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use

The table below sets forth the assessed valuation of the taxable property within the Improvement District by land use.

IMPROVEMENT DSITRICT NO. 2002-1
OF THE POWAY UNIFIED SCHOOL DISTRICT
2019-20 Assessed Valuation and Parcels by Land Use

Agricultural/Rural	$ 83,492,952	0.31%	314	0.71%
Commercial	3,200,984,213	12.03	585	1.33
Vacant Commercial	45,151,193	0.17	37	0.08
Industrial	2,533,090,048	9.52	378	0.86
Vacant Industrial	85,271,276	0.32	51	0.12
Recreational	80,466,195	0.30	42	0.10
Government/Social/Institutional	24,399,421	0.09	427	0.97
Miscellaneous	753,070	0.00	31	0.07
Subtotal Non-Residential	$6,053,608,368	22.74%	1,865	4.23%
Residential:				
Single Family Residence	$16,179,996,862	60.78%	29,957	67.88%
Condominium/Townhouse	3,484,996,042	13.09	10,768	24.40
Mobile Home	90,361,960	0.34	700	1.59
Mobile Home Park	48,933,584	0.18	6	0.01
2-4 Residential Units	34,827,331	0.13	51	0.12
5+ Residential Units/Apartments	585,461,154	2.20	65	0.15
Miscellaneous Residential	1,694,919	0.01	167	0.38
Vacant Residential	139,499,894	0.52	553	1.25
Subtotal Residential	$20,565,771,746	77.26%	42,267	95.77%
Total	$26,619,380,114	100.00%	44,132	100.00%

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

Assessed Valuation of Single Family Homes

The following table sets forth ranges of assessed valuations of single family homes in the Improvement District for fiscal year 2019-20, including the median and average assessed value per single family parcel.

IMPROVEMENT DISTRICT NO. 2002-1
OF THE POWAY UNIFIED SCHOOL DISTRICT
Per Parcel 2019-20 Assessed Valuation of Single Family Homes

	No. of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	29,957	$16,179,996,862	$540,107	$483,517

2019-20 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	920	3.071%	3.071%	$ 71,720,447	0.443%	0.443%
$100,000 - $199,999	2,016	6.730	9.801	306,687,142	1.895	2.339
$200,000 - $299,999	4,386	14.641	24.442	1,123,004,303	6.941	9.279
$300,000 - $399,999	4,639	15.486	39.927	1,608,471,358	9.941	19.221
$400,000 - $499,999	3,643	12.161	52.088	1,641,629,181	10.146	29.367
$500,000 - $599,999	3,868	12.912	65.000	2,128,536,108	13.155	42.522
$600,000 - $699,999	3,468	11.577	76.576	2,246,446,410	13.884	56.406
$700,000 - $799,999	2,625	8.763	85.339	1,953,511,130	12.074	68.480
$800,000 - $899,999	1,457	4.864	90.203	1,223,867,435	7.564	76.044
$900,000 - $999,999	761	2.540	92.743	719,514,003	4.447	80.491
$1,000,000 - $1,099,999	449	1.499	94.242	469,089,234	2.899	83.390
$1,100,000 - $1,199,999	333	1.112	95.353	381,583,266	2.358	85.748
$1,200,000 - $1,299,999	270	0.901	96.255	337,147,434	2.084	87.832
$1,300,000 - $1,399,999	256	0.855	97.109	344,202,530	2.127	89.959
$1,400,000 - $1,499,999	156	0.521	97.630	225,576,607	1.394	91.353
$1,500,000 - $1,599,999	141	0.471	98.101	217,418,207	1.344	92.697
$1,600,000 - $1,699,999	139	0.464	98.565	228,945,357	1.415	94.112
$1,700,000 - $1,799,999	88	0.294	98.858	153,344,252	0.948	95.060
$1,800,000 - $1,899,999	66	0.220	99.079	121,782,188	0.753	95.813
$1,900,000 - $1,999,999	61	0.204	99.282	118,313,895	0.731	96.544
$2,000,000 and greater	215	0.718	100.000	559,206,375	3.456	100.000
Total	29,957	100.000%		$16,179,996,862	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

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Largest Taxpayers

The table below sets forth the largest local secured taxpayers within the Improvement District in fiscal year 2019-20.

IMPROVEMENT DSITRICT NO. 2002-1
OF THE POWAY UNIFIED SCHOOL DISTRICT
2019-20 Largest Local Secured Taxpayers

	Property Owner	2019-20 Primary Land Use	% of Assessed Valuation	Total[1]
1.	Sorrento West Properties Inc.	Industrial	$ 561,571,857	2.11%
2.	SMBC Leasing and Finance Inc.	Office Building	186,803,209	0.70
3.	Bernardo Summit LLC	Industrial	178,871,746	0.67
4.	San Diego 2 LLC	Office Building	151,000,000	0.57
5.	Cymer Inc.	Office Building	128,393,951	0.48
6.	Petco Animal Supplies Stores Inc.	Industrial	112,200,000	0.42
7.	HCPLS Poway I LLC	Industrial	105,141,186	0.39
8.	SFII Rancho Bernardo LLC	Industrial	98,925,720	0.37
9.	Drawbridge Discovery Corporate A, B & D LLC	Office Building	95,953,504	0.36
10.	PR II The Point Phase I LLC	Office Building	93,277,049	0.35
11.	Ventas Inc.	Medical Buildings	83,950,289	0.32
12.	Cresta Bella LP	Apartments	80,142,336	0.30
13.	TSRB Property LLC	Office Building	77,502,196	0.29
14.	BAE Systems Information & Electronic Systems	Industrial	77,055,426	0.29
15.	Carmel Medical Office LLC	Medical Buildings	77,000,000	0.29
16.	SNH/LTA Properties Trust	Convalescent Home	70,611,420	0.27
17.	Teradata US Inc.	Office Building	66,830,461	0.25
18.	San Miguel Valley Corp.	Office Building	61,754,484	0.23
19.	RLIF Via Esprillo SPE LLC	Industrial	61,710,000	0.23
20.	Avalon Milazzo LP	Apartments	60,699,136	0.23
			$2,429,393,970	9.13%

[1] 2019-20 local secured assessed valuation: $26,619,380,114.
Source: California Municipal Statistics, Inc.

The top 20 taxpayers on the secured roll for 2019-20 account for 9.13% of the secured assessed value in the Improvement District which is $26,619,380,114. According to California Municipal Statistics, Inc., the largest secured taxpayer in the Improvement District for 2019-20 was Sorrento West Properties, Inc., accounting for 2.11% of the total secured assessed value in the Improvement District. No other secured taxpayer accounted for more than 0.70% of the total secured assessed value in the Improvement District. The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner.

The Teeter Plan

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan for the County, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan for the County is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County Treasury is the legal depository of tax collections.

Under the Teeter Plan, the District will receive 100% of its *ad valorem* property tax levied with respect to the Bonds on the secured roll irrespective of actual delinquencies in the collection of property taxes by the County.

The Teeter Plan of the County is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors of the County orders discontinuance of its Teeter Plan, only those secured property taxes actually collected would be allocated to political subdivisions (including the Improvement District) for which the County acts as the tax-levying or tax-collecting agency. In addition, if the delinquency rate for all *ad valorem* property taxes levied within the Improvement District exceeds 3%, the Board of Supervisors can terminate the Teeter Plan with respect to the Improvement District. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes would depend upon the collection of *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the Improvement District.

The District is not aware of any petitions for the discontinuance of the Teeter Plan now pending in the County.

Tax Levies and Delinquencies

The table below summarizes the annual secured tax levy and delinquencies within the Improvement District as of June 30 for fiscal years 2016-17 through 2018-19. The County has adopted the Teeter Plan. As a result, the District's receipt of property taxes is not subject to delinquencies so long as the Teeter Plan remains in effect.

IMPROVEMENT DISTRICT NO. 2002-1 OF THE POWAY UNIFIED SCHOOL DISTRICT
Secured Tax Charges

Fiscal Year	Secured Tax Charge[1]	Amt. Del. June 30	% Del. June 30
2016-17	$8,822,304.57	[2]	[2]
2017-18	9,237,012.22	[2]	[2]
2018-19	10,820,015.55	[2]	[2]

(1) Debt service levy only.
(2) San Diego County utilizes the Teeter Plan for assessment levy and distribution. This method guarantees distribution of 100% of the assessments levied to the taxing entity, with the County retaining all penalties and interest.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Numerous local agencies that provide public services overlap the Improvement District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the Improvement District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District has not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

The following table is a statement of the Improvement District's direct and estimated overlapping bonded debt as of September 1, 2019:

IMROVEMENT DISTRICT NO. 2002-1 OF THE
POWAY UNIFIED SCHOOL DISTRICT
Direct and Overlapping Bonded Indebtedness

2019-20 Assessed Valuation: $27,783,113,138

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable[1]	Debt 9/1/19	
Metropolitan Water District	0.914%	$ 439,177	
Palomar Community College District	21.841	134,403,565	
San Diego Community College District	0.002	25,483	
Poway Unified School District School Facilities Improvement District No. 2002-1	**100.000**	**128,050,766**	(2)
Poway Unified School District School Facilities Improvement District No. 2007-1	99.860	171,011,206	
Palomar Pomerado Healthcare District	31.021	130,916,071	
Poway Unified School District Community Facilities District No. 13	100.000	7,260,000	
Rancho Santa Fe Community Services District Community Facilities District No. 1	40.838	12,412,610	
1915 Act Bonds	5.529	539,940	
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$585,058,818	
OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	5.088%	$ 12,992,971	
San Diego County Pension Obligation Bonds	5.088	23,203,315	
San Diego County Superintendent of Schools General Fund Obligations	5.088	513,125	
Palomar Community College District Certificates of Participation	21.841	467,397	
Poway Unified School District General Fund Obligations	59.716	33,231,954	
City of Poway Certificates of Participation	99.514	11,981,486	
City of San Diego General Fund Obligations	5.933	31,069,281	
TOTAL OVERLAPPING GENERAL FUND DEBT		$113,459,529	
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$130,282,805	
COMBINED TOTAL DEBT		$828,801,152	(3)

Ratios to 2019-20 Assessed Valuation:
Direct Debt ($128,050,766) 0.46%
Total Direct and Overlapping Tax and Assessment Debt.. 2.11%
Combined Total Debt... 3.98%

Ratio to Redevelopment Incremental Valuation ($5,114,157,660):
Total Overlapping Tax Increment Debt 2.55%

____
(1) 2018-19 ratios.
(2) Excludes the Bonds to be sold, and includes the Refunded Bonds.
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics Inc.

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DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the District and the District's finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal and interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters in the Improvement District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County on all taxable property within the Improvement District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.

State Funding of Education

On June 27, 2013, the State adopted a new method for funding school districts commonly known as the "Local Control Funding Formula." The Local Control Funding Formula ("LCFF") was implemented in stages, beginning in fiscal year 2013-14 and was fully implemented in fiscal year 2018-19. Prior to adoption of the LCFF, the State used a revenue limit system described below.

Local Control Funding Formula. State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as a part of the 2013-14 State Budget (defined below) enacted the LCFF beginning in fiscal year 2013-14, which replaced the revenue limit funding system and many categorical programs. See "-Revenue Limit Funding System" below. The LCFF distributes resources to schools through a guaranteed base funding grant (the "Base Grant") per unit of ADA. The average Base Grant is $7,643 per unit of ADA, which is $2,375 more than the average revenue limit. Additional supplemental funding is made available based on the proportion of English language learners, low-income students and foster youth.

The primary component of AB 97, as amended by SB 91, is the implementation of the LCFF, which replaces the revenue limit funding system for determining State apportionments, as well as the majority of State categorical program funding. State allocations will be provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Full implementation of the LCFF occurred in fiscal year 2018-19.

For fiscal year 2019-20, the Base Grant per unit of A.D.A. for each grade span are as follows: (i) $8,563 for grades K-3; (ii) $7,818 for grades 4-6; (iii) $8,050 for grades 7-8; and (iv) $9,572 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. With full implementation of the LCFF, the provision of cost-of-living-adjustments is now subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals ("FRPM") and are not discussed separately herein, except that the percentage of LI students and foster youth receiving FRPM are set forth in the table on the following page). A supplemental grant add-on (each, a "Supplemental Grant") is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied by the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table sets forth the historical ADA (at P-2) and enrollment (CBEDS Actual) for fiscal years 2009-10 through 2018-19.

POWAY UNIFIED SCHOOL DISTRICT
Historical ADA and Enrollment
Fiscal Years 2009-10 through 2018-19

Fiscal Year	ADA	Enrollment
2009-10	32,658	33,797
2010-11	33,057	34,135
2011-12	33,450	34,569
2012-13	34,055	35,196
2013-14	34,473	35,498
2014-15	34,490	35,629
2015-16	34,554	35,771
2016-17	34,815	35,956
2017-18	35,280	36,519
2018-19	35,245	36,450

Source: The District.

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The following table sets forth the ADA, enrollment, the percentage of EL/LI ("Unduplicated Count") enrollment (FRPM enrollment is included in the percentage of Unduplicated Count enrollment), budgeted for the current fiscal year and projections for fiscal years 2020-21 and 2021-22.

POWAY UNIFIED SCHOOL DISTRICT
ADA, English Language/Low Income Enrollment
Fiscal Years 2018-19 through 2021-22

	ADA					Enrollment	
Fiscal Year	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment	% of Unduplicated Count
2018-19	10,623	7,908	5,628	11,086	35,245	36,450	22.39%
2019-20[1]	10,711	7,974	5,674	11,175	35,534	36,669	23.12
2020-21[2]	10,803	8,042	5,722	11,270	35,837	36,944	22.25
2021-22[2]	10,895	8,110	5,771	11,366	36,142	37,258	22.09

[1] Budgeted.
[2] Projected.
Source: The District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the Legislature to school districts.

Certain schools districts, known as "community funded" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Community funded school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for "community funded" districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as community funded and does not expect to qualify in the future.

Accountability. The State Board of Education has promulgated regulations regarding the expenditure of supplemental and concentration funding, including a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such district on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has developed and adopted a template LCAP for use by school districts.

Support and Intervention. AB 97, as amended by SB 91, establishes a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district's LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district's LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the "State Superintendent") is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

Revenue Limit Funding System. Prior to the implementation of the LCFF, annual State apportionments of basic and equalization aid to school districts for general purposes were computed up to a revenue limit (described below) per unit of ADA. Generally, such apportionments amounted to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all of the same type of California school districts (i.e., unified, high school or elementary). State law also provided for State support of specific school related programs, including summer school, adult education, deferred maintenance of facilities, pupil transportation, portable classrooms and other capital outlays and various categorical aids.

Revenue Sources

The District categorizes its general fund revenues into four sources; LCFF revenues, federal revenues, other State revenues and other local revenues. Each of these revenue sources is briefly described below.

LCFF Sources. State funding under the LCFF consists of Base Grants and supplemental grants as described above. This category also includes local property taxes. See "- State Funding of Education – Local Control Funding Formula" above.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Every Child Succeeds.

Other State Revenues. The District receives some other State revenues. These other State revenues are primarily restricted revenues funding items such as instructional materials, and various block grants.

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

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

The percentage of total general fund revenue for each source of revenue is shown in the following table.

POWAY UNIFIED SCHOOL DISTRICT
Percentage of Revenue by Source

Revenue Source	2015-16	2016-17	2017-18	2018-19(1)	2019-20(2)
LCFF sources	79.51%	76.22%	79.24%	76.08%	78.94%
Federal revenues	2.98	2.59	2.62	2.40	2.94
Other State revenues	12.30	16.88	13.81	18.07	14.73
Other local revenues	5.21	4.30	4.32	3.45	3.50

(1) Based on unaudited actual financial results.
(2) Budgeted.
Source: The District.

Developer Fees

The District receives developer fees per square foot pursuant to Education Code Section 17620 which must be used to fund construction or reconstruction of school facilities. Current Statutory Level 1 developer fees are $3.79 per square foot for non-mitigated new residential additions over 500 square feet and $0.61 per square foot for non-mitigated commercial or industrial development; and Level 2 developer fees are $3.90 (increasing to $3.96 after a public hearing held on September 12, 2019) per square foot for non-mitigated residential construction. The following table sets forth developer fee collections by the District for the last five fiscal years.

POWAY UNIFIED SCHOOL DISTRICT
Developer Fee Collections

Fiscal Year	Developer Fees Collected
2014-15	$ 322,927.46
2015-16	439,942.42
2016-17	486,305.60
2017-18	826,352.41
2018-19	1,485,969.38

Source: The District.

Budget Procedures

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. In 2014, Assembly Bill 2585 was enacted, which repealed provisions authorizing schools districts to use a dual budget adoption cycle. Instead, all school districts must be on a single budget cycle. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than August 20, the county superintendent must notify the State Superintendent of all school districts whose budget has been disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reports. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years.

The District has not received a qualified or negative certification on any interim reports in the last five fiscal years.

General Fund Budget. The District's general fund adopted budgets for fiscal years 2015-16 through 2019-20, audited actuals for the fiscal years 2015-16 through 2017-18 and unaudited actual financial results for fiscal year 2018-19 are set forth on the following page.

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POWAY UNIFIED SCHOOL DISTRICT
GENERAL FUND BUDGETING

	Adopted Budget 2015-16[1]	Audited Actuals 2015-16[1]	Adopted Budget 2016-17[1]	Audited Actuals 2016-17[1]	Adopted Budget 2017-18[1]	Audited Actuals 2017-18[1]	Adopted Budget 2018-19[2]	Unaudited Actuals 2018-19[3]	Adopted Budget 2019-20[3]
REVENUES									
LCFF Sources	$264,826,472	$265,965,779	$279,334,009	$ 281,095,725	$287,272,131	$291,748,858	$313,425,465	$312,187,106	$324,779,697
Federal	8,971,674	9,051,499	9,154,226	9,269,371	9,439,200	9,226,040	9,645,273	9,859,203	10,188,094
Other State	46,945,112	58,900,535	47,308,875	49,004,992	41,936,022	47,569,636	55,154,673	74,143,682	46,548,351
Other Local	11,620,663	15,012,943	11,825,615	15,326,442	12,261,432	15,512,627	12,878,405	14,162,084	13,271,619
Total Revenues	332,363,921	348,930,756	347,622,725	354,723,530	350,908,785	364,057,161	391,103,8168	410,352,075	394,787,761
EXPENDITURES									
Current									
Certificated Salaries	148,743,434	154,309,821	159,681,762	160,159,525	162,148,109	166,209,060	168,480,700	169,953,937	171,541,997
Classified Salaries	53,187,563	53,802,344	58,859,282	57,334,452	59,202,823	58,108,079	61,808,033	62,741,952	64,497,483
Employee Benefits	67,232,655	76,114,284	90,183,670	87,665,771	93,355,608	93,885,881	109,696,000	121,859,587	115,208,282
Books and Supplies	19,371,987	13,688,473	19,258,017	13,108,146	15,295,772	15,165,710	12,841,711	14,033,665	14,550,518
Services, Other Operating Expenses	32,464,983	30,246,173	34,697,175	30,690,866	32,274,347	30,098,067	35,198,781	33,091,981	33,067,058
Other Outgo	815,878	274,879	815,878	247,266	843,812	1,077,246	3,936,934	4,191,508	3,655,500
Direct Support/Indirect	(353,710)	(356,364)	(408,719)	(124,965	(437,440)	(123,734)	(403,412)	(138,176)	(456,273)
Capital outlay	2,360,415	3,318,898	7,523,409	7,300,250	1,383,982	1,828,172	1,147,446	5,341,939	1,362,121
Debt Service									
Principal	2,221,174	2,221,172	1,651,381	3,972,657	3,918,963	3,918,959	--	--	--
Interest	122,688	122,687	2,290,602	142,169	195,870	195,867	--	--	--
Total Expenditures	2,343,862	2,343,859	3,941,983	4,114,826	4,114,833	4,114,826	1,147,446	411,076,394	1,362,121
Excess (Deficiency) Of Revenues Over (Under) Expenditures	6,196,854	15,188,389	(26,929,732)	(5,772,607)	(17,273,061)	(6,306,146)	(1,602,377)	(724,319)	(8,638,925)
OTHER FINANCING SOURCES (USES)									
Transfers in	682,212	2,027,185	1,911,783	4,989,078	1,867,859	3,440,210	3,682,079	4,284,949	2,419,686
Transfers out	(1,741,225)	(1,299,888)	(1,474,157)	(1,449,436)	(1,459,930)	(2,177,831)	1,025,975	4,011,305	1,990,975
Other sources	2,500,000	2,500,000	7,500,000	8,575,000	--	--	--	--	1,850,000
Total Other Financing Sources (Uses)	1,440,987	3,227,297	7,937,626	12,114,642	407,929	1,262,379	2,656,104	273,644	2,278,711
NET CHANGE IN FUND BALANCES	7,637,841	18,415,686	(18,992,106)	6,342,035	(16,865,132)	(5,043,767)	1,053,727	(450,675)	(6,360,214)
Fund Balance, July 1	40,802,788	40,802,788	59,218,474	59,218,474	65,560,509	65,560,509	50,956,894	60,516,741	56,558,195
Fund Balance, June 30	$ 48,440,629	$ 59,218,474	$ 40,226,368	$ 65,560,509	$ 48,695,377	$ 60,516,742	$ 52,010,621	$60,066,066	$50,197,981

[1] From the audited financial statement of the District for such fiscal year.
[2] From the 2018-19 adopted budget.
[3] From 2019-20 unaudited actual results.
Source: The District.

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2018, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the District, 15250 Avenue of Science, Poway, California 92128. See APPENDIX B hereto for the 2017-18 Audited Financial Statements of the District.

The table on the following page reflects the District's audited general fund revenues, expenditures and fund balances from fiscal year 2014-15 to fiscal year 2017-18.

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POWAY UNIFIED SCHOOL DISTRICT
GENERAL FUND
Statement of Revenues, Expenditures and Change in Fund Balances
for Fiscal Years 2014-15 through 2017-18

	2014-15 Audit	2015-16 Audit	2016-17 Audit	2017-18 Audit
REVENUES				
LCFF Sources	$ 237,841,005	$ 265,965,779	$ 281,095,725	$ 291,747,858
Federal Revenues	8,902,970	9,051,499	9,296,371	9,226,040
Other State Revenues	36,797,841	58,900,535	49,004,992	47,569,636
Other Local Revenues	15,596,842	15,012,943	15,326,442	15,513,627
Total Revenues	299,138,658	348,930,756	354,723,530	364,057,161
EXPENDITURES				
Current				
Instruction	204,191,504	216,511,823	230,175,504	241,574,498
Instruction related activities	32,917,049	34,289,421	37,780,391	38,721,287
Pupil services	24,775,006	24,667,954	27,048,153	27,574,454
Ancillary Services	4,114,963	4,389,268	4,023,215	3,968,766
Community Services	369,227	395,408	454,846	394,218
General Administration	15,676,339	15,895,606	17,431,514	17,836,649
Plant services	32,698,150	31,655,250	31,920,172	33,273,191
Other outgo	773,155	274,879	247,266	1,077,246
Capital Outlay	--	3,318,899	7,300,250	1,828,172
Debt Service				
Principal	1,751,337	2,221,172	3,972,657	3,918,959
Interest	73,529	122,687	142,169	195,867
Total Expenditures	1,824,866	2,343,859	4,114,826	4,114,826
Excess (Deficiency) of Revenues Over Expenditures	(18,201,601)	15,188,389	(5,772,607)	(6,306,149)
OTHER FINANCING SOURCES (USES):				
Transfers In	887,043	2,523,966	5,433,805	4,472,434
Transfers Out	(3,053,394)	(1,856,491)	(1,449,436)	(2,177,831)
Other Sources	3,900,000	2,500,000	8,575,000	--
Net Financing Sources	1,733,649	3,167,475	12,559,369	2,294,603
NET CHANGE IN FUND BALANCES	(16,467,952)	18,355,864	6,786,762	(4,011,543)
Fund Balances at Beginning of Year	57,851,054	41,383,102	59,738,966	66,525,728
Fund Balances at End of Year	$ 41,383,102	$ 59,738,966	$ 66,525,728	$ 62,514,185

Source: The District.

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Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

State Budget Measures

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guaranty the accuracy or completeness of this information and has not independently verified such information.

2018-19 State Budget. Governor Brown signed the fiscal year 2018-19 budget for the State (the "2018-19 State Budget") on June 27, 2018, forecasting revenues and transfers for 2018-19 of $141.8 billion and expenditures of $138 billion. For 2017-18, the 2018-19 State Budget includes revenues and transfers of $135.5 billion, an increase of almost $10 billion over the 2017-18 State Budget, and expenditures of $127 billion. The 2018-19 State Budget reflects continued economic expansion and increasing revenues, including record all-time capital gains tax revenues. The Rainy Day Fund is fully funded to $13.9 billion and an additional $200 million is deposited to the newly created Safety Net Reserve Fund. In recognition that the current economic prosperity can't continue indefinitely, the 2018-19 State Budget makes one-time spending commitments rather than on-going programmatic expenditures; primarily for infrastructure, homelessness and mental health. A new funding formula for higher education is adopted that provides increased funding for community college districts that serve low-income students and where students demonstrate certain success. Additionally, the California Online College is created in order to facilitate access to higher education for working adults.

With respect to K-12 education, the 2018-19 State Budget includes total funding of $97.2 billion ($56.1 billion State general fund and $41.1 billion from other funds) with per pupil funding from all sources of $16,352. LCFF funding is increased by $3.7 billion to reach full funding. Additionally, the 2018-19 State Budget provides $1.1 billion in one-time discretionary funds to school districts, charter schools and county offices of education. The 2018-19 State Budget also enacts a new Proposition 98 certification process to ensure annual Proposition 98 certifications.

Significant provisions of the 2018-19 State Budget relating to K-12 education are as follows:

- Career Technical Education—$164 million ongoing Proposition 98 funds to establish a K-12 specific program within the Strong Workforce Program and $150 million ongoing Proposition 98 funds to make permanent the Career Technical Education Inventive Grant Program.

- Low-Performing Student Block Grant—$300 million Proposition 98 funds for local education agencies with students performing at the lowest levels on academic assessments and that do not generate supplemental LCFF funds or special education resources.

- Early Education Expansion Program—$167.2 million Proposition 98 funds for inclusive early education and care for children up to the age of five in low-income and low access to care areas.

- Teacher Residency Grant Program—$75 million Proposition 98 funds to support one-year intensive, mentored, clinical teacher preparation programs with $50 million for preparing and retaining special education teachers and $25 million for bilingual and STEM teachers.

- Local Solutions Grant Program—$50 million Proposition 98 funds to provide one-time grants to local educational agencies for locally identified solutions for special education teachers.

- Classified School Employee Summer Assistance Program—$50 million Proposition 98 funds to provide state matching funds to classified school employees who defer paychecks to the summer recess period.

- Classified School Employee Professional Development Block Grant Program—$50 million Proposition 98 funds for professional development for classified staff with a priority on the implementation of school safety plans.

- English Language Proficiency Assessment for California—$27.1 million Proposition 98 funds to convert the paper-based ELPAC to a computer-based assessment and to develop an ELPAC assessment specific to students with exceptional needs.

- Charter School Facility Grant Program—$21.1 million one-time and $24.8 million ongoing Proposition 98 funds to reflect increases in programmatic costs.

- Kids Code After-School Program—$15 million Proposition 98 funds to increase opportunities for students in after-school programs to access computer coding education.

- Fire-Related Support—$4.4 million Proposition 98 funds in property tax relief to school districts impacted by the fires in Northern and Southern California in 2017, $25 million Proposition 98 funds through the LCFF and a hold-harmless provision for ADA for three years.

- California-Grown Fresh School Meals Grants—$1 million one-time Proposition 98 funds to encourage the purchase of California-grown food by schools and expand the number of freshly prepared school meals offered that use California-grown ingredients.

- Fiscal Crisis and Management Assistance Team—$972,000 Proposition 98 funds to allow FCMAT to coordinate with county offices of education to offer more proactive and preventive services to fiscally distressed school districts, specifically those with a qualified interim budget status.

2019-20 State Budget. On June 27, 2019, Governor Gavin Newsom signed the budget for the State for fiscal year 2019-20 (the "2019-20 State Budget"). Under the 2019-20 State Budget, general fund revenues and transfers are forecasted to total $150.6 billion with expenditures reaching $147.8 billion in fiscal year 2019-20. For fiscal year 2018-19, the 2019-20 State Budget includes revenues and transfers of $149.5 billion, an increase of $7.7 billion over the 2018-19 State Budget, and expenditures of $143 billion, approximately $5 billion greater than under the 2018-19 State Budget. The 2019-20 State Budget includes $14.3 billion for reserves and paying down debts which will bring the Rainy Day Fund to $16.5 billion at the end of fiscal year 2019-20. The 2019-20 State Budget also includes a $4.3 billion supplemental contribution to pay down the State's share of unfunded PERS liabilities and STRS liabilities. Current assumptions provide that the school district contribution rate to STRS would decrease from 18.13% to 16.7% in fiscal year 2019-20 and from 19.1% to 18.1% in fiscal year 2020-21 as a result of such one-time payment. See "POWAY UNIFIED SCHOOL DISTRICT - District Retirement Systems" herein.

The 2019-20 State Budget allocates total K-12 funding of $103.4 billion ($58.8 billion in Proposition 98 funds and $44.6 billion other funds). Total per-pupil funding would reach $17,423 in 2019-20 from all sources. LCFF funding includes an additional $1.9 billion in the form of a 3.26% COLA.

Significant features of the 2019-20 State Budget pertaining to K-12 education are as follows:

- Charter School Regulation — accountability requirements for charter schools to align governance, transparency and accountability requirements of school districts and charter schools.

- Special Education— $645.3 million Proposition 98 funds for special education allocated among school districts based on children ages 3 to 5 years old with exception needs served by a school district.

- Proposition 51 Bond Funds — $1.5 billion in bond funds to support school construction projects including new construction, modernization, retrofitting, career technical education, and charter school facility projects.

- Proposition 98 Settle-Up — $686.6 million for K-12 schools and community colleges to pay the balance of past year Proposition 98 funds owed through 2017-18.

- Kindergarten Facilities — $300 million one-time non-Proposition 98 funds to construct new or retrofit existing facilities to support full-day kindergarten programs, which will increase participation in kindergarten by addressing barriers to access.

- New Teacher Grants — $89.8 million one-time non-Proposition 98 funds to provide grants of $20,000 for students enrolled in a professional teacher preparation program who commit to working in a high-need field at a priority school for at least four years.

- After School Education and Safety Program ("ASES") — $50 million ongoing Proposition 98 funds to provide an increase of approximately 8.3% to the per-pupil daily rate for ASES.

- Educator Workforce Grants — $37.1 million for the Educator Workforce Investment Grants for professional development in the following areas i) $22.1 million for social emotional learning, computer science, restorative practices, and ethnic studies; ii) $10 million implementation of the English-Learner Roadmap; iii) $5 million for p special education and inclusive practices.

- 21st Century California Leadership Academy — $13.8 million federal funds to establish the 21st Century California Leadership Academy, to provide professional learning opportunities for public K-12 administrators and school leaders to acquire the knowledge, skills, and competencies necessary to successfully support the diverse student population served in California public schools.

- Classified Employees Summer Assistance Program — $36 million one-time Proposition 98 funds to provide a state match for classified employee savings used to provide income during summer months.

- Broadband Infrastructure — $7.5 million one-time non-Proposition 98 funds for broadband infrastructure.

- Longitudinal Data System — $10 million one-time non-Proposition 98 funds to plan for and develop a longitudinal data system to track impacts of investments in educational goals.

Future Actions. The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs theretofore borne by the State. No prediction can be made as to whether the State will take further measures which would, in turn, adversely affect the District. Further State actions taken to address its budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions.

The District cannot predict whether the State will encounter budgetary difficulties in the current or future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control. The Bonds are secured by *ad valorem* taxes levied upon real property within the District.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIIIA of the California Constitution

Article XIIIA of the State Constitution ("Article XIIIA") limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the County assessor. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under 'full cash value,' or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the "base year value." The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on outstanding general obligation bonds of the District, including the Bonds. See "TAX BASE FOR REPAYMENT OF THE BONDS – Assessed Valuations" herein.

Article XIIIA requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of principal of and interest on the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds or more of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIIIA

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

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

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

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

Unitary Property

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

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. Because the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education" herein.

Article XIIIB of the California Constitution

Article XIIIB of the State Constitution ("Article XIIIB"), as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

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

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

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "–Proposition 98" and "–Proposition 111" below.

Article XIIIC and Article XIIID of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic one 1% *ad valorem* property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the Improvement District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the Improvement District.

Proposition 26

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

Proposition 98

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

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

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

Proposition 111

On June 5, 1990, the voters of California approved the Traffic Congestion Relief and Spending Limitation Act of 1990 ("Proposition 111"), which modified the State Constitution to alter the Article XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

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

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

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

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

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

Proposition 39

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

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

Jarvis v. Connell

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California (the "Controller")). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately $1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide. ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to such redevelopment agency will be allocated to the Successor Agency, to be used for the payment of pass-through payments to local taxing entities and to any other "enforceable obligations" (as defined in the Dissolution Act), as well to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally requirement payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations. Tax revenues in excess of such amounts, if any, will be distributed to local taxing entities in the same proportions as other tax revenues.

The District can make no representations as to the extent to which its revenue limit apportionments may be offset by the future receipt of pass through tax increment revenues, or any other surplus property tax revenues pursuant to the Dissolution Act.

Proposition 30

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

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

Proposition 55

At the November 8, 2016 general election, the voters in the State approved the Tax Extension of Education and Healthcare Initiative ("Proposition 55") which extends the increase in personal income tax on high-income taxpayers imposed under Proposition 30 until 2030. Proposition 55 did not extend the sales and use tax increases imposed under Proposition 30 which expired at the end of 2016.

Proposition 51

The Kindergarten through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) was a voter initiative that was approved by voters in the State on November 8, 2016. Proposition 51 authorizes the sale and issuance of $9 billion in general obligation bonds by the State for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school districts lack sufficient local funding, it may apply for additional state grant funding, up to 100% of the project costs. In addition, a total of $1 billion will be available for the modernization and new construction of charter school ($500 million) and technical education ($500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for state loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, state grants are capped at $3 million for a new facility and $1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes $2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the State legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and State legislature will select among eligible projects as part of the annual state budget process.

The District makes no representation that it will either pursue or qualify for Proposition 51 State facilities funding.

Proposition 2

Proposition 2, a legislatively referred Constitutional amendment approved by the voters in November, 2014 ("Proposition 2"), changed the way in which the State pays off existing debts, funds its reserves and draws from those reserves in times of economic slowdowns, as well as requires that reserves be set aside for schools and community colleges under certain circumstances. In addition, as a result of the passage of Proposition 2, new rules for school district reserves were implemented.

Under Proposition 2, the State is required annually to deposit 1.5% of general fund revenues into the Budget Stabilization Account ("BSA"). From fiscal year 2015-16 through 2029-30, under Proposition 2, one half of the amount required to be deposited to the BSA must be applied to the payment of debts for pension and retiree benefits and specified debts to local governments and certain other State accounts. In years when capital gains tax revenues exceed 8% of general fund revenues, a portion of such excess capital gains tax revenue is also required to be applied to the pay down of State debt. Deposits to the BSA are required until the amount on hand in the BSA reaches 10% of general fund revenues. Once the maximum has been reached, the required deposit amount may be applied to other expenditures.

In the event the Governor were to declare a budget emergency, Proposition 2 would permit a smaller deposit to the BSA. A budget emergency may be called if there is a natural disaster such as an earthquake or flood or general fund revenues reach a certain minimum level. Withdrawals from the BSA, under Proposition 2, are permitted upon a majority vote of the legislature only when the Governor has declared a budget emergency. If a budget emergency is called for two straight years in a row, in the second budget emergency year, the entire amount on hand might be withdrawn.

Public School System Stabilization Account. In the event capital gains tax revenues collected by the State in any given fiscal year exceed 8% of general fund revenues, a portion of such excess is required to be deposited into the newly established under Proposition 2 Public School System Stabilization Account which serves as a reserve account for school funding in years when the State budget is smaller.

SB 858 and SB 751. State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district's ADA. SB 858, adopted in June 2014, imposed limitations relating to ending fund balances for school districts. Beginning in 2015–16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times higher than the state's minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. SB 751, which was adopted in October 2017 and amended Section 42127.01 of the Education Code, placed certain restrictions on the amount of a school district's ending fund balances if a certain amount of funds is available in the State's PSSSA. In a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total of general fund revenues appropriated for school districts for that fiscal year, (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES—Proposition 98"), a school district's adopted or revised budget may not contain an assigned or unassigned ending fund balance higher than 10% of expenditures and other financing uses. A county superintendent could waive the prohibition, pursuant to specified conditions, for up to two consecutive years within a three-year period. SB 751 does not apply to school districts with an ADA of less than 2,501 students and basic aid school districts.

If the cap is triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. The PSSA appears to be intended to provide a substitute for local reserves in the event of a future economic downturn.

The District is required to maintain a reserve for economic uncertainties at least equal to 3% of general fund expenditures and other financing uses. At June 30, 2018, the District had unassigned available reserves of $55,152,815 or approximately 15.3% of outgo. The District is unable to predict what the effect on its budget will be following implementation of these new rules. It is anticipated that if the cap is triggered, it will materially change the District's current policies on reserves.

Future Initiatives

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

POWAY UNIFIED SCHOOL DISTRICT

Introduction

The District, established in 1962, is located in northern San Diego County (the "County") and comprises approximately 100 square miles. The District provides education services in 25 elementary schools, one combination elementary and middle school, six middle schools, five high schools, one continuation high school and one adult school. The average daily attendance ("ADA") for the District for fiscal year 2019-20 is budgeted to be 35,534 students. The audited financial statements for the District for the fiscal year ended June 30, 2018 are attached as APPENDIX B hereto.

Board of Education

The District is governed by a Board. The Board consists of five members who are elected by-district to overlapping four-year terms at elections held in staggered years. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board members or by a special election. The years in which the current terms for each member of the Board expire are set forth in the following table:

POWAY UNIFIED SCHOOL DISTRICT
Board of Education

Name	Office	Term Expires December
Dr. Darshana Patel	President	2020
Michelle O'Connor-Ratcliffe	Vice President	2022
Ginger Couvrette	Clerk	2020
Kimberley Beatty	Member	2022
T.J. Zane	Member	2022

Source: The District.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Poway Unified

School District, 15250 Avenue of Science, Poway, California 92128, Attention: Associate Superintendent, Business Support Services. The District may charge a small fee for copying, mailing and handling.

Key Personnel

The following is a listing of the key administrative personnel of the District and brief biographies of certain District administrators follow.

Name	Title
Marian Kim Phelps, Ed.D.	Superintendent
Ronald D. Little, II	Associate Superintendent, Business Support Services
Jennifer Burks, Ed.D.	Associate Superintendent, Technology and Innovation
Greg Mizel	Associate Superintendent, Student Support Services
James Jimenez	Associate Superintendent, Personnel Support Services
Carol Osborne	Associate Superintendent, Learning Support Services

Dr. Marian Kim Phelps, Ed.D. – Superintendent. Dr. Kim Phelps was appointed Superintendent of the District in March, 2017, prior to which Dr. Kim Phelps served as the Superintendent of Westminster School District. Dr. Kim Phelps has also served as an area superintendent, principal, vice-principal and teacher for over 32 years in public schools. She earned a Bachelor's Degree in Arts from the University of California at San Diego, a Master's Degree in Arts from Point Loma Nazarene University and a Doctorate Degree from San Diego State University.

Ronald D. Little, II – Associate Superintendent, Business Support Services. Ronald D. Little, II has served as the Associate Superintendent, Business Support Services of the District since April 2017. He previously served as the Vice Chancellor of Peralta Community College District and as Chief Financial Officer of San Diego Unified School District. Mr. Little earned a Master's Degree in Business Administration in Finance from the University of San Francisco and a Post-Graduate Certification in School Business Management from University of Southern California.

Employees and Labor Relations

The District has budgeted in fiscal year 2019-20 for approximately 1,735 full-time equivalent certificated employees, approximately 1,557 full-time equivalent classified employees, and approximately 304 management/supervisor/confidential employees.

The certificated employees of the District have assigned the Poway Federation of Teachers ("PFT") as their exclusive bargaining agent. The contract between the District and PFT expires on June 30, 2021.

Certain classified employees (office/technical and paraprofessional employees) have assigned Poway School Employees Association ("PSEA") as their exclusive bargaining agent. The contract between the District and PSEA expired on June 30, 2019. The parties are operating under the terms of the expired contract while negotiations are underway for a new contract.

Certain classified employees (operations support service employees) have also assigned PSEA as their exclusive bargaining agent. The contract between the District and PSEA expired on June 30, 2019. The parties are operating under the terms of the expired contract while negotiations are underway for a new contract.

District Retirement Systems

The information set forth below regarding the District's retirement programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. The District is currently required by such statutes to contribute 17.10% of eligible salary expenditures, while participants contribute either 10.25% or 10.205% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 10.328% of teacher payroll for fiscal year 2019-20. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16 and will continue to increase annually until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions also increased from 8.00% to a total of 10.25% of pay, over the three year period from 2014-15 through 2017-18. The State's total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the STRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to A.B. 1469, school districts' employer contribution rates will increase over a seven-year phase-in period in accordance with the following schedule:

SCHOOL DISTRICT EMPLOYER CONTRIBUTION RATES
State Teachers' Retirement Fund

Effective Date (July 1)	School District Contribution Rate to STRS
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	17.10*
2020	18.40*

* The 2019-20 State Budget provided supplemental payments to STRS by the State which reduces the school district contribution rate under A.B. 1469.

The District contributed $12,871,044 to STRS for fiscal year 2014-15, $16,675,375 for fiscal year 2015-16, $20,014,998 for fiscal year 2016-17 and $23,541,727 for fiscal year 2017-18. Such contributions were equal to 100% of the required contributions for the respective years. The District estimates a contribution of $27,250,022 for fiscal year 2018-19 and has budgeted a contribution of $29,581,744 for fiscal year 2019-20. With the implementation of AB 1469, the District anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 19.721% of eligible salary expenditures for fiscal year 2019-20, while participants enrolled in PERS (whether enrolled prior to or subsequent to January 1, 2013) contribute 7% of their respective salaries.

On April 19, 2017, the Board of Administration of PERS adopted new contribution rates for school districts. The revised contribution rates are, as were the previous contribution rates, based on certain demographic assumptions adopted by the Board of Administration in February 2014 which took into account longer life spans of public employees from previous assumptions. Such demographic assumptions generally increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and were phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. PERS estimated that the new demographic assumptions would cost public agency employers up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that current and future experiences differ from PERS' assumptions, the required employer contributions may vary. The 2017-18 contribution rate also took into account increased payroll over 2016-17, a lowered discount rate (which was approved in December 2016) as well as lower than predicted investment returns in prior years. As a result of payments to be made by the State as part of the 2019-20 State Budget, the estimated future employer contribution rates to PERS were again revised downward for fiscal years 2019-20 through 2025-26 but remain subject to annual adoption by the PERS Board of Administration. See "DISTRICT FINANCIAL INFORMATION- State Budget Measures" herein.

The District contributed $6,115,073 to PERS for fiscal year 2014-15, $6,579,149 for fiscal year 2015-16, $7,915,583 for fiscal year 2016-17 and $10,402,320 for fiscal year 2017-18, which amounts equaled 100% of required contributions to PERS. The District estimates a contribution of $12,348,072 for fiscal year 2018-19 and has budgeted a contribution of $14,690,811 for fiscal year 2019-20.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS and STRS as of July 1, 2018.

FUNDED STATUS
STRS (DEFINED BENEFIT PROGRAM) and PERS
Actuarial Valuation as of July 1, 2018
(Dollar Amounts in Millions) [1]

Plan	Accrued Liability	Market Value of Trust Assets	Unfunded Liability
Public Employees Retirement Fund (PERS)	$92,071	$64,846	($27,225)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	297,603	190,451	(107,152)

[1] Amounts may not add due to rounding.
Source: PERS State & Schools Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

Unlike PERS, STRS contribution rates for participant employers, employees hired prior to the Implementation Date (defined herein) and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the Reform Act (defined below), the contribution rate for STRS participants hired after the Implementation Date will vary from year-to-year based on actuarial valuations. See "—California Public Employees' Pension Reform Act of 2013" below. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. AB 1469 is intended to address this unfunded liability. The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employee's Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB approved Statements Nos. 67 and 68 ("Statements") with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government's balance sheet (currently, such unfunded liabilities are typically included as notes to the government's financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of the Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions and pension expense based on its proportionate share of the net pension liability for benefits provided through the pension plan. Because the accounting standards do not require changes in funding policies, the full extent of the effect of the new standards on the District is not known at this time. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

The District's proportionate shares of the net pension liability of STRS and PERS, as of June 30, 2018, are as shown in the following table.

Pension Plan	Proportionate Share of Net Pension Liability
STRS	$278,284,160
PERS	105,938,179
Total	$384,222,339

Source: The District.

For further information about the District's contributions to STRS and PERS, see Note M in the District's audited financial statements for fiscal year ended June 30, 2018 attached hereto as Appendix B.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions.* The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. In June 2015, GASB replaced Statement No. 45 with Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which the District implemented in fiscal year 2017-18.

Employees who are eligible to receive retiree employment benefits other than pensions ("Health & Welfare Benefits") while in retirement must meet specific criteria, *i.e.*, age and years with the District.

Certificated employees must be eligible for and retire under STRS and have 10 years of eligible service to the District. Coverage includes the retiree and eligible dependents for the least expensive medical, dental and vision plan until age 65.

Confidential employees must be eligible for and retire under PERS or STRS and have 10 years of eligible service to the District. Coverage includes the retiree and eligible dependents for the least expensive medical, dental and vision plan until age 65.

Classified employees (Unit I) must be eligible for and retire under STRS, PERS or PARS and have attained age 55. Coverage includes the right to purchase District sponsored health coverage until age 65. Classified employees with at least 5 years of consecutive service to the District may be eligible for a District contribution towards their coverage. Employees working full-time receive 100% of the District contribution with the contribution decreasing incrementally for part-time work.

Classified employees (Unit II) must be eligible for and retire under STRS, PERS or PARS, have at least 10 years of service to the District and have attained age 55. Coverage includes the right to purchase District sponsored health coverage until age 65. Employees who on or after July 1, 2012 and meet eligibility requirements may elect dental and vision coverage for life. Employees who retire after July 1, 2007 may be eligible for a District contribution towards their coverage based on their years of service at retirement.

Contribution requirements are established and may be amended by agreement between the District and each of its bargaining units. At July 1, 2018, 419 retirees and their beneficiaries were receiving Health & Welfare Benefits with 3,359 employees earning service credit towards eligibility.

Expenditures for Health & Welfare Benefits are recognized each pay period at a rate that approximates the amount of premiums paid. In April, 2019, the District established an irrevocable trust for Health & Welfare Benefits. As of June 30, 2019, the balance in the irrevocable trust for Health & Welfare Benefits was $3,483,610.

The following table shows the changes in the District's net Health and Welfare Benefits as of June 30, 2018.

POWAY UNIFIED SCHOOL DISTRICT
Health & Welfare Benefit Liability

	2018
Balance at June 30, 2017	$69,865,767
Service Cost	5,210,151
Interest	2,754,525
Changes in assumptions or other inputs	2,613,300
Benefit payments	(3,243,851)
Net Change in Total Liability	$77,199,892

Source: The District.

Risk Management

The District is exposed to various risks of loss related to tortious liability, theft, damage or destruction of assets, errors or omissions, employee injuries or natural disasters. The District is a member of San Diego County Schools Risk Management ("SDCSRM") and Southern California Relief Property and Liability Insurance ("SCRPLI") which provide health, workers' compensation and property liability insurance coverage to the District. SDCSRM and SCRPLI are joint powers authorities. The relationship between the District and the joint powers authorities is such that the joint powers authorities are not a component unit of the District for financial reporting purposes.

The District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and worker's compensation as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, The District believes that the recorded liabilities for self-insured claims are adequate.

District Debt Structure

Long-Term Debt. A schedule of the District's changes in long-term debt for the year ended June 30, 2018 is shown below:

POWAY UNIFIED SCHOOL DISTRICT
Long-Term Debt

	Balance June 30, 2017	Increase	Decrease	Balance June 30, 2018	Due Within One Year
Governmental Activities					
General obligation bonds	$ 484,153,402	$ 21,370,251	$ 9,707,875	$ 495,815,778	$ 11,230,703
Capital Leases	12,345,312	--	3,918,959	8,426,353	3,419,741
Lease Revenue Bonds	56,790,000	--	300,000	56,490,000	380,000
Special Tax Bonds	516,753,177	--	16,682,564	500,070,613	15,135,309
Net Pension Liability	328,665,401	39,812,901	--	368,478,302	--
Total OPEB Liability	69,865,767	7,334,125	--	77,199,892	--
Early Retirement Incentive	--	7,697,501	--	7,697,501	1,525,933
Compensated absences	6,691,513	--	1,795,448	4,896,065	4,896,065
Total Governmental Activities	$1,475,264,572	$ 76,214,778	$ 32,404,846	$1,519,074,504	$ 36,587,751
Business-Type Activities					
Net Pension Liability	$ 14,901,686	$ 842,351	--	$ 15,744,037	--
Total OPEB Liability	3,481,487	365,467	--	3,846,954	--
Compensated absences	538,220	1,350	--	539,570	539,570
Total Business-Type Activity	$ 18,921,393	$ 1,209,168	--	$ 20,130,561	$ 539,570
Total Long-Term Obligations	$1,494,185,965	$ 77,423,946	$ 32,404,846	$1,539,205,065	$ 37,127,321

Source: The District.

General Obligation Bonds

The Improvement District. On November 5, 2002, the District received authorization to issue $198,000,000 of general obligation bonds of the Improvement District (the "2002 Authorization"). Pursuant to the 2002 Authorization, the District issued the $54,910,000 General Obligation Bonds of School Facilities Improvement District No. 2002-1 of the Poway Unified School District, 2002 Election, Series A (the "Series A Bonds"), the $119,300,766 General Obligation Bonds of School Facilities Improvement District No. 2002-1 of the Poway Unified School District, 2002 Election, Series B (the "Series B Bonds") and the $3,698,663.90 General Obligation Bonds of School Facilities Improvement District No. 2002-1 of the Poway Unified School District, 2002 Election, Series C (the "Series C Bonds"). No additional general obligation bonds remain for issuance under the 2002 Authorization, except for refunding bonds.

The District, on behalf of the Improvement District, on November 2, 2011, issued the 2011 Refunding Bonds to refund the Series A Bonds and on July 15, 2014, issued the $100,325,000 2014 General Obligation Refunding Bonds of School Facilities Improvement District No. 2002-1 of the Poway Unified School District in order to refund a portion of the Series B Bonds. A portion of the 2011 Refunding Bonds are intended to be refunded by the Bonds described herein. See "PLAN OF REFUNDING" herein.

School Facilities Improvement District No. 2007-1 of the Poway Unified School District. School Facilities Improvement District No. 2007-1 of the Poway Unified School ("Improvement District No. 2007-1") received authorization to issue $179,000,0000 of general obligation bonds at an election within Improvement District No. 2007-1 on February 5, 2008 (the "2008 Authorization"). The District, on behalf of Improvement District No. 2007-1, issued its $73,998,935.75 General Obligation Bonds of School Facilities Improvement District No. 2007-1 of the Poway Unified School District, 2008 Election, Series A on January 27, 2009 and its $105,000,149.70 General Obligation Bonds of School Facilities Improvement District No. 2007-1 of the Poway Unified School District, 2008 Election, Series B on August 11, 2011. No further general obligation bonds remain for issuance under the 2008 Authorization.

2012 Certificates of Participation

On September 4, 2012, the Poway Unified School District Public Financing Authority ("Authority") privately placed $57,300,000 in principal amount of Certificates of Participation ("2012 Certificates") with U.S Bank in order to provide funds to refund and defease all of the Authority's 2007 Lease Revenue Bonds ("2007 LRBs") and finance additional school construction projects. The 2007 LRBs were originally issued for the purpose of financing the District's local funding share for certain priority school facilities and other District projects. The District is obligated to make payments securing repayment of the 2012 Certificates under a Lease Agreement over a 31-year term (i.e., until September 1, 2043) to maturity of the 2012 Certificates. At June 30, 2018, $56,490,000 in principal amount of the 2012 Certificates were outstanding.

Capital Leases

The District has entered into numerous leases for equipment that provide for title to pass upon expiration of the lease period. The future minimum lease payments under such capital leases are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	$ 3,419,741	$ 139,663	$ 3,559,404
2020	2,568,119	85,782	2,653,901
3021	2,091,882	43,026	2,134,908
2022	112,934	7,929	120,863
2023	115,517	5,346	120,863
2024-2028	118,160	2,703	120,863
Total	$ 8,462,353	$ 284,449	$ 8,710,802

Early Retirement Incentive

In June, 2018, the District entered into a supplemental early retirement plan (the "Early Retirement Plan") with 109 then-current employees. The Early Retirement Plan requires the District to make annual annuity premium payments for five years from 2019 through 2023. The outstanding balance under the Early Retirement Plan as of June 30, 2018 was $7,697,501.

Short-Term Debt

As of June 30, 2018, the District did not have any short-term debt outstanding. The District does not expect to issue any tax and revenue anticipation notes in fiscal year 2019-20.

SAN DIEGO COUNTY INVESTMENT POOL

The following information concerning the San Diego County Investment Pool has been provided by the County Treasurer and has not been confirmed or verified by the District. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

Under California law, the District is required to pay all monies received from any source into the San Diego County Treasury to be held on behalf of the District. The County Treasurer has authority to implement and oversee the investment of funds on deposit in commingled funds of the Treasury.

Decisions on the investment of funds in the County Investment Pool are made by the County Treasurer and his deputies in accordance with established policy guidelines. In the County, investment decisions are governed by California Government Code Sections 53601 and 53635, *et seq*., which govern legal investments by local agencies in the State of California, and a more restrictive Investment Policy proposed by the County Treasurer and adopted by the County Board of Supervisors on an annual basis. The Investment Policy is reviewed and approved annually by the County Board of Supervisors. The County Treasurer's compliance with the Investment Policy is also audited annually by an independent certified public accountant.

SAN DIEGO COUNTY INVESTMENT POOL
PORTFOLIO REVIEW FOR MONTH ENDED JULY 31, 2019

Investment Type	Par Value	Book Value	Market Value	% of Portfolio
Asset Backed Securities	$748,397,251	$747,883,368	$752,654,178	7.99%
Commercial Paper	1,801,000,000	1,797,091,646	1,797,328,760	19.20
Federal Agencies	2,965,746,000	2,968,382,969	2,965,058,067	31.72
Medium-Term Notes	663,747,000	663,713,731	667,237,603	7.09
Negotiable CDs	1,577,000,000	1,577,000,889	1,579,177,880	16.85
Supranationals	1,058,250,000	1,059,556,861	1,067,937,405	11.32
Treasury Coupon Securities	443,000,000	441,816,799	441,735,120	4.72
Money Market Accounts	91,100,000	91,100,000	91,100,000	0.97
Bank Deposits	6,340,090	6,340,090	6,340,090	0.07
Sweep Fund	4,565,472	4,565,472	4,565,472	0.05
Totals for July 2019	$9,359,145,813	$9,357,451,826	$9,373,134,575	100.00%
Totals for June 2019	$10,116,556,210	$10,111,666,126	$10,135,946,100	100.00

Based on book value of investments, the County's calendar year to date return on investments in the County Investment Pool is 1.404% (2.417% annualized) with an average 2.31 years to maturity of investments in the County Investment Pool. The District has not made an independent investigation of the investments in the County Investment Pool and has made no assessment of the current County Investment Policy. The value of the various investments in the County Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Treasurer, after a review by the Committee and approval by the Board may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the County Investment Pool will not vary significantly from the values described therein. See "APPENDIX E- SAN DIEGO COUNTY INVESTMENT POLICY STATEMENT."

CONTINUING DISCLOSURE

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District and the Improvement District (the "Annual Report") by not later than 9 months following the end of the District's fiscal year (currently ending June 30), which date would be April 1, 2020, commencing with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain enumerated events. The District, on behalf of the Improvement District, will enter into a Continuing Disclosure Agreement ("Continuing Disclosure Agreement") for the benefit of the Owners of the Bonds. The Annual Report and each notice of enumerated events will be filed by the District with the Electronic Municipal Markets Access system ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Within the past five years, certain information required to be filed for fiscal year 2013-14 was not filed timely by a joint powers authority in which the District is a member with respect to certain bonds issued by such authority and by a community facilities district formed by the District for certain bonds of such community facilities district. Additionally, certain rating change notices required to be filed by the joint powers authority and a community facilities district related to the District were not filed in a timely manner.

LEGAL MATTERS

The legal opinion of Dannis Woliver Kelley, San Diego, California, Bond Counsel to the District ("Bond Counsel"), attesting to the validity of the Bonds, will be supplied to the Underwriter of the Bonds without charge, the form of which is attached hereto as Appendix A. Dannis Woliver Kelley is also acting as Disclosure Counsel to the District. Kronick Moskovitz Tiedemann & Girard, a Professional Corporation, is acting as counsel to the Underwriter. The above professionals will receive compensation contingent upon the sale and delivery of the Bonds.

Limitation on Remedies; Amounts Held in the County Treasury Pool

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX A, are qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against school and community college districts in the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

The Resolution and the Act require the County to annually levy *ad valorem* taxes upon all property subject to taxation by the Improvement District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Bonds. The County, on behalf of the Improvement District, is thus expected to be in possession of the annual *ad valorem* taxes and certain funds to repay the Bonds and may invest these funds in the County Investment Pool, as described in "APPENDIX E - SAN DIEGO COUNTY INVESTMENT POLICY STATEMENT" attached hereto. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, where such amounts are deposited into the County Investment Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the Owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the District's Debt Service Fund where such amounts are invested in the County Investment Pool. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

California Senate Bill 222

Government Code Section 53515, added by SB 222, applicable to general obligations bonds issued after its effective date, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a "statutory" lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

TAX MATTERS

The delivery of the Bonds is subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the Bonds is exempt from personal income taxes of the State of California. The form of Bond Counsel's anticipated opinion respecting the Bonds is included in APPENDIX A. The statutes, regulations, rulings, and court decisions on which such opinion will be based are subject to change. Interest on the Bonds is not excluded from gross income for federal income tax purposes.

LEGALITY FOR INVESTMENT

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the investing bank, are prudent for the investment of funds of depositors. Under provisions of the California Government Code, the Bonds are eligible to secure deposits of public moneys in California.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its municipal bond rating of "AA-" to the Bonds. Such rating reflects only the view of S&P and an explanation of the significance of such rating may be obtained as follows: S&P at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

ESCROW VERIFICATION

The sufficiency of amounts on deposit in the Escrow Fund to pay interest on and the redemption price of the Refunded Bonds will be verified by Causey Demgen & Moore, P.C., certified public accountants (the "Verification Agent"). The Verification Agent will deliver a report to that effect on the date of delivery of the Bonds.

UNDERWRITING

Raymond James & Associates, Inc. (the "Underwriter"), has agreed to purchase the Bonds at the purchase price of $_________ (reflecting the principal amount of the Bonds plus a net original issue premium in the amount of $________ less an Underwriter's discount of $______), at the rates and yields shown on the inside cover pages hereof. The Underwriter may offer and sell the Bonds to certain dealers and others at yields other than the yields stated on the inside cover pages. The offering prices may be changed from time to time by the Underwriter.

NO LITIGATION

No litigation is pending concerning the validity of the Bonds, and the District's certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue the Bonds on behalf of the Improvement District.

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. A copy of the Resolution is available upon request from the Poway Unified School District, 15250 Avenue of Science, Poway, California 92128.

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

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

POWAY UNIFIED SCHOOL DISTRICT

By: ____

Superintendent

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APPENDIX A

FORM OF BOND COUNSEL OPINION

[Closing date]

Board of Education
Poway Unified School District
15250 Avenue of Science
Poway, California 92128

Re: $______ 2019 General Obligation Refunding Bonds of School Facilities Improvement District No. 2002-1 of the Poway Unified School District (San Diego County, California) (Federally Taxable)

Ladies and Gentlemen:

We have acted as bond counsel for the Poway Unified School District (San Diego County, California) (the "District"), in connection with the issuance by the District of $____________ aggregate principal amount of the 2019 General Obligation Refunding Bonds of School Facilities Improvement District No. 2002-1 of the Poway Unified School District (San Diego County, California) (Federally Taxable) (the "Bonds") on behalf of the Improvement District. The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53550), as amended, and that certain resolution adopted by the Board of Education of the District on September 12, 2019 (the "Resolution"). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Resolution. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection, we have also examined such certificates of public officials and officers of the District and the County of San Diego (the "County") as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any effect on any Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. We call attention to the fact that the rights and obligations under the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion herein with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding general obligations of the District.

2. The Bonds are payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the Improvement District, which taxes are unlimited as to rate or amount, except for certain personal property that is taxable at limited rates.

3. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

4. Interest on the Bonds is exempt from personal income taxes of the State of California.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Respectfully submitted,

APPENDIX B

POWAY UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2018

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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

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

January 9, 2019

Ronald D. Little II
Associate Superintendent, Business Support Services
Poway Unified School District

Dear Mr. Little,

In planning and performing our audit of the Poway Unified School District (District), as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the District's internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements. The procedures we performed were for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

For your consideration we herein submit our comments and suggestions which are designed to assist in effecting improvements in internal controls and procedures. Those less significant matters, if any, which arose during the course of the audit, were reviewed with management as the audit field work progressed.

The accompanying comments and recommendations are intended solely for the information and use of the Board of Education, management, and others within the Poway Unified School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel. We would be pleased to discuss our comments and suggestions in further detail with you at your convenience, to perform any additional procedures on these matters, or to review the procedures necessary to bring about desirable changes.

We commend the PUSD Finance Department for the well-prepared audit package and we appreciate the courtesy and assistance given to us by the entire District staff.

Wilkinson Hadley King + Co LLP

Wilkinson Hadley King & Co. LLP

RECOMMENDATIONS

1. Purchase Cards

Comment

During the 2015-16 fiscal audit it was noted that purchase cards (p-cards) were utilized for items which bypassed companies who bid lower items for those items purchased. The District had 156 card holders with available balances of $813,000 per month with total spending of $1.9 Million dollars during the 2015-16 fiscal year. Upon review of purchase cards during the 2016-17 audits, we noted that the District reduced the number of card holders and available monthly spending. The District has reduced the number of card holders to 145; however, total spending for the 2016-17 fiscal year totaled $1.7 Million (a 12% reduction from the prior year). During 2017-18 fiscal year, p-card purchases increased back to $2.1 Million (a 24% increase from 2016-17). The Business Services Guide states that it is intended the p-cards be used only for emergencies, travel, and urgently needed office supplies. It appears that p-cards are being utilized for convenience rather than for the intended purpose. Further, each transaction made with a p-card is entered manually into the financial software which, with the volume of transactions, is a lengthy and error prone process. The District did provide a training to p-card holders regarding district policies; however, the volume of transactions makes it difficult to track and enforce violations of the policies.

Recommendation

Consider the intended purposes of the p-cards and continue to reduce the number of cards and available balances based on the District's needs. Continue to train personnel in possession of p-cards to District policies. Provide clarity in written procedures over p-cards and establish an enforcement system for noncompliance to District policies. Establish a review process over manually performed data input into the accounting software. Finally, explore options for an automatic upload of transactions to reduce the opportunity for errors that exist in a manual process.

2. Carryover Balances for Sites

Comment

During our review of school site carryover balances, we noted that one school site had a negative carryover balance for field trips account leaving the burden to cover the costs of field trips to future periods.

Recommendation

Evaluate the cause of a negative field trip account and work with the school site to prevent future short falls. Utilize the school site budget to cover the shortage in the donation account and fund the student field trips.

3. Local Revenue

Comment

In our review of local revenue deposits, we noted three deposits at extended student services where the only supporting documentation was an envelope with an amount written on top. It does not appear that dual counts were performed for the cash collected. In addition, there were two deposits at extended student services in which checks electronically deposited were not subsequently voided to prevent an inadvertent mistake of depositing the checks a second time.

Recommendation

Work with all departments to ensure that established internal control policies over deposits are consistently followed. Review to ensure that there are dual counts of cash and that electronically deposited checks are voided to prevent double depositing that could result in unnecessary bank fees.

POWAY UNIFIED SCHOOL DISTRICT
COUNTY OF SAN DIEGO
SAN DIEGO, CALIFORNIA

AUDIT REPORT

JUNE 30, 2018

Introductory Section

Poway Unified School District
Audit Report
For The Year Ended June 30, 2018

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Poway Unified School District
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For The Year Ended June 30, 2018

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WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

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

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

Independent Auditor's Report

To the Board of Trustees
Poway Unified School District
San Diego, California 92128

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Poway Unified School District ("the District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Poway Unified School District as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Berkeley Office
2001 Addison Street, 3rd Floor, Berkeley, CA 94704
Tel. (510) 679-6900 Fax (510) 679-6901

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Poway Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, schedule of District pension contributions, and Schedule of Changes in the District's Total OPEB Liability and Related Ratios, identified as Required Supplementary Information 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 opinions on the financial statements that collectively comprise the Poway Unified School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements**.** The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2019 on our consideration of Poway Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Poway Unified School District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co LLP

El Cajon, California
January 9, 2019

Management's Discussion and Analysis
Fiscal Year 2017-18
(Unaudited)

This section of Poway Unified School District's annual financial report presents Management's Discussion and Analysis (MD&A) of the District's financial performance during the year ending June 30, 2018. The intent of this discussion and analysis is to consider the District's financial performance as a whole. The MD&A is to be read in conjunction with the District's financial statements and Notes, which follow this section.

Financial Highlights

Key financial highlights for FY 2017-18 are as follows:

- The District enrollment in October 2017 was 36,519. This is an increase of 563 students from October 2016, or 1.6% increase.
- In 2017-18, overall revenues were $484.2 million and expenditures were $511.4 million. The District's expenses exceeded revenue by $27.2 million, contributing to the change in net position from prior year. A significant portion of the District's deficit is the result of recognizing the change in the net pension liabilities, depreciation expense, and long-term debt accreted interest.
- As noted on Figure A-2, expenditures related to direct classroom instruction represented 64.0% of total expenditures; pupil services expenditures comprised 7.9% of total expenditures. Therefore, expenditures directly related to educating District students amounted to 71.9% of total expenditures in 2017-18.
- Majority of the Districts expenditures are for salaries and benefits. Total of $367.8 million or 71.9% of total expenditures are to fund qualified teachers and staff who deliver and provide services and support to our students.
- At year-end the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by $299.2 million, a decrease of $60.3 million in the net position.
- The District implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This resulted in a change in calculations of total OPEB liability as well as deferred outflows and deferred inflows of resources associated with OPEB.
- The amount attributable to the Net Pension Liability reported on the District's financial statements was $384.2 million and the OPEB Liability was $81.0 million.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net position.

The *statement of activities* presents information showing how the net position of the District changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements can be found on pages 18-19 of this report.

Fund Financial Statements

A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds -** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

  The District maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, building fund, the capital projects fund, and debt service fund, each of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual data for each of these non-major funds is provided in the form of combining statements elsewhere in this report.

  The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget on page 96 of this report.

- **Proprietary funds -** The District maintains two proprietary fund types; internal service funds and one enterprise fund.

  Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses three internal service funds to account for services provided to all the other funds of the District: workers' compensation, employee benefits, and property and liability insurance. The internal service funds have been included within *governmental activities* in the government-wide financial statements. The three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

Enterprise funds are operated in a manner similar to private business where the determination of revenues earned, costs incurred and net income is necessary for management accountability. The District uses one enterprise fund to account for business activities of the Extended Student Services and Preschool programs.

The basic proprietary fund financial statements can be found on pages 28-30 of this report.

- **Fiduciary funds -** Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. The District maintains foundation trust fund and an agency fund for associated student body funds. Our schools maintain their own Associated Student Body (ASB) funds. They are not included in the District's financial report, but will be a part of the fiduciary fund of the audit report. The basic agency fund financial statements can be found on pages 31-32 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-95 of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds are presented on pages 104-112 of this report.

Government-wide Financial Analysis

Due to GASB 68 and GASB 75 implementation the District's liabilities and deferred inflows exceeded assets and deferred outflows by $286.6 million in the Governmental Activities and $12.6 million in the Business Activities at the close of 2017-18.

GOVERNMENT-WIDE STATEMENT OF NET POSITION

(In Millions of Dollars)

	2016-17			2017-18		
	Governmental Activities	**Business Activities**	**Total District**	**Governmental Activities**	**Business Activities**	**Total District**
ASSETS						
Current and Other Assets	$ 257.70	$ 1.54	$ 259.24	$ 262.62	$ 3.57	$ 266.20
Capital Assets	904.6	2.4	907.0	897.2	2.3	899.5
Total Assets	**1,162.3**	**3.9**	**1,166.2**	**1,159.8**	**5.9**	**1,165.7**
Deferred Outflows of Resources	**87.8**	**5.3**	**93.0**	**150.0**	**7.0**	**157.0**
LIABILITIES						
Long-Term Debt Outstanding	1,440.5	17.2	1,457.7	1,519.1	20.1	1,539.2
Other Liabilities	25.7	0.7	26.4	29.6	0.6	30.3
Total Liabilities	**1,466.2**	**17.9**	**1,484.0**	**1,548.7**	**20.8**	**1,569.5**
Deferred Inflows of Resources	**10.9**	**3.3**	**14.2**	**47.7**	**4.7**	**52.4**
Net Position:						
Invested in Capital Assets, Net of Related Debt	(165.4)	2.4	(163.1)	(163.6)	2.3	(161.3)
Restricted	158.7	-	158.7	158.5	-	158.5
Unrestricted	(220.2)	(14.4)	(234.5)	(281.5)	(14.9)	(296.4)
Total Net Position	**$ (226.93)**	**$ (11.99)**	**$ (238.92)**	**$ (286.61)**	**$ (12.61)**	**$ (299.21)**

- Net Pension Liability of $384.2 million was included in the District's total liability.
- The amount of pension contribution and adjustments in 2017-18 is $40.7 million. With the increased pension rate contribution, it is expected that the liability will decrease until the pension is fully funded.

Governmental activities. The key elements of the District's Net Position for the year ended June 30, 2018 are as follows:

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

	2016-17	*% of Total*	*2017-18*	*% of Total*
Revenues				
Governmental Activities				
Program Revenues				
Charges for services	$ 19,775,756	4.24%	$ 19,544,399	4.04%
Operating grants and contributions	52,786,379	11.33%	48,937,716	10.11%
Capital grants and contributions	4,996	0.00%	11,176	0.00%
General Revenues				
Property taxes	226,492,779	48.61%	240,513,718	49.67%
Federal and state aid not restricted to specific purposes	132,867,230	28.52%	129,946,145	26.84%
Miscellaneous	14,416,234	3.09%	24,507,751	5.06%
Business-type Activities				
Enterprise activities	19,574,630	4.20%	20,719,649	4.28%
Total Revenues	**465,918,004**	**100.00%**	**484,180,554**	**100.00%**
Expenditures by Function				
Governmental Activities				
Instruction	328,774,848	64.23%	327,466,775	64.04%
Pupil services	42,831,740	8.37%	40,422,059	7.90%
General administration	20,920,375	4.09%	19,351,518	3.78%
Plant services	39,915,330	7.80%	38,330,834	7.50%
Ancillary and community services	4,928,939	0.96%	4,637,782	0.91%
Enterprise activities	9,481,208	1.85%	10,334,261	2.02%
Interest on long-term debt	43,843,255	8.57%	49,880,202	9.75%
Other outgo	2,556,548	0.50%	1,143,253	0.22%
Business-type Activities				
Enterprise activities	18,611,431	3.64%	19,790,523	3.87%
Total Expenditures	**511,863,674**	**100.00%**	**511,357,207**	**100.00%**
Increase (Decrease) in Net Position	**(45,945,670)**		**(27,176,653)**	
Net Position - Beginning	**(192,970,197)**		**(238,915,867)**	
Adjustment to Beginning Net Position	**-**		**(33,121,242)**	
Net Position - Beginning, as Restated	**(192,970,197)**		**(272,037,109)**	
Net Position - Ending	**$ (238,915,867)**		**$ (299,213,762)**	

During the fiscal year ended June 30, 2018, the District applied a change in accounting policy which resulted in an adjustment to beginning net position on the government wide financial statements, the enterprise fund, and the self-insurance fund. The District implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Implementation of GASB Statement No. 75 resulted in a change in calculations of total OPEB liability as well as deferred outflows and deferred inflows of resources associated with OPEB.

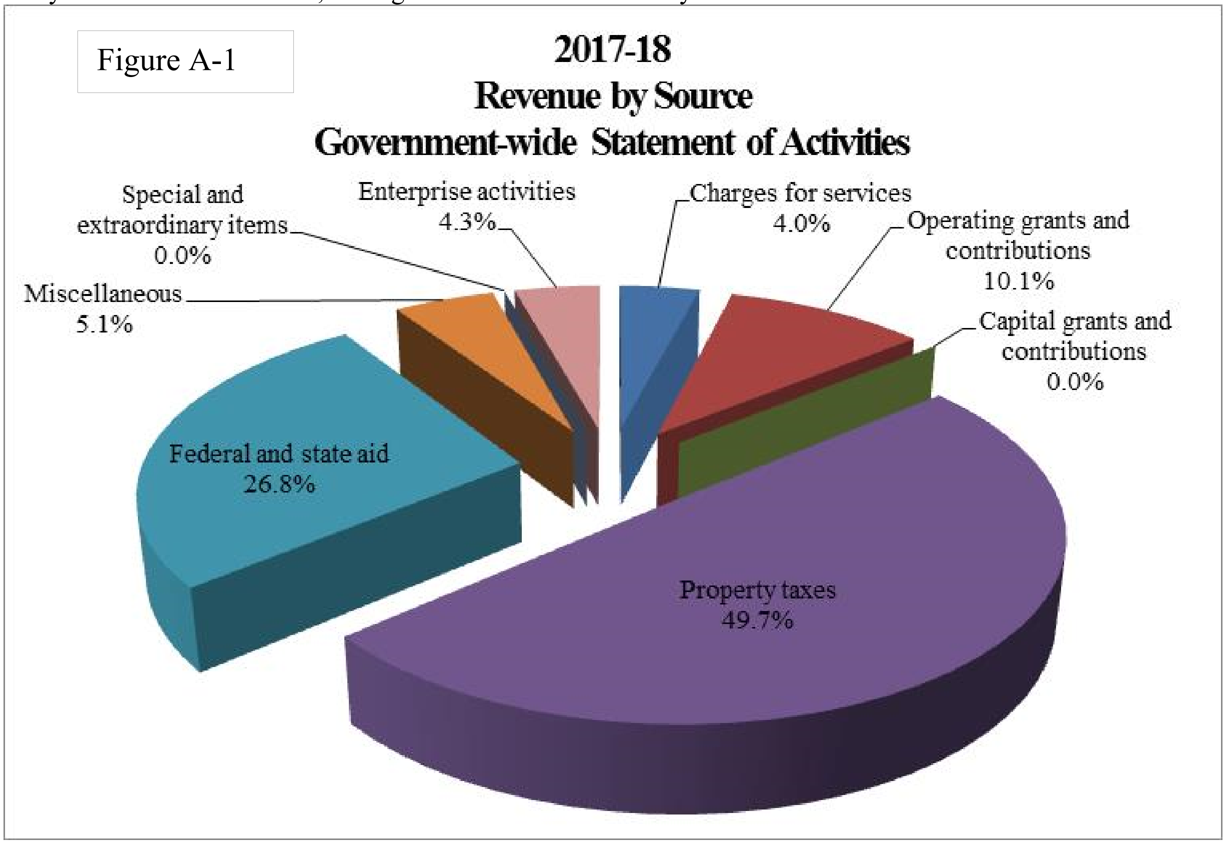


Figure A-1
2017-18
Revenue by Source
Government-wide Statement of Activities
Special and extraordinary items 0.0%
Enterprise activities 4.3%
Charges for services 4.0%
Operating grants and contributions 10.1%
Miscellaneous 5.1%
Capital grants and contributions 0.0%
Federal and state aid 26.8%
Property taxes 49.7%

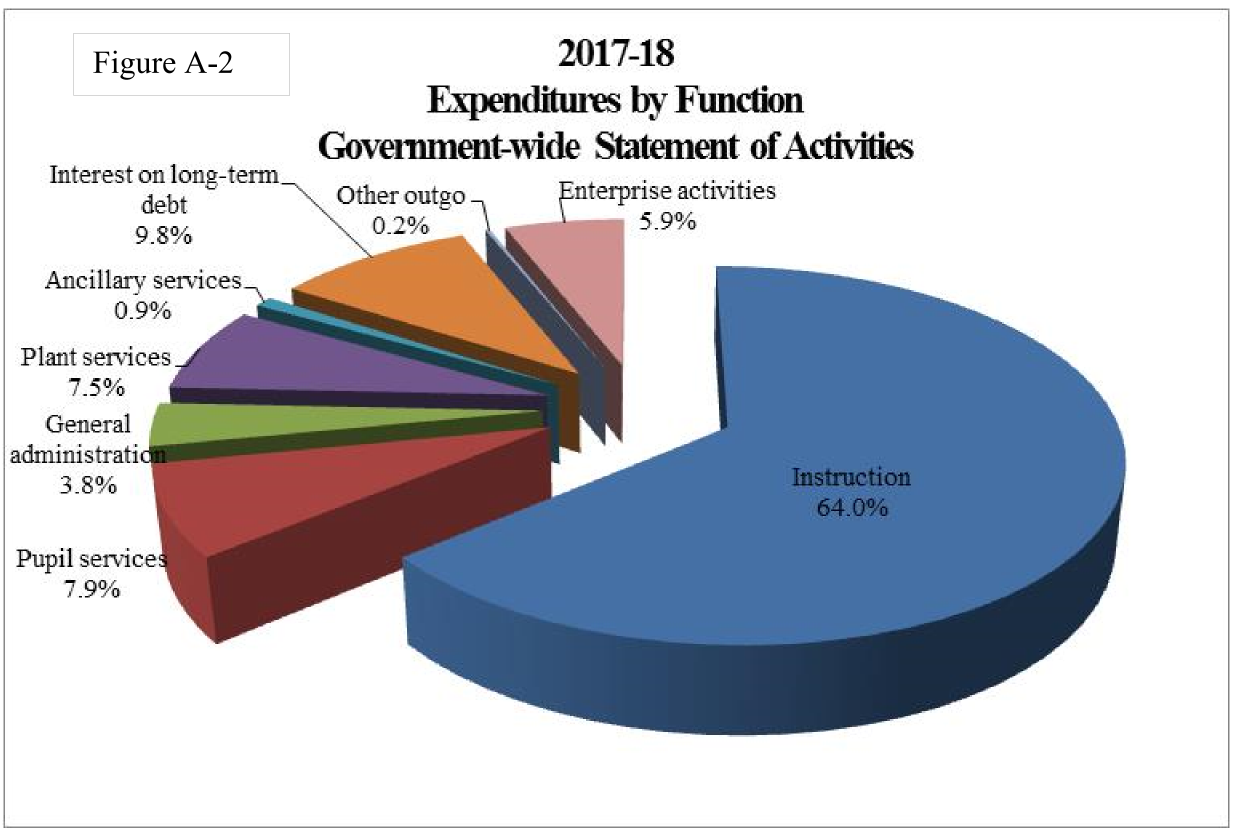
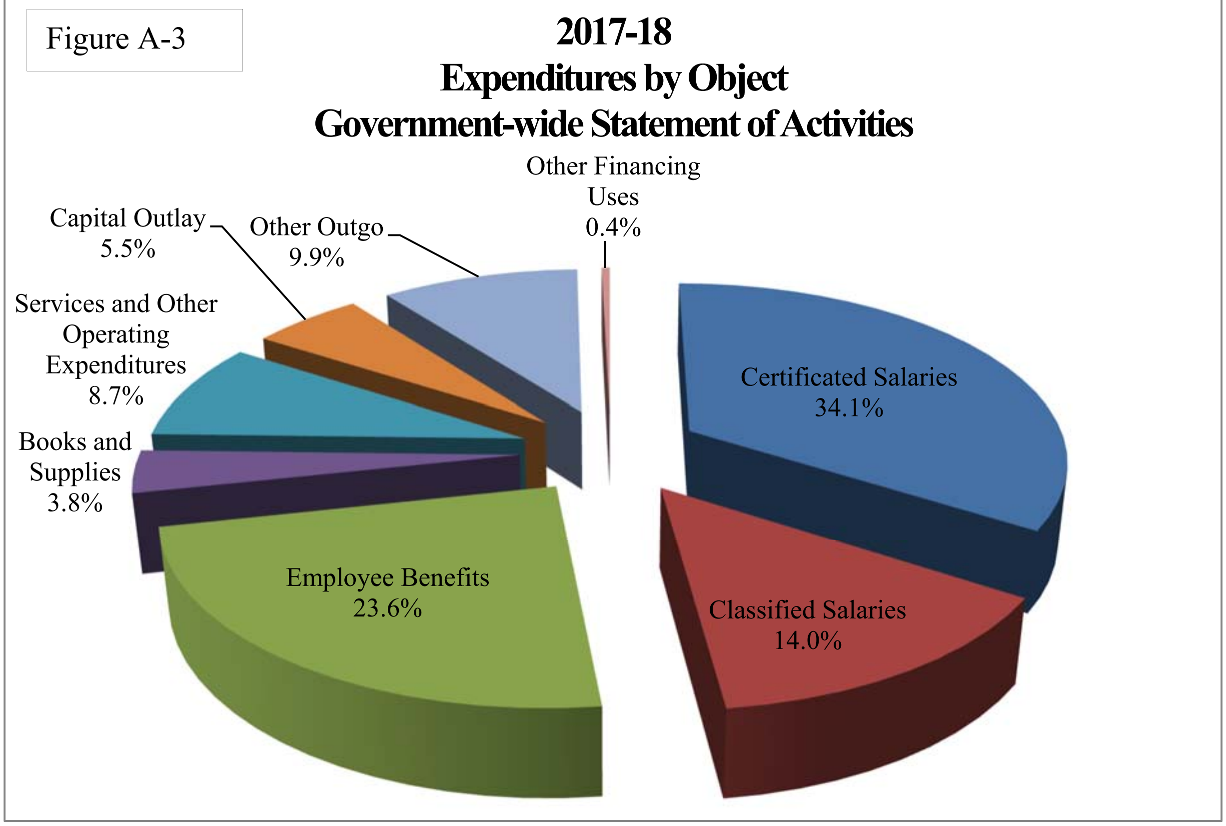


Figure A-2
2017-18
Expenditures by Function
Government-wide Statement of Activities
Interest on long-term debt 9.8%
Other outgo 0.2%
Enterprise activities 5.9%
Ancillary services 0.9%
Plant services 7.5%
General administration 3.8%
Instruction 64.0%
Pupil services 7.9%

Figure A-3


2017-18
Expenditures by Object
Government-wide Statement of Activities
Other Financing Uses 0.4%
Other Outgo 9.9%
Capital Outlay 5.5%
Services and Other Operating Expenditures 8.7%
Books and Supplies 3.8%
Employee Benefits 23.6%
Classified Salaries 14.0%
Certificated Salaries 34.1%

Local Control Funding Formula (LCFF)

- The Local Control Funding Formula (LCFF) is the largest change to California's school financing model in almost 40 years with a planned eight-year transition period, beginning in 2013-14. Until the LCFF is fully funded which is in 2018-19, local educational agencies (LEAs) receives an LCFF Transition Entitlement. The Transition Entitlement is based on an LEA's 2012-13 funding level, adjusted for changes in student population, and the amount of funding the LEA would receive under the LCFF model at full implementation.
- The goal of the LCFF is to significantly simplify how state funding is provided to local educational agencies (LEAs). Under the new funding system, revenue limits and most state categorical programs are eliminated. LEAs will receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on these student characteristics. The District's LCFF funding targets consist of grade span-specific base grants plus supplemental grants that reflects student demographic factors.
- In 2017-18, the District's unaudited unduplicated count is 9,027, equivalent to 24.7% of the District's total enrollment. The Supplemental grant was funded based on the 3-year rolling percentage of 22.8%.
- The funded COLA (Cost of Living Adjustment) in 2017-18 is 1.56%.
- The unaudited LCFF entitlement per ADA during the year ended June 30, 2018 is $8,246. An increase of $187 per ADA over 2016-17.

LCFF PHASE-IN ENTITLEMENT	
	2017-18
LOCAL CONTROL FUNDING FORMULA TARGET	$ 300,187,250
LOCAL CONTROL FUNDING FORMULA FLOOR	284,044,871
Applied Funding Formula: Floor or Target	Floor
LCFF Need *(LCFF Target less LCFF Floor, if positive)*	16,142,379
Current Year Gap Funding at 42.97 %	6,935,806
ECONOMIC RECOVERY PAYMENT	N/A
LCFF Entitlement	**$ 290,980,677**
CHANGE OVER PRIOR YEAR	**$ 10,382,171**
LCFF Entitlement PER ADA	**$ 8,246**
PER ADA CHANGE OVER PRIOR YEAR	**$ 187**

LCFF SOURCES	
	2017-18
State Aid	$ 109,344,990
Property Taxes	171,170,329
Education Protection Account (EPA)	10,465,358
TOTAL LCFF	**$ 290,980,677**

SUPPLEMENTAL GRANT & MINIMUM PROPORTIONALITY PERCENTAGE (MPP)	
	2017-18
Supplemental expenditures in the LCAP year	$ 11,678,096
Minimum Proportionality Percentage (MPP)*	4.24%
*percentage by which services for unduplicated students must be increased or improved over services provided for all students in the LCAP year.	

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of $223.2 million, $0.3 million higher than last year's fund balance.

The Governmental Accounting Standard Board (GASB) has issued Statement 54 (GASB 54) that went into effect in fiscal year 2010-11. This statement considerably alters the categories and terminology used to describe the components of the ending fund balance. These changes are intended to enhance how fund balance information is reported by establishing new classifications that are easier to understand. GASB 54 also clarifies the definition of some governmental funds.

Fund balance reporting is unique to governmental fund accounting. It has traditionally been broken into two components, reserved and unreserved. GASB 54 implements a five-tier fund balance classification based on spending constraints on the use of these resources. The components of the District ending fund balance as of June 30, 2018 were reclassified in accordance with GASB 54:

Governmental Funds
Components of Ending Fund Balance
Reclassified in accordance with GASB Statement 54
June 30, 2018

a) Nonspendable			
Revolving Cash	9711	$	300,383
Stores	9712	$	957,915
b) Restricted	9740	$	154,188,976
c) Committed			
Other Commitments	9760	$	1,459,881
d) Assigned			
Other Assignments	9780	$	21,957,986
e) Unassigned			
Reserve for Economic Uncertainties	9789	$	9,448,266
Unassigned/Unappropriated	9790	$	34,896,868

General Fund Budgetary Highlights

The District's budget is prepared pursuant to California Education Code and is based on the modified accrual basis of accounting.

During the course of fiscal year 2018, the District amended its General Fund budget numerous times, resulting in changes to revenue and expenditures estimates. Expenditure appropriation adjustments were made to reflect actual salary changes for step and column, longevity earned by employees, savings for vacancies, updates to employee benefits, changes in the cost of contracted services, and the spending of one-time grants carried forward from the prior year.

The District budget revisions are approved by the Board of Education monthly. In June, the District made its final appropriations adjustments to match expected revenue and expenditure totals as closely as possible.

Variance between budget and actuals is primarily a result of expenditure-driven federal programs, state grants and local donations. Such funds are recognized as revenue. When the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Actual grant revenues and expenditures are normally less than the amount budgeted.

General Fund Expenditure Highlights

The following table is presented to show General Fund actuals by Standardized Account Code Structure (SACS) functions and changes from fiscal year 2016-17 and 2017-18.

GENERAL FUND - MAJOR FUND

Expenditures by Function	*2016-17*	*2017-18*	*Change Amount*	*%*
General Education Grades K-12	$ 169,133,909	$ 178,096,917	$ 8,963,008	5.3%
Special Education	61,266,819	63,815,225	2,548,406	4.2%
Instruction Related Services	17,270,558	17,852,765	582,207	3.4%
School Administration	20,517,149	20,868,522	351,373	1.7%
Pupil Services	16,948,900	17,348,372	399,473	2.4%
Transportation	10,195,462	10,239,803	44,341	0.4%
Ancillary, Co-curricular & Athletics	4,045,394	3,968,766	(76,628)	-1.9%
Community Services	454,846	394,218	(60,628)	-13.3%
General Administration	13,453,527	11,884,292	(1,569,235)	-11.7%
Central Data Processing	5,078,711	5,952,355	873,644	17.2%
Maintenance & Operations	31,524,696	32,921,577	1,396,881	4.4%
Facility Acquisition & Construction	5,905,184	1,432,013	(4,473,171)	-75.7%
Facility Rents and Leases	338,889	396,409	57,520	17.0%
Other Outgo	5,811,528	7,369,903	1,558,375	26.8%
Total	***$ 361,945,573***	***$ 372,541,137***	***$ 10,595,564***	
Final October Enrollment	35,956	36,519	563	
Expenditures per Student	$ 10,066	$ 10,201	$ 135	

Note: Expenses for Cafeteria, Adult Ed., Construction, Preschool, and Child Care Services are recorded in separate funds. They are not included in the above figures.

- The expenditure per student increased 1.3 % from $10,066 to $10,201, year over year.

Capital Asset and Long-Term Liabilities

Capital Assets

The state school facility fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

Capital assets as of June 30, 2016 and June 30, 2017 are outlined below:

Additional information on the District's capital assets can be found in Note E to the basic financial statements.

CAPITAL ASSETS

	June 30, 2017	June 30, 2018
Governmental Activities:		
Land	$ 86,462,491	$ 87,976,391
Land Improvements	93,091,135	93,172,743
Buildings & Improvements	986,171,113	992,510,883
Furniture & Equipment	45,696,440	45,673,948
Work in Progress	5,884,112	18,392,641
Accumulated Depreciation	(312,703,717)	(340,519,138)
Total Governmental Activities	**$ 904,601,574**	**$ 897,207,468**
Business-type Activities		
Buildings & Improvements	$ 4,767,384	$ 4,767,384
Accumulated Depreciation	(2,383,693)	(2,489,635)
Total Buniess-type Activities	**$ 2,383,691**	**$ 2,277,749**

Long-Term Liabilities

The District has outstanding capital leases for the purchase of new buses, network equipment and for its computer refresh program.

Capital Lease
June 30, 2018

Issue Name	Date of Issuance	Original Issue Amount	Principal Balance
Pinnacle Public Finance (Bus Lease #1)	9/22/2011	$ 2,200,000	$ 696,525
US Bancorp (Bus Lease #2)	12/12/2014	1,100,000	670,482
US Bancorp (Computer Lease #1)	8/1/2013	2,715,000	-
US Bancorp (Computer Lease #2)	9/1/2014	2,800,000	568,603
US Bancorp (Computer Lease #3)	8/15/2015	2,500,000	1,013,346
Santander (Computer Lease #4)	7/15/2016	2,500,000	1,502,789
Santander Bank (Network Equipment)	9/17/2014	1,600,000	325,061
Santander (LAN/WAN project)	7/15/2016	5,000,000	3,005,579
US Bancorp (RCS Equipment)	10/30/2016	1,075,000	643,968
Total Capital Lease		**$ 21,490,000**	**$ 8,426,353**

The voters of School Facilities Improvement District (SFID) approved Proposition U for $198 million and Proposition C for $179 million specifically for the purpose of renovating 24 of the District's older schools.

- Under Proposition U, the District issued three General Obligation Bonds, the $75 million General Obligation Bonds, Series A which was refunded in 2011-12 at $53.3 million, the $119.3 million General Obligation Bonds, Series B and the General Obligation Bonds, Series C for $3.7 million.
- In 2014-15, $111.7 million of the $119.3 million General Obligation Bonds, Series B was refunded.
- Prop C has General Obligation Bonds Series A for $74 million and $105 million General Obligation Bonds, Series B.

School Facilities Improvement District - GO Bonds
June 30, 2018

Issue Name	Date of Issuance	Original Issue Amount	Principal Balance
General Obligation Bonds, Election of 2002, Series B	11/2/2006	$ 119,300,766	$ 3,080,766
General Obligation Bonds, Election of 2002, Series B - Accreted Interest	11/2/2006	n/a	3,900,073
General Obligation Bonds, Election of 2002, Series B - Premium	11/2/2006	9,796,466	252,980
General Obligation Bonds, Election of 2008, Series A	1/9/2009	73,998,936	71,749,787
General Obligation Bonds, Election of 2008, Series A - Accreted Interest	1/9/2009	n/a	59,399,764
General Obligation Bonds, Election of 2008, Series A - Premium	1/9/2009	9,544,567	9,254,466
General Obligation Bonds, Election of 2008, Series B	7/28/2011	105,000,150	105,000,150
General Obligation Bonds, Election of 2008, Series B - Accreted Interest	7/28/2011	n/a	68,831,315
General Obligation Bonds, Election of 2008, Series B - Premium	7/28/2011	21,360,189	21,360,189
General Obligation Refunding Bonds, 2011	10/18/2011	53,285,000	40,340,000
General Obligation Refunding Bonds, 2011 - Premium	10/18/2011	5,439,544	4,118,067
General Obligation Refunding Bonds, 2014	7/15/2014	100,325,000	96,565,000
General Obligation Refunding Bonds, 2014 - Premium	7/15/2014	12,429,039	11,963,221
Total General Obligation Bonds		**$ 510,479,656**	**$ 495,815,778**

In 2012-13, the District issued $57.3 million in School Facilities Restructuring Program (Bridge). The purpose of the issuance was to refinance the 2007 Lease Revenue Bonds and to use for the remaining school construction projects. The outstanding balance of $56.5 million is an obligation of Community Facilities District (CFD).

Lease Revenue Bonds
June 30, 2018

Issue Name	Date of Issuance	Original Issue Amount	Principal Balance
2012 School Facilities Restructuring Program (Bridge)	9/4/2012	$ 57,300,000	$ 56,490,000

The District has formed various Community Facilities Districts to secure school facilities for students that will be generated from new housing developments. Below are outstanding special tax bonds under the Community Facilities Districts (CFD) as of June 30, 2018. These bonds are not obligations of the general fund of the District and are secured by taxes generated by homeowners and developers.

Community Facilities District - Special Tax Bonds

June 30, 2018

Description	Date of Issuance	Original Issue Amount	Principal Balance	Total
CFD #1				
2003 SP Tax Bonds	2/13/2003	$ 2,820,000	$ 1,260,000	
2008 SP Tax Bonds	3/13/2008	48,420,000	5,635,000	
2008 SP Tax Bonds Premium	3/13/2008	1,755,553	204,308	**$ 7,099,308**
CFD #2				
2013 Rev. Bonds	1/24/2013	$ 2,830,000	$ 2,695,000	
2013 PFA Premium	1/24/2013	213,148	202,980	
2015C Series Refunding Bonds	8/12/2015	8,520,000	7,680,000	
2015C Series Refunding Bonds Premium	8/12/2015	674,619	608,108	**$ 11,186,088**
CFD #3				
2015C Series Refunding Bonds	8/12/2015	$ 3,680,000	$ 3,295,000	
2015C Series Refunding Bonds Premium	8/12/2015	291,244	260,774	**$ 3,555,774**
CFD #4				
2013 PFA, Series B	5/2/2013	$ 7,990,000	$ 7,730,000	
2013 PFA B Premium	5/2/2013	426,995	413,101	
2016 PFA A Refunding	8/18/2016	8,966,000	8,486,000	**$ 16,629,101**
CFD #5				
2015C Series Refunding Bonds	8/12/2015	$ 1,125,000	$ 1,010,000	
2015C Series Refunding Bonds Premium	8/12/2015	87,988	78,993	**$ 1,088,993**
CFD #6				
2012 Series Special Tax Bonds	5/17/2012	$ 38,940,000	$ 33,650,000	
2012 Series Premium Special Tax Bonds	5/17/2012	2,987,838	2,581,940	
2015 Refunding	6/4/2015	63,145,000	59,290,000	
2015 Refunding Premium	6/4/2015	7,053,987	6,623,341	
2015C Series Refunding Bonds	6/9/2016	10,120,000	9,735,000	
2015C Series Refunding Bonds Premium	6/9/2016	(102,806)	(98,895)	
2016 CFS 4S Ranch	11/3/2016	29,635,000	28,610,000	
2016 CFS 4S Ranch Premium	11/3/2016	3,685,913	3,558,427	
2017A PFA Series	2/2/2017	14,470,000	13,740,000	
2017A PFA Series Premium	2/2/2017	1,236,202	1,173,837	**$ 158,863,650**
CFD #7				
2015C Series Refunding Bonds	8/12/2015	$ 1,080,000	$ 975,000	
2015C Series Refunding Bonds Premium	8/12/2015	84,445	76,236	**$ 1,051,236**
CFD #8				
2016 PFA A Refunding	8/18/2016	$ 5,294,000	$ 4,943,000	**$ 4,943,000**
CFD #9				
2016 PFA A Refunding	8/18/2016	$ 1,270,000	$ 1,186,000	**$ 1,186,000**

Community Facilities District - Special Tax Bonds
June 30, 2018

Description	Date of Issuance	Original Issue Amount	Principal Balance	Total
CFD #10				
2013 Refunding C	1/24/2013	$ 2,625,000	$ 2,360,000	
2013 PFA Premium	1/24/2013	197,708	177,749	
2013 Refunding D	1/24/2013	4,275,000	3,765,000	
2013 PFA Premium	1/24/2013	321,982	283,570	
2013 Refunding E	1/24/2013	4,800,000	4,215,000	
2013 PFA Premium	1/24/2013	361,523	317,463	
2016 PFA A Refunding	8/18/2016	34,006,000	32,452,000	
2016 Area F Refunding	12/6/2016	1,995,000	1,945,000	
2016 Area F Discount	12/6/2016	(30,922)	(30,147)	
2017A PFA Series	2/2/2017	7,030,000	6,650,000	
2017A PFA Series Premium	2/2/2017	802,229	758,865	
2017A PFA Series	2/2/2017	4,680,000	4,395,000	
2017A PFA Series Premium	2/2/2017	534,393	501,850	**$ 57,791,350**
CFD #11				
2013 Refunding Improvement Area A	1/24/2013	$ 9,685,000	$ 8,695,000	
2013 Refunding Improvement Area A Premium	1/24/2013	729,449	654,885	
2013 Refunding Zone 1	1/24/2013	10,310,000	9,450,000	
2013 Refunding Zone 1 Premium	1/24/2013	776,522	711,749	
2013 Refunding Zone 2	1/24/2013	1,870,000	1,820,000	
2013 Refunding Zone 2 Premium	1/24/2013	140,843	137,077	
2013 Refunding Zone 3	1/24/2013	1,390,000	1,350,000	
2013 Refunding Zone 3 Premium	1/24/2013	104,691	101,678	
2014 Special Tax Bonds, Zone 2 & 3	12/2/2014	10,065,000	9,520,000	
2014 Special Tax Bonds, Zone 2 & 3 Premium	12/2/2014	273,198	258,405	
2014 Refunding Series B & C	7/16/2014	19,550,000	18,005,000	
2014 Refunding Series B & C Premium	7/16/2014	1,494,679	1,376,558	
2017B Refunding Zone 2 & 3	1/19/2017	5,815,000	5,655,000	
2017B Refunding Zone 2 & 3 Discount	1/19/2017	(80,962)	(78,734)	**$ 57,656,618**
CFD #12				
2013 PFA Series B	5/2/2013	$ 4,430,000	$ 4,045,000	
2013 PFA B Premium	5/2/2013	236,744	216,169	
2016 PFA A Refunding	8/18/2016	6,635,000	6,352,000	**$ 10,613,169**
CFD #13				
2013 PFA Series B	5/2/2013	$ 5,375,000	$ 5,220,000	
2013 PFA B Premium	5/2/2013	287,246	278,964	**$ 5,498,964**
CFD #14				
2015 Refunding Bonds	4/22/2015	$ 44,630,000	$ 42,015,000	
2015 Refunding Bonds Premium	4/22/2015	6,075,058	5,719,223	
2015 Refunding Bonds Series A	4/22/2015	44,775,000	42,165,000	
2015 Refunding Bonds Series A Premium	4/22/2015	6,094,795	5,739,400	**$ 95,638,623**
CFD #15				
2014 Special Tax Bonds	2/27/2014	$ 40,000,000	$ 40,000,000	
2014 Special Tax Bonds Premium	2/27/2014	802,459	802,459	
2014 SP Tax IA-A	8/21/2014	10,000,000	9,835,000	
2014 Sp Tax IA-A Discount	8/21/2014	(243,619)	(239,599)	
2015 Improvement Area C	4/13/2016	15,000,000	14,940,000	
2015 Improvement Area C Premium	4/13/2016	1,472,684	1,466,793	**$ 66,804,653**
PFA				
2016 Local Debt Receivable	8/18/2016	$ (56,171,000)	$ (53,419,000)	
2016 Refunding	8/18/2016	46,770,000	44,865,000	
2016 Refunding Premium	8/18/2016	9,401,000	9,018,086	**$ 464,086**
Total Special Tax Bonds				**$ 500,070,613**

Additional information on the District's long-term debt can be found in Note K to the basic financial statement which is found on page 51 of the audit report.

Changing Enrollment within the District

The overall demographics of the District reflect a slight increasing trend in the K-12 school population. The year over year enrollment increase approximately 1.6%.

Changes in Enrollment for Three Years

Grade	Oct 2015	Oct 2016	Chg	Oct 2017	Chg
K	3,108	3,198	90	3,228	30
1	2,465	2,553	88	2,654	101
2	2,607	2,522	(85)	2,623	101
3	2,673	2,651	(22)	2,597	(54)
4	2,780	2,708	(72)	2,715	7
5	2,838	2,803	(35)	2,755	(48)
6	2,758	2,821	63	2,928	107
7	2,737	2,778	41	2,894	116
8	2,707	2,728	21	2,819	91
9	2,723	2,829	106	2,870	41
10	2,706	2,778	72	2,868	90
11	2,796	2,717	(79)	2,812	95
12	2,873	2,870	(3)	2,756	(114)
TOTAL	**35,771**	**35,956**	**185**	**36,519**	**563**

	2015-16	2016-17	Chg	2017-18	Chg
Elementary K-5	16,471	16,435	(36)	16,572	137
Middle 6-8	8,202	8,327	125	8,641	314
High School 9-12	11,098	11,194	96	11,306	112
TOTAL	**35,771**	**35,956**	**185**	**36,519**	**563**

Factors Bearing on the District's Future

- Escalating PERS & STRS costs, employer contribution
- Rising Health and Welfare benefit costs
- Future declining enrollment
- Pent-up facilities' maintenance needs
- The LCFF will be fully funded in FY2018-19; future increases in the LCFF funding are based on funded COLA and ADA increase.
- The LCFF will provide additional funding for unduplicated pupil percentage (UPP); however, Poway Unified will not receive as much additional funding as the majority of the neighboring districts due to its lower UPP. If a District has 55 percent or more unduplicated count, they become eligible for the concentration grants. Poway Unified unduplicated count averages between 22-25 percent of the total student population and thus is not eligible for this grant.
- In FY 2018-19, the State continues to allocate the one-time discretionary funds. This method of allocating funds makes it difficult for the District to make ongoing financial decisions.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the Poway Unified School District's finances. 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, Business Support Services, Poway Unified School District, 15250 Avenue of Science, San Diego, CA 92128.

Basic Financial Statements

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 250,908,680	$ 4,002,742	$ 254,911,422
Receivables	10,254,683	71,171	10,325,854
Internal Balances	500,461	(500,461)	-
Stores	957,915	-	957,915
Capital Assets:			
Land	87,976,391	-	87,976,391
Improvements	93,172,743	-	93,172,743
Buildings	992,510,883	4,767,384	997,278,267
Equipment	45,673,948	-	45,673,948
Work in Progress	18,392,641	-	18,392,641
Less Accumulated Depreciation	(340,519,138)	(2,489,634)	(343,008,772)
Total Assets	1,159,829,207	5,851,202	1,165,680,409
DEFERRED OUTFLOWS OF RESOURCES	150,015,309	7,024,611	157,039,920
LIABILITIES			
Accounts Payable and Other Current Liabilities	26,733,167	545,257	27,278,424
Unearned Revenue	2,908,812	99,500	3,008,312
Long-Term Liabilities:			
Due Within One Year	36,587,751	539,570	37,127,321
Due in More Than One Year	1,482,486,753	19,590,991	1,502,077,744
Total Liabilities	1,548,716,483	20,775,318	1,569,491,801
DEFERRED INFLOWS OF RESOURCES	47,736,337	4,705,954	52,442,291
NET POSITION			
Net Investment in Capital Assets	(163,595,276)	2,277,750	(161,317,526)
Restricted for:			
Capital projects	137,441,959	-	137,441,959
Debt Service	14,787,632	-	14,787,632
Educational Programs	3,007,136	-	3,007,136
Other Purposes (Expendable)	2,006,760	-	2,006,760
Other Purposes (Nonexpendable)	1,258,298	-	1,258,298
Unrestricted	(281,514,813)	(14,883,209)	(296,398,022)
Total Net Position	$ (286,608,304)	$ (12,605,459)	$ (299,213,763)

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction	$ 281,076,047	$ 6,882	$ 35,511,544	$ 11,176	$ (245,546,445)	$	$ (245,546,445)
Instruction-Related Services:							
Instructional Supervision and Administration	14,884,745	23,998	2,887,044	-	(11,973,703)		(11,973,703)
Instructional Library, Media and Technology	7,496,408	-	59,141	-	(7,437,267)		(7,437,267)
School Site Administration	24,009,575	-	681,704	-	(23,327,871)		(23,327,871)
Pupil Services:							
Home-to-School Transportation	11,073,277	-	2,189	-	(11,071,088)		(11,071,088)
Food Services	10,808,635	6,374,554	2,699,075	-	(1,735,006)		(1,735,006)
All Other Pupil Services	18,540,147	-	2,487,169	-	(16,052,978)		(16,052,978)
General Administration:							
Centralized Data Processing	6,187,622	-	17,992	-	(6,169,630)		(6,169,630)
All Other General Administration	13,163,896	1,084	769,736	-	(12,393,076)		(12,393,076)
Plant Services	38,330,834	317,873	78,836	-	(37,934,125)		(37,934,125)
Ancillary Services	4,219,796	-	255,572	-	(3,964,224)		(3,964,224)
Community Services	417,986	-	-	-	(417,986)		(417,986)
Self-Insured Activities	10,334,261	11,327,604	-	-	993,343		993,343
Interest on Long-Term Debt	49,880,202	-	-	-	(49,880,202)		(49,880,202)
Transfers of Services	1,077,246	1,492,404	3,487,714	-	3,902,872		3,902,872
Other Debt Related	47,899	-	-	-	(47,899)		(47,899)
Depreciation (Unallocated)*	18,108	-	-	-	(18,108)		(18,108)
Business-Type Activities							
Enterprise Activities - Child Care	19,790,523	20,570,784	59,581	-	-	839,842	839,842
Total Expenses	$ 511,357,207	$ 40,115,183	$ 48,997,297	$ 11,176	(423,073,393)	839,842	(422,233,551)

	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes and Subventions:			
Taxes Levied for General Purposes	175,155,333	-	175,155,333
Taxes Levied for Debt Service	15,039,050	-	15,039,050
Taxes Levied for Other Specific Purposes	50,319,335	-	50,319,335
Federal and State Aid Not Restricted to Specific Purposes	129,946,145	-	129,946,145
Interest and Investment Earnings	1,316,003	50,210	1,366,213
Interagency Revenues	589,180	-	589,180
Miscellaneous	22,592,541	49,101	22,641,642
Internal Transfers	10,027	(10,027)	-
Total General Revenues, Special and Extraordinary Items, and Transfers	394,967,614	89,284	395,056,898
Change in Net Position	(28,105,779)	929,126	(27,176,653)
Net Position Beginning - As Restated (See Note P)	(258,502,525)	(13,534,584)	(272,037,109)
Net Position Ending	$ (286,608,304)	$ (12,605,458)	$ (299,213,762)

*This amount excludes depreciation that is included in the direct expenses of various programs.

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Capital Projects Fund for Blended Component Units	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	$ 68,969,361	$ -	$ 28,087,817	$ 97,057,178
Cash on Hand and in Banks	288,981	-	732,743	1,021,724
Cash in Revolving Fund	299,313	-	1,070	300,383
Cash with a Fiscal Agent/Trustee	-	132,732,194	-	132,732,194
Accounts Receivable	9,006,737	-	418,835	9,425,572
Due from Other Funds	4,646,792	-	2,145,917	6,792,709
Stores Inventories	481,253	-	476,662	957,915
Total Assets	83,692,437	132,732,194	31,863,044	248,287,675
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 7,912,537	$ -	$ 2,494,147	$ 10,406,684
Due to Grantor Governments	4,621,335	-	-	4,621,335
Due to Other Funds	5,742,429	-	1,398,141	7,140,570
Unearned Revenue	2,901,951	-	6,860	2,908,811
Total Liabilities	21,178,252	-	3,899,148	25,077,400
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	299,313	-	1,070	300,383
Stores Inventories	481,253	-	476,662	957,915
Restricted Fund Balances	4,583,360	132,732,194	19,927,933	157,243,487
Committed Fund Balances	-	-	1,459,881	1,459,881
Assigned Fund Balances	12,805,125	-	6,098,350	18,903,475
Unassigned:				
Reserve for Economic Uncertainty	9,448,266	-	-	9,448,266
Other Unassigned	34,896,868	-	-	34,896,868
Total Fund Balance	62,514,185	132,732,194	27,963,896	223,210,275
Total Liabilities and Fund Balances	$ 83,692,437	$ 132,732,194	$ 31,863,044	$ 248,287,675

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds balance sheet		$ 223,210,275
Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.		
Capital assets relating to governmental activities, at historical cost:	$ 1,237,696,910	
Accumulated depreciation:	(340,489,442)	
Net:		897,207,468
Unamortized costs: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. Unamortized debt insurance costs included in deferred outflows of resources on the statement of net position are:		1,117,618
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(10,554,041)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liaibilities, are reported. Long-term liabilities relating to governmental activities consist of:		
General obligation bonds payable	$ 495,815,778	
Net pension liability	368,478,302	
Total OPEB liability	77,199,892	
Compensated absences payable	4,896,065	
Lease revenue bonds payable	56,490,000	
Early retirement incentive payable	7,697,501	
Special tax bonds payable	500,070,613	
Capital leases payable	8,426,353	
Total		(1,519,074,504)
Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was:		27,995,455
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred Outflows of Resources - Pension Related		117,915,617
Deferred Inflows of Resources - Pension Related		(47,736,337)

Deferred outflows and inflows of resources related to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported.

Deferred outflows of resources relating to OPEB	2,986,619
Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:	20,323,526
Net position of governmental activities - statement of net position	$ (286,608,304)

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Capital Projects Fund for Blended Component Units	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 103,073,730	$ -	$ -	$ 103,073,730
Education Protection Account Funds	14,538,796	-	-	14,538,796
Local Sources	174,135,332	-	1,020,000	175,155,332
Federal Revenue	9,226,040	-	3,142,501	12,368,541
Other State Revenue	47,569,636	-	2,468,534	50,038,170
Other Local Revenue	15,513,627	53,141,609	25,778,973	94,434,209
Total Revenues	364,057,161	53,141,609	32,410,008	449,608,778
Expenditures:				
Current:				
Instruction	241,574,498	-	1,718,049	243,292,547
Instruction - Related Services	38,721,287	-	1,081,861	39,803,148
Pupil Services	27,574,454	-	9,328,633	36,903,087
Ancillary Services	3,968,766	-	-	3,968,766
Community Services	394,218	-	-	394,218
General Administration	17,836,649	-	167,002	18,003,651
Plant Services	33,273,191	758,031	382,137	34,413,359
Other Outgo	1,077,246	15,381	-	1,092,627
Capital Outlay	1,828,172	15,687,561	1,950,925	19,466,658
Debt Service:				
Principal	3,918,959	-	23,721,150	27,640,109
Interest	195,867	-	29,798,577	29,994,444
Total Expenditures	370,363,307	16,460,973	68,148,334	454,972,614
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,306,146)	36,680,636	(35,738,326)	(5,363,836)
Other Financing Sources (Uses):				
Transfers In	4,472,434	-	38,285,939	42,758,373
Transfers Out	(2,177,831)	(39,482,105)	(1,056,696)	(42,716,632)
Other Sources	-	-	5,625,264	5,625,264
Total Other Financing Sources (Uses)	2,294,603	(39,482,105)	42,854,507	5,667,005
Net Change in Fund Balance	(4,011,543)	(2,801,469)	7,116,181	303,169
Fund Balance, July 1	66,525,728	135,533,663	20,847,715	222,907,106
Fund Balance, June 30	$ 62,514,185	$ 132,732,194	$ 27,963,896	$ 223,210,275

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds			$ 303,169
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:			
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
	Expenditures for capital outlay:	$ 19,466,660	
	Depreciation expense:	(28,374,668)	
	Net		(8,908,008)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			27,640,108
Debt issue costs for prepaid debt insurance: In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs for prepaid debt insurance are amortized over the life of the debt. The difference between debt issue costs for prepaid insurance incurred in the current period and prepaid insurance costs amortized for the period is:			
	Prepaid debt insurance amortized for the period		(32,518)
Donated capital assets: In governmental funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue and as increases to capital assets, at their fair market value on the date of donation. The fair market value of capital assets donated was:			2,913,900
Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is:			(1,400,000)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:			(21,659,899)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:			1,795,448
Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:			(16,196,788)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:	(7,605,605)
Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year expenses incurred for such obligations were:	(7,697,501)
Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is:	1,774,143
Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:	967,772
Change in net position of governmental activities - Statement of Activities	$ (28,105,779)

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Major Enterprise Fund	Nonmajor Internal Service Fund
	Childcare Program	Self-Insurance Fund
ASSETS:		
Current Assets:		
Cash in County Treasury	$ 3,804,961	$ 19,636,487
Cash on Hand and in Banks	197,781	-
Cash with a Fiscal Agent/Trustee	-	160,711
Accounts Receivable	71,171	829,111
Due from Other Funds	135,288	3,749,838
Total Current Assets	4,209,201	24,376,147
Noncurrent Assets:		
Fixed Assets-		
Buildings and Improvements	4,767,384	-
Accumulated Depreciation - Buildings	(2,489,634)	-
Equipment	-	29,696
Accumulated Depreciation - Equipment	-	(29,696)
Total Noncurrent Assets	2,277,750	-
Total Assets	6,486,951	24,376,147
DEFERRED OUTFLOWS OF RESOURCES:		
Pension Related	6,875,784	-
OPEB Related	148,827	-
Total Deferred Outflows of Resources	7,024,611	-
LIABILITIES:		
Current Liabilities:		
Accounts Payable	545,257	1,151,105
Due to Other Funds	635,748	2,901,517
Unearned Revenue	99,500	-
Total Current Liabilities	1,280,505	4,052,622
Noncurrent Liabilities:		
Net Pension Liability	15,744,037	-
Other Postemployment Benefits	3,846,954	-
Compensated Absences Payable	539,570	-
Total Noncurrent Liablities	20,130,561	-
Total Liabilities	21,411,066	4,052,622
DEFERRED INFLOWS OF RESOURCES		
Pension Related	4,705,954	-
Total Inflows of Resources	4,705,954	-
NET POSITION:		
Net Investment in Capital Assets	2,277,750	-
Unrestricted (Deficit)	(14,883,208)	20,323,525
Total Net Position	$ (12,605,458)	$ 20,323,525

POWAY UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Major Enterprise Fund	Nonmajor Internal Service Fund
	Childcare Program	Self-Insurance Fund
Operating Revenues:		
State Revenue	$ 59,581	$ -
Childcare Fees	20,570,784	-
In District Premiums	-	11,327,604
Interest	50,210	283,033
Other Local Revenue	49,100	653,457
Total Revenues	20,729,675	12,264,094
Operating Expenses:		
Certificated Personnel Salaries	1,515,688	-
Classified Personnel Salaries	9,963,193	-
Employee Benefits	4,822,652	-
Books and Supplies	784,689	12,130
Services and Other Operating Expenses	2,598,359	11,252,477
Capital Outlay	105,942	-
Total Expenses	19,790,523	11,264,607
Income (Loss) before Contributions and Transfers	939,152	999,487
Interfund Transfers In	15,500	2,182,059
Interfund Transfers Out	(25,526)	(2,213,774)
Change in Net Position	929,126	967,772
Total Net Position - Beginning	(13,534,584)	19,355,753
Total Net Position - Ending	$ (12,605,458)	$ 20,323,525

POWAY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Major Enterprise Fund	Nonmajor Internal Service Fund
	Childcare Program	Self-Insurance Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	$ 20,591,234	$ 476,062
Cash Received from Grants	59,581	-
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	(113,925)	11,961,082
Cash Payments to Employees for Services	(11,509,576)	-
Cash Payments for Employee Benefits	(3,842,988)	-
Cash Payments to Other Suppliers for Goods and Services	(3,361,920)	(11,208,880)
Net Cash Provided by Operating Activities	1,822,406	1,228,264
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	37,091	246,330
Net Cash Provided by Investing Activities	37,091	246,330
Net Increase in Cash and Cash Equivalents	1,859,497	1,474,594
Cash and Cash Equivalents at Beginning of Year	2,143,245	18,322,604
Cash and Cash Equivalents at End of Year	$ 4,002,742	$ 19,797,198
Reconciliation of Operating Income to Net Cash Provided by Operating & Investing Activities:		
Operating Income (Loss)	$ 929,126	$ 967,772
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Adjustment to Beginning Net Position for Accounting Policy Change	(1,545,515)	453,911
Depreciation	105,942	-
Change in Assets and Liabilities:		
Decrease/(Increase) in Receivables	(40,019)	(214,098)
Decrease/(Increase) in Interfund Receivables	(75,799)	(1,855,067)
Decrease/(Increase) in Deferred Outflows of Resources	(1,772,416)	141,857
Increase/(Decrease) in Accounts Payable	(17,294)	55,727
Increase/(Decrease) in Interfund Payables	(53,550)	2,520,260
Increase/(Decrease) in Unearned Revenue	(1,750)	-
Increase/(Decrease) in Net Pension Liability	842,351	(413,699)
Increase/(Decrease) in Net OPEB Obligation	2,069,175	(38,932)
Increase/(Decrease) in Compensated Absences Payable	1,350	(62,674)
Increase/(Decrease) in Deferred Inflows of Resources	1,417,896	(80,463)
Total Adjustments	930,371	506,822
Net Cash Provided by Operating & Investing Activities	$ 1,859,497	$ 1,474,594

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private-purpose Trust Fund	Agency Fund
	Foundation Private-Purpose Trust Fund	Student Body Fund
ASSETS:		
Cash in County Treasury	$ 325,499	$ -
Cash on Hand and in Banks	-	1,572,297
Accounts Receivable	1,609	-
Store Inventories	-	98,306
Equipment	-	22,103
LIABILITIES:		
Accounts Payable	-	204,006
Due to Student Groups	-	1,488,700
Total Liabilities	-	1,692,706
NET POSITION:		
Held in Trust	327,108	-
Total Net Position	$ 327,108	$ -

The accompanying notes are an integral part of this statement.

POWAY UNIFIED SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Private-Purpose Trust Fund
	Foundation Private-Purpose Trust Fund
Additions:	
Investment Income	$ 8,314
Plan Member Contributions	50
Total Additions	8,364
Deductions:	
Books & Supplies	27,943
Services & Other Operating Expenditures	40,578
Total Deductions	68,521
Change in Net Position	(60,157)
Net Position-Beginning of the Year	387,265
Net Position-End of the Year	$ 327,108

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

Poway Unified School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental reporting "entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The Poway Unified School District Public Financing Authority (PFA) and the Poway Community Facilities Districts (CFDs) have a financial and operational relationship which meet the reporting entity definition criteria of the Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, for inclusion of the PFA and the CFDs as component units of the District. Therefore, the financial activities of the PFA and the CFDs have been included in the basic financial statements of the District as a blended component unit.

The following are those aspects of the relationship between the District, the PFA and the CFDs which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, criteria:

Manifestations of Oversight

a. The PFA and the CFDs Boards of Directors were appointed by the District's Board of Education.

b. The PFA and the CFDs have no employees. The District's Superintendent, Assistant Superintendent of Business Services, and other employees of the District function as agents of the PFA and the CFDs**.** None of the aforementioned individuals receive additional compensation for work performed in this capacity.

c. The District exercises significant influence over operations of the PFA and CFDs.

Accounting for Fiscal Matters

a. All major financing arrangements, contracts, and other transactions of the PFA and the CFDs must have consent of the District.

Scope of Public Service and Financial Presentation

a. The PFA and CFDs were created for the sole purpose of financially assisting the District.

b. The PFA and CFDs were created pursuant to a joint powers agreement between the District and the California Statewide Communities Development Authority (CSCDA), pursuant to the California Government Code, commencing with Section 6500. The PFA and CFDs were formed to provide financing assistance to the District for construction and acquisition of major capital facilities.

c. The PFA and CFDs financial activity are presented in the financial statements in the Capital Projects Fund for Blended Component Units and the Debt Service Fund for Blended Component Units. Debt issued by the PFA and the CFDs are included in the government-wide financial statements.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Capital Projects Fund for Blended Component Units. This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the LEA under generally accepted accounting principles (GAAP).

The District reports the following major enterprise funds:

Enterprise Fund. This fund is used to account for the revenues and expenses associated with the District's Extended Student Services program which operates preschools and before/after school programs throughout the District.

In addition, the District reports the following fund types:

Special Revenue Funds. Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund.

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

Debt Service Funds. Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The District operates one agency fund, the associated student body fund.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received**.** Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts.

5. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California district and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year end: State apportionments, property taxes, interest, certain grants, and other local sources.

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

b. Expenses/Expenditures

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

6. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

In accordance with Education Code Section 41001, the District maintains substantially all 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 market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. 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 Section 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.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	45
Building Improvements	20
Vehicles	5-15
Office Equipment	5-15
Computer Equipment	5-15

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The balance of the liabilities is recognized in the government-wide financial statements at year end.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

e. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1. Unsecured property taxes are payable in one installment on or before August 31. The County of San Diego bills and collects the taxes for the District.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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.

i. Minimum Fund Balance Policy

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce the service levels because of temporary revenue shortfalls or unpredicted expenses. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts equal to 3% of the general fund operating expenses and other financing uses.

7. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or 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.

8. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement Number 54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) is combined with the General Fund for purposes of presentation in the audit report.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and 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's 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.

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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

10. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

11. Fair Value Measurements

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

Level 1 Inputs:	Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
Level 2 Inputs:	Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
Level 3 Inputs:	Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

12. Change in Accounting Policies

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

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement replaces the requirements of GASB 45 and GASB 57. This statement establishes standards for recognizing and measuring OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service for defined benefit OPEB.

The District provides a defined benefit OPEB plan that is not administered through a trust, but meets the criteria specified in GASB 75. As a result, the District has adjusted measurement of OPEB liability, OPEB expense, and related deferred outflows and inflows of resources in compliance with GASB 75. The change in accounting policies resulted in an adjustment to beginning net position in order to accurately reflect current period transactions. Additional note disclosures regarding OPEB liability, OPEB expense, and related deferred inflows and outflows of resources are located in Note N. Additional note disclosures regarding the adjustment to beginning net position resulting from this change in accounting policy are located in Note P.

GASB 81 - Irrevocable Split-Interest Agreements

The primary objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government receiving resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This statement also requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. In addition, this statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The District does not receive resources pursuant to an irrevocable split-interest agreement, nor does the District have any beneficial interests in irrevocable split interest agreements as of June 30, 2018. The District has adopted the accounting policies in the event that the District obtains a beneficial interest in a future split-interest agreement. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 81.

GASB 85 - Omnibus 2017

The primary objective of this statement is to address practice issues that were identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The statement was issued as a clarifying measure to previously issued statements.

The implementation of this statement resulted in a change in how the District recognizes on-behalf payments for the special funding situation for CalSTRS pension. The results of implementing these accounting policies did not have a material effect on the financial statements and did not affect previous periods.

GASB 86 - Certain Debt Extinguishment Issues

The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, other than proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial statements for debt that is defeased in substance.

The District does not have any in-substance defeasance of debt as of June 30, 2018. The District has adopted the accounting policies in the event that the District extinguishes debt through use of a legal extinguishment or through an in-substance defeasance in a future period. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 86.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance- related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
Enterprise Fund	$ 12,605,458	The enterprise fund is in a deficit as a result of recording net OPEB obligation in accordance with GASB Statement No. 75 and net pension liability in accordance with GASB Statement No. 68.

C. Cash and Investments

1. Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool ($120,824,125 as of June 30, 2018). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $120,824,125. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

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

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks ($2,791,802 as of June 30, 2018) and in the revolving fund ($300,383) are insured up to $250,000 by the Federal Depository Insurance Corporation.

3. Cash with Fiscal Agent

The District's cash with fiscal agent at June 30, 2018 are shown below.

Account Type	Maturity	Fair Value
Deposit with JPA	<30 Days	$ 160,711
Money Market Funds	<30 Days	132,732,194
Total Cash with Fiscal Agent		$ 132,892,905

4. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

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

5. 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. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

As of June 30, 2018, the District's bank balances (including revolving cash) of $2,596,818 was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

c. Concentration of Credit Risk

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

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

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

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

6. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Accounts Receivable

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2018 consisted of:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government			
Special education	$ 1,775,357	$ -	$ 1,775,357
Child nutrition	-	122,527	122,527
Other Federal programs	233,415	191,676	425,091
State Government			
LCFF revenue	2,504,051	-	2,504,051
Lottery revenue	1,530,881	-	1,530,881
Special education	531,890	-	531,890
Other state programs	22,620	42,419	65,039
Local Sources			
Interest	421,740	62,213	483,953
Other local sources	1,986,783	-	1,986,783
Total Accounts Receivable	$ 9,006,737	$ 418,835	$ 9,425,572

	Childcare Enterprise Fund	Self Insurance Fund	Foundation Private Purpose Fund
Local Sources:			
Interest	$ 18,671	$ 88,640	$ 1,609
Other local sources	52,500	740,471	-
Total Accounts Receivable	$ 71,171	$ 829,111	$ 1,609

E. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 86,462,491	$ 2,913,900	$ 1,400,000	$ 87,976,391
Work in progress	5,884,111	18,929,908	6,421,378	18,392,641
Total capital assets not being depreciated	92,346,602	21,843,808	7,821,378	106,369,032
Capital assets being depreciated:				
Buildings	986,171,113	6,339,770	-	992,510,883
Improvements	93,091,135	81,608	-	93,172,743
Equipment	45,696,442	536,752	559,246	45,673,948
Total capital assets being depreciated	1,124,958,690	6,958,130	559,246	1,131,357,574
Less accumulated depreciation for:				
Buildings	(243,922,508)	(22,695,466)	-	(266,617,974)
Improvements	(34,665,843)	(4,082,987)	-	(38,748,830)
Equipment	(34,115,365)	(1,596,215)	(559,246)	(35,152,334)
Total accumulated depreciation	(312,703,716)	(28,374,668)	(559,246)	(340,519,138)
Total capital assets being depreciated, net	812,254,974	(21,416,538)	-	790,838,436
Governmental activities capital assets, net	$ 904,601,576	$ 427,270	$ 7,821,378	$ 897,207,468

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets being depreciated:				
Buildings	$ 4,767,384	$ -	$ -	$ 4,767,384
Total capital assets being depreciated	4,767,384	-	-	4,767,384
Less accumulated depreciation for:				
Buildings	(2,383,693)	(105,942)	-	(2,489,635)
Total accumulated depreciation	(2,383,693)	(105,942)	-	(2,489,635)
Total capital assets being depreciated, net	2,383,691	(105,942)	-	2,277,749
Business-type activities capital assets, net	$ 2,383,691	$ (105,942)	$ -	$ 2,277,749

Depreciation was charged to functions as follows:

	Governmental Activities	Business Type Activities
Instruction	$ 17,265,589	$ -
Instruction-Related Services	4,787,964	-
Pupil Services	1,983,730	-
Ancillary Services	36,279	-
Community Services	860	-
Enterprise/Self-Insured Activities	6,144	105,942
General Administration	786,555	-
Plant Services	3,489,439	-
Unallocated	18,108	-
	$ 28,374,668	$ 105,942

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2018, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	$ 110,510	Indirect costs
General Fund	Other Governmental Funds	1,117,334	Reimbursement of expenses
General Fund	Childcare Enterprise Fund	508,909	Indirect costs
General Fund	Childcare Enterprise Fund	26,226	Reimbursement of expenses
General Fund	Self-Insurance Fund	2,883,812	Reimbursement of expenses
Other Governmental Funds	General Fund	283,633	Revenue transfer
Other Governmental Funds	General Fund	1,573,734	Deferred maintenance transfer
Other Governmental Funds	General Fund	285,213	Reimbursement of expenses
Other Governmental Funds	Other Governmental Funds	457	Catering expenses
Other Governmental Funds	Childcare Enterprise Fund	674	Catering expenses
Other Governmental Funds	Self-Insurance Fund	2,206	Reimbursement of expenses
Childcare Enterprise Fund	General Fund	13,387	Reimbursement of expenses
Childcare Enterprise Fund	Other Governmental Funds	106,402	Reimbursement of expenses
Childcare Enterprise Fund	Self-Insurance Fund	15,500	Reimbursement of expenses
Self-Insurance Fund	General Fund	3,586,461	Employee benefit costs
Self-Insurance Fund	Other Governmental Funds	63,438	Employee benefit costs
Self-Insurance Fund	Childcare Enterprise Fund	99,939	Employee benefit costs
	Total	$ 10,677,835	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2018, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Other Governmental Funds	$ 26,637	Revenue transfers
General Fund	Other Governmental Funds	19,132	Reimbursement of expenses
General Fund	Self-Insurance Fund	2,132,062	OPEB contributions
Capital Project Fund	General Fund	1,244,141	Reimbursement of expenses
Capital Project Fund	Other Governmental Funds	38,237,964	Debt service payments
Other Governmental Funds	General Fund	1,032,224	Reimbursement of expenses
Other Governmental Funds	Self-Insurance Fund	24,471	OPEB contributions
Childcare Enterprise Fund	Self-Insurance Fund	25,526	OPEB contributions
Self-Insurance Fund	General Fund	2,196,069	Reimbursement of expenses
Self-Insurance Fund	Other Governmental Funds	2,206	Reimbursement of expenses
Self-Insurance Fund	Childcare Enterprise Fund	15,500	Reimbursement of expenses
	Total	$ 44,955,932	

G. Accounts Payable and Due to Grantor Government

Accounts payable and Due to Grantor Government balances as of June 30, 2018 consisted of:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Accounts Payable			
Vendors Payable	$ 3,408,728	$ 2,354,534	$ 5,763,262
Payroll & Related Liabilities	1,233,940	84,928	1,318,868
Pension Related Payables	3,269,869	54,685	3,324,554
Total Accounts Payable	7,912,537	2,494,147	10,406,684
Due to Grantor Government			
LCFF Repayment	4,621,335	-	4,621,335
Total Accounts Payable & Due to Grantor Government	$ 12,533,872	$ 2,494,147	$ 15,028,019

	Enterprise Fund	Self Insurance Fund	Associated Student Body Fund
Accounts Payable			
Vendors Payable	$ 37,072	$ 780,063	$ 204,006
Payroll & Related Liabilities	397,570	-	-
Pension Related Payables	110,615	-	-
IBNR Liabilities	-	371,042	-
	$ 545,257	$ 1,151,105	$ 204,006

H. Unearned Revenue

Unearned Revenue balances as of June 30, 2018 consisted of:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal Government:			
Title I	$ 64,297	$ -	$ 64,297
Title II	29,463	-	29,463
State Government:			
Career Technical Education	2,518,762	-	2,518,762
			-
Local Sources:			-
Other Local Programs	289,429	6,860	296,289
Total Unearned Revenue	$ 2,901,951	$ 6,860	$ 2,908,811

	Childcare Enterprise Fund
Local Sources:	
Prepaid Childcare Fees	$ 99,500
Total Unearned Revenue	$ 99,500

I. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. During the year ended June 30, 2018, the District did not enter into any short-term debt agreements.

J. Components of Ending Fund Balance

Ending fund balance for the year ended June 30, 2018, consisted of:

	Major Governmental Funds			
	General Fund	Capital Projects Fund For Blended Component Units	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable Fund Balances				
Revolving Cash	$ 299,313	$ -	$ 1,070	$ 300,383
Stores Inventory	481,253	-	476,662	957,915
Total Nonspendable	780,566	-	477,732	1,258,298
Restricted Fund Balances				
Capital Projects	908,385	132,732,194	3,801,380	137,441,959
Child Nutrition Program	-	-	1,213,959	1,213,959
Debt Service	-	-	14,787,632	14,787,632
Educational Programs	2,882,173	-	124,962	3,007,135
Other Restrictions	792,802	-	-	792,802
Total Restricted	4,583,360	132,732,194	19,927,933	157,243,487
Committed Fund Balances				
Deferred Maintenance	-	-	879,730	879,730
Adult Education	-	-	580,151	580,151
Total Committed	-	-	1,459,881	1,459,881
Assigned Fund Balances				
Capital Projects	-	-	6,098,350	6,098,350
Educational Programs	12,805,125	-	-	12,805,125
Total Assigned	12,805,125	-	6,098,350	18,903,475
Unassigned Fund Balances				
For Economic Uncertainty	9,448,266	-	-	9,448,266
Other Unassigned	34,896,868	-	-	34,896,868
Total Unassigned	44,345,134	-	-	44,345,134
Total Fund Balance	$ 62,514,185	$ 132,732,194	$ 27,963,896	$ 223,210,275

K. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	$ 484,153,402	$ 21,370,251	$ 9,707,875	$ 495,815,778	$ 11,230,703
Capital Leases	12,345,312	-	3,918,959	8,426,353	3,419,741
Lease Revenue Bonds	56,790,000	-	300,000	56,490,000	380,000
Special Tax Bonds - CFD	516,753,177	-	16,682,564	500,070,613	15,135,309
Net Pension Liability*	328,665,401	39,812,901	-	368,478,302	-
Total OPEB Liability*	69,865,767	7,334,125	-	77,199,892	-
Early Retirement Incentive	-	7,697,501	-	7,697,501	1,525,933
Compensated Absences *	6,691,513	-	1,795,448	4,896,065	4,896,065
Total governmental activities	$ 1,475,264,572	$ 76,214,778	$ 32,404,846	$ 1,519,074,504	$ 36,587,751
Business-type activities:					
Net Pension Liability*	$ 14,901,686	$ 842,351	$ -	$ 15,744,037	$ -
Total OPEB Obligation*	3,481,487	365,467	-	3,846,954	-
Compensated absences *	538,220	1,350	-	539,570	539,570
Total business-type activities	$ 18,921,393	$ 1,209,168	$ -	$ 20,130,561	$ 539,570
Total Long-term Obligations	$ 1,494,185,965	$ 77,423,946	$ 32,404,846	$ 1,539,205,065	$ 37,127,321

* Other long-term liabilities
The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund, Adult Education Fund, Child Development Fund
Compensated absences	Business-type	Enterprise Fund
Net Pension Liability	Governmental	General Fund, Adult Education Fund, Child Development Fund
Net Pension Liability	Business-type	Enterprise Fund
Total OPEB Liability	Governmental	General Fund, Adult Education Fund, Child Development Fund
Total OPEB Liability	Business-type	Enterprise Fund

2. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements**.** As of June 30, 2018, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

Bond Issue	Amount
2003 CFD 1 Special Tax Bonds	$ 1,362,890
PFA Refunding Series 2017B	5,592,877
Total	$ 6,955,767

3. Capital Leases

The District entered into a lease agreement for $2,200,000 with Pinnacle Public Finance Corporation on September 22, 2011 for equipment. The title for the equipment transfers to the district upon conclusion of the final lease payment**.** The lease bears a fixed interest rate of 2.33% with payments of principal and interest due annually.

The District entered into a lease agreement for $2,715,000 with US Bancorp on August 18, 2013 for technology equipment**.** The title for the equipment transfers to the district upon conclusion of the final lease payment. The lease bears a fixed interest rate of 1.09% with payments of principal and interest due annually.

The District entered into a lease agreement for $2,800,000 with US Bancorp on September 11, 2014 for technology equipment. The title for the equipment transfers to the district upon conclusion of the final lease payment. The lease bears a fixed interest rate of 1.23% with payments of principal and interest due annually.

The District entered into a lease agreement for $1,600,000 with Santander Bank on September 17, 2014 for equipment. The title for the equipment transfers to the district upon conclusion of the final lease payment. The lease bears a fixed interest rate of 1.48% with payments of principal and interest due annually.

The District entered into a lease agreement for $1,100,000 with US Bancorp on January 30, 2015 for equipment. The title for the equipment transfers to the district upon conclusion of the final lease payment. The lease bears a fixed interest rate of 2.27% with principal and interest payments due annually.

The District entered into a lease agreement for $2,500,000 with US Bancorp on August 1, 2015 for the purchase of equipment. The title for the equipment transfers to the district upon conclusion of the final lease payment**.** The lease bears a fixed interest rate of 1.617% with principal and interest payments due annually for 5 years.

The District entered into a lease agreement for $2,500,000 with Santander Bank on July 15, 2016 for the purchase of computers. The title for the computers transfers to the district upon conclusion of the final lease payment. The lease bears a fixed interest rate of 1.57% with principal and interest payments due annually for 5 years.

The District entered into a lease agreement for $5,000,000 with Santander Bank on July 15, 2016 for the funding of a LAN/WAN project. Upon completion the district will hold title to the technology infrastructure this project produces. The lease bears a fixed interest rate of 1.57% with principal and interest payments due annually for 5 years.

The District entered into a lease agreement for $1,075,000 with US Bancorp on October 30, 2016 for the purchase of equipment. The title for the equipment transfers to the district upon conclusion of the final lease payment. The lease bears a fixed interest rate of 1.41% with payments of principal and interest due anually for 5 years.

Capital lease activity for the 2017-18 fiscal years is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Pinnacle Public Finance	$ 918,208	$ -	$ 221,683	$ 696,525
US Bancorp - Lease #1	549,394	-	549,394	-
US Bancorp - Lease #2	1,130,263	-	561,660	568,603
Santander Bank - Lease #1	645,381	-	320,320	325,061
US Bancorp - Lease #3	773,646	-	103,164	670,482
US Bancorp - Lease #4	1,507,960	-	494,614	1,013,346
Santander Bank - Lease #2	1,988,313	-	485,524	1,502,789
Santander Bank - Lease #3	3,976,627	-	971,048	3,005,579
US Bancorp - Lease #5	855,520	-	211,552	643,968
Total Capital Leases	$ 12,345,312	$ -	$ 3,918,959	$ 8,426,353

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of June 30, 2018, as follows:

	Governmental Activities		
Year Ending June 30,	Principal	Interest	Total
2019	$ 3,419,741	$ 139,663	$ 3,559,404
2020	2,568,119	85,782	2,653,901
2021	2,091,882	43,026	2,134,908
2022	112,934	7,929	120,863
2023	115,517	5,346	120,863
2024-2028	118,160	2,703	120,863
Totals	$ 8,426,353	$ 284,449	$ 8,710,802

4. General Obligation Bonds

General obligation bonds payable as of June 30, 2018 are as follows:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2002 Election Series B	11/02/06	4.50 - 5.00%	08/01/31	$ 119,300,766
2008 Election Series A	01/09/09	6.00 - 7.10%	08/01/33	73,998,936
2008 Election Series B	08/11/11	6.56 - 7.12%	08/01/51	105,000,150
2011 Refunding Bonds	10/18/11	2.00 - 5.00%	08/01/27	53,285,000
2014 Refunding Bonds	07/15/14	3.00 - 5.00%	08/01/30	100,325,000
Total GO Bonds				$ 451,909,852

	Beginning Balance	Increases	Decreases	Ending Balance
2002 Election Series B	$ 3,080,766	$ -	$ -	$ 3,080,766
2002-B Bond Premium	252,980	-	-	252,980
2002-B Accreted Interest	3,399,790	500,283	-	3,900,073
Total 2002 Series B	6,733,536	500,283	-	7,233,819
2008 Election Series A	73,998,936	-	2,249,149	71,749,787
2008-A Bond Premium	9,544,567	-	290,101	9,254,466
2008-A Accreted Interest	52,267,239	8,603,376	1,470,851	59,399,764
Total 2008 Series A	135,810,742	8,603,376	4,010,101	140,404,017
2008 Election Series B	105,000,150	-	-	105,000,150
2008-B Bond Premium	21,360,189	-	-	21,360,189
2008-B Accreted Interest	56,564,723	12,266,592	-	68,831,315
Total 2008 Series B	182,925,062	12,266,592	-	195,191,654
2011 Refunding Bonds	42,675,000	-	2,335,000	40,340,000
2011 Bond Premium	4,356,433	-	238,366	4,118,067
Total 2011 Ref. Bonds	47,031,433	-	2,573,366	44,458,067
2014 Refunding Bonds	99,345,000	-	2,780,000	96,565,000
2014 Bond Premium	12,307,629	-	344,408	11,963,221
Total 2014 Ref. Bonds	111,652,629	-	3,124,408	108,528,221
Total GO Bonds	$ 484,153,402	$ 21,370,251	$ 9,707,875	$ 495,815,778

The annual requirements to amortize the bonds outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2019	$ 8,260,952	$ 1,989,048	$ 6,220,657	$ 16,470,657
2020	9,173,028	2,616,972	5,944,725	17,734,725
2021	10,167,235	3,347,765	5,614,225	19,129,225
2022	11,176,412	4,193,588	5,248,350	20,618,350
2023	12,220,638	5,164,362	4,844,850	22,229,850
2024-2028	77,891,755	45,418,245	16,672,625	139,982,625
2029-2033	79,840,876	124,884,124	2,848,000	207,573,000
2034-2038	43,799,905	199,095,095	-	242,895,000
2039-2043	32,578,240	232,951,491	-	265,529,731
2044-2048	20,877,835	249,843,018	-	270,720,853
2049-2053	10,748,827	208,282,917	-	219,031,744
Totals	$ 316,735,703	$ 1,077,786,625	$ 47,393,432	$ 1,441,915,760

Accreted interest in the repayment schedule is representative of amounts that will be required to be repaid when payments come due. Amounts of accreted interest reflected in the principal balance of the general obligation bonds of $132,131,152 represents amounts that have accrued as of June 30, 2018. Additional amounts will continue to accrue and become due as outlined in the payment schedule above.

Bond premium arises when the market rate of interest is higher 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.

Effective interest on general obligation bonds issued at a premium is as follows:

	2002 Series B	2008 Series A	2008 Series B
Total Interest Payments on Bonds	$ 104,659,742	$ 186,726,064	$ 876,562,177
Less Bond Premium	(9,796,466)	(9,544,567)	(21,360,189)
Net Interest Payments	$ 94,863,276	$ 177,181,497	$ 855,201,988
Par Amount of Bonds	$ 119,300,766	$ 73,998,936	$ 105,000,150
Periods	25	25	40
Effective Interest Rate	3.181%	9.578%	20.362%

	2011 Refunding	2014 Refunding
Total Interest Payments on Bonds	$ 25,581,069	$ 51,357,792
Less Bond Premium	(5,439,544)	(12,429,039)
Net Interest Payments	$ 20,141,525	$ 38,928,753
Par Amount of Bonds	$ 53,285,000	$ 100,325,000
Periods	16	16
Effective Interest Rate	2.362%	2.425%

5. Lease Revenue Bonds

Lease revenue bonds at June 30, 2018 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2012 Lease Revenue Bonds	09/04/12	1.95% - 3.00%	09/01/43	$ 57,300,000

	Beginning Balance	Increases	Decreases	Ending Balance
2012 Lease Revenue Bonds	$ 56,790,000	$ -	$ 300,000	$ 56,490,000

The annual requirements to amortize the bonds outstanding at June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 380,000	$ 1,392,428	$ 1,772,428
2020	460,000	1,676,400	2,136,400
2021	550,000	1,661,250	2,211,250
2022	640,000	1,643,400	2,283,400
2023	740,000	1,622,700	2,362,700
2024-2028	5,450,000	7,686,750	13,136,750
2029-2033	9,060,000	6,611,100	15,671,100
2034-2038	13,910,000	4,905,150	18,815,150
2039-2043	20,320,000	2,359,500	22,679,500
2044-2048	4,980,000	74,700	5,054,700
Totals	$ 56,490,000	$ 29,633,378	$ 86,123,378

In June 2008 the District issued a series of lease revenue bonds totaling $92,681,499. The bonds were secured by lease payments from the district to the Poway Unified School District Public Financing Authority for Westview High School. Legal provisions in the debt include a fully-funded reserve and rental interruption insurance covering two years of lease payments to offset abatement risk.

Dexia Credit Local (Dexia) provided the District with the initial Standby LOC. Starting in 2010, Dexia began notifying its American clients, including the District, that it would not renew their Standby LOCs upon the respective expiration dates. Prior to the Dexia Standby LOC expiration date in 2012, the District successfully replaced Dexia with US Bank, and restructured the 2007 LRBs under the 2012 Program by maintaining the Multimode Structure instead of having to convert to a Fixed-To-Maturity Rate Mode.

The District also added $12,300,000 of funding for school facilities under the 2012 Program. The District's initial savings resulting from the lower interest rates under the Multimode Structure compared to the alternative higher Fixed-To-Maturity Interest rate levels approximate 1) $17,727,326 for the total 2012 program; and 2) $13,444,221 for the 2012 Program's 2007 LRB component only.

As of June 30, 2018 the District had outstanding $56,490,000 in remaining debt for the School Facilities Restructuring program. As of September 1, 2015 the District was able to renegotiate a rate of 1.95% effective through 2018 and subsequently a rate of 3.00%. Repayment in this schedule is reflective of the new re-negotiated rates.

6. Early Retirement Incentive

In June 2018 the District issued a supplemental early retirement plan through Keenan & Associates. The plan was issued as an incentive for 109 employees to retire early in order to create a cost savings for the District. The Plan requires payments of the annuity premiums over five years plus a 4% commission paid to Keenan & Associates.

Current year activity on the early retirement incentive is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
2018 Retirement Incentive	$ -	$ 7,697,501	$ -	$ 7,697,501

Future payments on the retirement incentive are as follows:

Year Ending June 30,	Annuity Premium	Keenan Commission	Total Payment
2019	$ 1,467,243	$ 58,690	$ 1,525,933
2020	1,483,550	59,342	1,542,892
2021	1,483,550	59,342	1,542,892
2022	1,483,550	59,342	1,542,892
2023	1,483,550	59,342	1,542,892
Totals	$ 7,401,443	$ 296,058	$ 7,697,501

7. Special Tax Bonds

The District has fifteen community facilities districts within it's boundaries which have issued special tax bonds for the purpose of financing public improvements and services. The special tax bonds are repaid with special tax assessments known as Mello-Roos taxes that are assessed on the properties within the boundaries of each district.

Special tax bonds outstanding by community facility district is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
CFD #1	$ 10,544,453	$ -	$ 3,445,145	$ 7,099,308
CFD #2	11,687,810	-	501,722	11,186,088
CFD #3	3,766,207	-	210,433	3,555,774
CFD #4	17,219,712	-	590,611	16,629,101
CFD #5	1,153,686	-	64,693	1,088,993
CFD #6	163,611,216	-	4,747,566	158,863,650
CFD #7	1,110,536	-	59,300	1,051,236
CFD #8	5,294,000	-	351,000	4,943,000
CFD #9	1,270,000	-	84,000	1,186,000
CFD #10	60,486,090	-	2,694,740	57,791,350
CFD #11	59,347,447	-	1,690,829	57,656,618
CFD #12	11,022,582	-	409,413	10,613,169
CFD #13	5,551,636	-	52,672	5,498,964
CFD #14	97,729,086	-	2,090,462	95,638,624
CFD #15	66,943,717	-	139,064	66,804,653
PFA - 2016 Bonds	15,000	-	(449,086)	464,086
Total Special Tax Bonds	$ 516,753,178	$ -	$ 16,682,564	$ 500,070,614

Special tax bonds issued by the Community Facilities Districts of the District at June 30, 2018 consisted of the following:

Community Facilities District (CFD) #1

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2003 Special Tax Bonds	02/13/03	2.25 - 5.40%	10/01/20	$ 2,820,000
2008 Special Tax Bonds	03/13/08	2.90 - 5.00%	10/01/20	48,420,000
Total CFD #1 Special Tax Bonds				$ 51,240,000

	Beginning Balance	Increases	Decreases	Ending Balance
2003 Special Tax Bonds	$ 1,700,000	$ -	$ 440,000	$ 1,260,000
2008 Special Tax Bonds	8,535,000	-	2,900,000	5,635,000
2008 Bond Premium	309,453	-	105,145	204,308
Total CFD #1	$ 10,544,453	$ -	$ 3,445,145	$ 7,099,308

The annual requirements to amortize the bonds outstanding at June 30, 2018 for CFD #1 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 3,085,000	$ 226,059	$ 3,311,059
2020	2,705,000	107,191	2,812,191
2021	1,105,000	25,011	1,130,011
Totals	$ 6,895,000	$ 358,261	$ 7,253,261

Community Facilities District (CFD) #2

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2013 PFA Revenue Bonds (3)	01/24/13	2.00 - 5.00%	09/01/42	$ 2,830,000
2015-C Refunding Bonds (6)	08/12/15	2.00 - 5.00%	09/01/28	8,520,000
Total CFD #2 Special Tax Bonds				$ 11,350,000

	Beginning Balance	Increases	Decreases	Ending Balance
2013 PFA Revenue Bonds	$ 2,720,000	$ -	$ 25,000	$ 2,695,000
2013 PFA Bond Premium	204,863	-	1,883	202,980
2015-C Refunding Bond	8,120,000	-	440,000	7,680,000
2015-C Bond Premium	642,947	-	34,839	608,108
Total CFD #2	$ 11,687,810	$ -	$ 501,722	$ 11,186,088

The annual requirements to amortize the bonds outstanding at June 30, 2018 for CFD #2 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 505,000	$ 429,425	$ 934,425
2020	545,000	408,725	953,725
2021	585,000	386,275	971,275
2022	635,000	358,900	993,900
2023	685,000	326,325	1,011,325
2024-2028	4,275,000	1,092,535	5,367,535
2029-2033	1,420,000	446,629	1,866,629
2034-2038	725,000	292,318	1,017,318
2039-2043	1,000,000	111,774	1,111,774
Total	$ 10,375,000	$ 3,852,906	$ 14,227,906

(3) - 2013 PFA Revenue bonds were issued by the Public Financing Authority on behalf of CFD #2, CFD #10, and CFD #11. The initial total issue of the bonds was $37,785,000. Each CFD is reflecting their individual share of the total bonds outstanding.

(6) - 2015 Series C Refunding Bonds were issued by the Public Financing Authority on behalf of CFD #2, CFD #3, CFD #5, and CFD #7. The initial total issue of the bonds was $14,405,000 with a premium of $1,138,296**.** Each CFD is reflecting their individual share of the total bonds outstanding.

Community Facilities District (CFD) #3

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2015-C Refunding Bonds (6)	08/12/15	2.00 - 5.00%	09/01/28	$ 3,680,000

	Beginning Balance	Increases	Decreases	Ending Balance
2015-C Refunding Bond	$ 3,490,000	$ -	$ 195,000	$ 3,295,000
2015-C Bond Premium	276,207	-	15,433	260,774
Total CFD #3	$ 3,766,207	$ -	$ 210,433	$ 3,555,774

The annual requirements to amortize the bonds outstanding at June 30, 2018 for CFD #3 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 205,000	$ 133,798	$ 338,798
2020	225,000	125,198	350,198
2021	235,000	115,998	350,998
2022	255,000	104,923	359,923
2023	280,000	91,548	371,548
2024-2028	1,700,000	242,011	1,942,011
2029-2033	395,000	7,931	402,931
Total	$ 3,295,000	$ 821,407	$ 4,116,407

(6) - 2015 Series C Refunding Bonds were issued by the Public Financing Authority on behalf of CFD #2, CFD #3, CFD #5, and CFD #7. The initial total issue of the bonds was $14,405,000 with a premium of $1,138,296**.** Each CFD is reflecting their individual share of the total bonds outstanding.

Community Facilities District (CFD) #4

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2013 PFA Revenue Bonds (4)	01/24/13	2.00 - 5.00%	09/01/42	$ 7,990,000
2016 PFA Refunding Bond (1)	08/18/16	2.33%	09/01/31	8,966,000
Total CFD #4 Special Tax Bonds				$ 16,956,000

	Beginning Balance	Increases	Decreases	Ending Balance
2013 PFA Revenue Bonds	$ 7,835,000	$ -	$ 105,000	$ 7,730,000
2013 PFA Bond Premium	418,712	-	5,611	413,101
2016 PFA Refunding Bond	8,966,000	-	480,000	8,486,000
Total CFD #4	$ 17,219,712	$ -	$ 590,611	$ 16,629,101

The annual requirements to amortize the bonds outstanding at June 30, 2018 for CFD #4 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 592,000	$ 543,177	$ 1,135,177
2020	624,000	528,741	1,152,741
2021	662,000	513,123	1,175,123
2022	704,000	495,914	1,199,914
2023	750,000	477,579	1,227,579
2024-2028	4,449,000	2,070,883	6,519,883
2029-2033	3,920,000	1,415,421	5,335,421
2034-2038	1,995,000	888,125	2,883,125
2039-2043	2,520,000	328,000	2,848,000
Total	$ 16,216,000	$ 7,260,963	$ 23,476,963

(4) - 2013 PFA Revenue bonds were issued by the Public Financing Authority on behalf of CFD #4, CFD #12, and CFD #13. The initial total issue of the bonds was $17,795,000. Each CFD is reflecting their individual share of the total bonds outstanding.

(1) - 2016 PFA Refunding Bond was issued to refund the 2007 PFA Revenue bonds on behalf of CFD #2, CFD #4, CFD #8, CFD #9, CFD #11, and CFD #12. The individual CFD's restructured bond issuance by putting cash on hands towards the refunding as well as entering into a debt obligation to the PFA equal to the PFA outstanding debt. Principal plus premium on the 2016 PFA Refunding Bonds total $56,171,000 with annual coupon rates ranging from 2.00-5.00% through September 15, 2031. Individual CFD's are reflecting obligations to the PFA totalling $56,171,000 at an interest rate of 2.33%.

Community Facilities District (CFD) #5

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2015-C Refunding Bonds (6)	08/12/15	2.00 - 5.00%	09/01/28	$ 1,125,000

	Beginning Balance	Increases	Decreases	Ending Balance
2015-C Refunding Bond	$ 1,070,000	$ -	$ 60,000	$ 1,010,000
2015-C Bond Premium	83,686	-	4,693	78,993
Total CFD #5	$ 1,153,686	$ -	$ 64,693	$ 1,088,993

The annual requirements to amortize the bonds outstanding at June 30, 2018 for CFD #5 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 65,000	$ 40,825	$ 105,825
2020	70,000	38,125	108,125
2021	75,000	35,225	110,225
2022	80,000	31,725	111,725
2023	80,000	27,725	107,725
2024-2028	515,000	73,981	588,981
2029-2033	125,000	2,469	127,469
Total	$ 1,010,000	$ 250,075	$ 1,260,075

(6) - 2015 Series C Refunding Bonds were issued by the Public Financing Authority on behalf of CFD #2, CFD #3, CFD #5, and CFD #7. The initial total issue of the bonds was $14,405,000 with a premium of $1,138,296**.** Each CFD is reflecting their individual share of the total bonds outstanding.

Community Facilities District (CFD) #6

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2012 Special Tax Bonds	05/17/12	3.00 - 5.00%	09/01/36	$ 38,940,000
2015 Refunding Bonds	06/04/15	2.00 - 5.00%	09/01/36	63,145,000
2016 Refunding Bonds	06/09/16	2.00 - 3.75%	09/01/42	10,120,000
2016 Sp Tax Refunding	11/03/16	2.00-5.00%	09/01/35	29,635,000
2017 Sp Tax Refunding (8)	02/02/17	2.00-5.00%	09/01/33	14,470,000
Total CFD #6 Special Tax Bonds				$ 156,310,000

	Beginning Balance	Increases	Decreases	Ending Balance
2012 Sp. Tax Bonds	$ 34,965,000	$ -	$ 1,315,000	$ 33,650,000
2012 Bond Premium	2,682,839	-	100,899	2,581,940
2015 Refunding Bonds	60,395,000	-	1,105,000	59,290,000
2015 Bond Premium	6,746,782	-	123,441	6,623,341
2016 Refunding Bonds	9,895,000	-	160,000	9,735,000
2016 Bond Discount	(100,520)	-	(1,625)	(98,895)
2016 Sp Tax Refunding	29,635,000	-	1,025,000	28,610,000
2016 REfunding Premium	3,685,913	-	127,486	3,558,427
2017 Sp Tax Refunding	14,470,000	-	730,000	13,740,000
2017 Refunding Premium	1,236,202	-	62,365	1,173,837
Total CFD #6	$ 163,611,216	$ -	$ 4,747,566	$ 158,863,650

The annual requirements to amortize the bonds outstanding at June 30, 2018 for CFD #6 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 3,690,000	$ 6,636,913	$ 10,326,913
2020	3,995,000	6,493,763	10,488,763
2021	4,340,000	6,322,713	10,662,713
2022	4,725,000	6,126,513	10,851,513
2023	5,115,000	5,904,863	11,019,863
2024-2028	32,810,000	25,231,988	58,041,988
2029-2033	47,610,000	15,670,531	63,280,531
2034-2038	34,290,000	3,526,213	37,816,213
2039-2043	8,450,000	473,681	8,923,681
Total	$ 145,025,000	$ 76,387,178	$ 221,412,178

(8) - 2016 Refunding bonds were issued by the Public Financing Authority on behalf of CFD #6 and CFD #10**.** The initial total issue of the bonds was $26,180,000 with coupon rates ranging from 2.00 - 5.00% through September 2031. Each CFD is reflecting their individual share of the total bonds outstanding.

Community Facilities District (CFD) #7

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2015-C Refunding Bonds (6)	08/12/15	2.00 - 5.00%	09/01/28	$ 1,125,000

	Beginning Balance	Increases	Decreases	Ending Balance
2015-C Refunding Bond	$ 1,030,000	$ -	$ 55,000	$ 975,000
2015-C Bond Premium	80,536	-	4,300	76,236
Total CFD #7	$ 1,110,536	$ -	$ 59,300	$ 1,051,236

The annual requirements to amortize the bonds outstanding at June 30, 2018 for CFD #7 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 60,000	$ 39,463	$ 99,463
2020	65,000	36,963	101,963
2021	70,000	34,263	104,263
2022	75,000	30,988	105,988
2023	80,000	27,113	107,113
2024-2028	505,000	72,544	577,544
2029-2033	120,000	2,388	122,388
Total	$ 975,000	$ 243,722	$ 1,218,722

(6) - 2015 Series C Refunding Bonds were issued by the Public Financing Authority on behalf of CFD #2, CFD #3, CFD #5, and CFD #7. The initial total issue of the bonds was $14,405,000 with a premium of $1,138,296**.** Each CFD is reflecting their individual share of the total bonds outstanding.

Community Facilities District (CFD) #8

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2016 PFA Refunding Bond (1)	08/18/16	2.33%	09/01/31	$ 5,294,000
Total CFD #8 Special Tax Bonds				$ 5,294,000

	Beginning Balance	Increases	Decreases	Ending Balance
2016 PFA Refunding Bond	$ 5,294,000	$ -	$ 351,000	$ 4,943,000
Total CFD #8	$ 5,294,000	$ -	$ 351,000	$ 4,943,000

The annual requirements to amortize the bonds outstanding at June 30, 2018 for CFD #8 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 370,000	$ 114,192	$ 484,192
2020	389,000	105,084	494,084
2021	409,000	95,508	504,508
2022	430,000	85,440	515,440
2023	451,000	74,868	525,868
2024-2028	2,595,000	197,100	2,792,100
2029-2033	299,000	3,588	302,588
Total	$ 4,943,000	$ 675,780	$ 5,618,780

(1) - 2016 PFA Refunding Bond was issued to refund the 2007 PFA Revenue bonds on behalf of CFD #2, CFD #4, CFD #8, CFD #9, CFD #10, and CFD #12. The individual CFD's restructured bond issuance by putting cash on hands towards the refunding as well as entering into a debt obligation to the PFA equal to the PFA outstanding debt. Principal plus premium on the 2016 PFA Refunding Bonds total $56,171,000 with annual coupon rates ranging from 2.00-5.00% through September 15, 2031. Individual CFD's are reflecting obligations to the PFA totalling $56,171,000 at an interest rate of 2.33%.

Community Facilities District (CFD) #9

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2016 PFA Refunding Bond (1)	08/18/16	2.33%	09/01/31	$ 1,270,000
Total CFD #9 Special Tax Bonds				$ 1,270,000

	Beginning Balance	Increases	Decreases	Ending Balance
2016 PFA Refunding Bond	$ 1,270,000	$ -	$ 84,000	$ 1,186,000
Total CFD #9	$ 1,270,000	$ -	$ 84,000	$ 1,186,000

The annual requirements to amortize the bonds outstanding at June 30, 2018 for CFD #9 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 90,000	$ 27,612	$ 117,612
2020	93,000	25,398	118,398
2021	99,000	23,075	122,075
2022	104,000	20,618	124,618
2023	109,000	18,041	127,041
2024-2028	625,000	47,154	672,154
2029-2033	66,000	799	66,799
Total	$ 1,186,000	$ 162,697	$ 1,348,697

(1) - 2016 PFA Refunding Bond was issued to refund the 2007 PFA Revenue bonds on behalf of CFD #2, CFD #4, CFD #8, CFD #9, CFD #10, and CFD #12. The individual CFD's restructured bond issuance by putting cash on hands towards the refunding as well as entering into a debt obligation to the PFA equal to the PFA outstanding debt. Principal plus premium on the 2016 PFA Refunding Bonds total $56,171,000 with annual coupon rates ranging from 2.00-5.00% through September 15, 2031. Individual CFD's are reflecting obligations to the PFA totalling $56,171,000 at an interest rate of 2.33%.

Community Facilities District (CFD) #10

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2013 Refunding - Area C (3)	01/24/13	2.00-5.00%	09/01/42	$ 2,625,000
2013 Refunding - Area D (3)	01/24/13	2.00-5.00%	09/01/42	4,275,000
2013 Refunding - Area E (3)	01/24/13	2.00-5.00%	09/01/12	4,800,000
2016 PFA Refunding Bond (1)	08/18/16	2.22%	09/01/31	34,006,000
2016 Refunding - Area F	12/06/16	2.00-4.00%	09/01/41	1,995,000
2017 Refunding A (8)	02/02/17	2.00-5.00%	09/01/31	7,030,000
2017 Refunding B (8)	02/02/17	2.00-5.00%	09/01/31	4,680,000
Total CFD #10 Special Tax Bonds				$ 59,411,000

	Beginning Balance	Increases	Decreases	Ending Balance
2013 Refunding - Area C (3)	$ 2,425,000	$ -	$ 65,000	$ 2,360,000
2013 Refunding Premium	182,644	-	4,896	177,748
2013 Refunding - Area D (3)	3,885,000	-	120,000	3,765,000
2013 Refunding Premium	292,609	-	9,038	283,571
2013 Refunding - Area E (3)	4,370,000	-	155,000	4,215,000
2013 Refunding Premium	329,137	-	11,674	317,463
2016 PFA Refunding Bond (1)	33,991,000	-	1,539,000	32,452,000
2016 Refunding - Area F	1,995,000	-	50,000	1,945,000
2016 Area F Discount	(30,922)	-	(775)	(30,147)
2017 Refunding A	7,030,000	-	380,000	6,650,000
2017 Refunding A Premium	802,229	-	43,364	758,865
2017 Refunding B	4,680,000	-	285,000	4,395,000
2017 Refunding B Premium	534,393	-	32,543	501,850
Total CFD #10	$ 60,486,090	$ -	$ 2,694,740	$ 57,791,350

The annual requirements to amortize the bonds outstanding at June 30, 2018 for CFD #10 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 2,459,000	$ 1,758,387	$ 4,217,387
2020	2,605,000	1,695,331	4,300,331
2021	2,744,000	1,623,818	4,367,818
2022	2,929,000	1,542,780	4,471,780
2023	3,114,000	1,452,674	4,566,674
2024-2028	18,647,000	5,580,762	24,227,762
2029-2033	21,944,000	2,015,232	23,959,232
2034-2038	775,000	172,065	947,065
2039-2043	565,000	47,100	612,100
Total	$ 55,782,000	$ 15,888,149	$ 71,670,149

(3) - 2013 PFA Revenue bonds were issued by the Public Financing Authority on behalf of CFD #2, CFD #10, and CFD #11. The initial total issue of the bonds was $37,785,000. Each CFD is reflecting their individual share of the total bonds outstanding.

(8) - 2016 Refunding bonds were issued by the Public Financing Authority on behalf of CFD #6 and CFD #10**.** The initial total issue of the bonds was $26,180,000 with coupon rates ranging from 2.00-5.00% through September 2031. Each CFD is reflecting their individual share of the total bonds outstanding.

(1) - 2016 PFA Refunding Bond was issued to refund the 2007 PFA Revenue bonds on behalf of CFD #2, CFD #4, CFD #8, CFD #9, CFD #10, and CFD #12. The individual CFD's restructured bond issuance by putting cash on hands towards the refunding as well as entering into a debt obligation to the PFA equal to the PFA outstanding debt. Principal plus premium on the 2016 PFA Refunding Bonds total $56,171,000 with annual coupon rates ranging from 2.00-5.00% through September 15, 2031. Individual CFD's are reflecting obligations to the PFA totalling $56,171,000 at an interest rate of 2.33%.

Community Facilities District (CFD) #11

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2013 Refunding - Area A (3)	01/24/13	2.00-5.00%	09/01/39	$ 9,685,000
2013 Refunding - Zone 1 (3)	01/24/13	2.00-5.00%	09/01/39	10,310,000
2013 Refunding - Zone 2 (3)	01/24/13	2.00-5.00%	09/01/39	1,870,000
2013 Refunding - Zone 3 (3)	01/24/13	2.00-5.00%	09/01/39	1,390,000
2014 Sp. Tax - Zone 2	12/02/14	2.00-5.00%	09/01/43	2,565,000
2014 Sp. Tax - Zone 3	12/02/14	2.00-5.00%	09/01/43	7,500,000
2014 Refunding - Area B & C	07/16/14	3.00-5.00%	09/01/35	19,550,000
2017 Refunding Bond	01/19/17	2.00-4.00%	09/01/39	5,815,000
Total CFD #11 Special Tax Bonds				$ 58,685,000

	Beginning Balance	Increases	Decreases	Ending Balance
2013 Refunding - Area A (3)	$ 8,920,000	$ -	$ 225,000	$ 8,695,000
2013 Refunding - A Premium	671,831	-	16,946	654,885
2013 Refunding - Zone 1 (3)	9,635,000	-	185,000	9,450,000
2013 Refunding - 1 Premium	725,683	-	13,934	711,749
2013 Refunding - Zone 2 (3)	1,845,000	-	25,000	1,820,000
2013 Refunding - 2 Premium	138,960	-	1,883	137,077
2013 Refunding - Zone 3 (3)	1,370,000	-	20,000	1,350,000
2013 Refunding - 3 Premium	103,184	-	1,506	101,678
2014 Sp. Tax - Zone 2	2,530,000	-	100,000	2,430,000
2014 Zone 2 Premium	68,673	-	2,714	65,959
2014 Sp. Tax - Zone 3	7,325,000	-	235,000	7,090,000
2014 Zone 3 Premium	198,825	-	6,379	192,446
2014 Refunding - Area B & C	18,655,000	-	650,000	18,005,000
2014 Refunding - Premium	1,426,253	-	49,695	1,376,558
2017 Refunding Bond	5,815,000	-	160,000	5,655,000
2017 Refunding Discount	(80,962)	-	(2,228)	(78,734)
Total CFD #11	$ 59,347,447	$ -	$ 1,690,829	$ 57,656,618

The annual requirements to amortize the bonds outstanding at June 30, 2018 for CFD #11 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 1,110,000	$ 2,484,738	$ 3,594,738
2020	1,200,000	2,446,063	3,646,063
2021	1,330,000	2,399,013	3,729,013
2022	1,465,000	2,343,513	3,808,513
2023	1,600,000	2,282,213	3,882,213
2024-2028	10,495,000	10,099,173	20,594,173
2029-2033	15,710,000	6,932,554	22,642,554
2034-2038	14,160,000	3,038,320	17,198,320
2039-2043	6,500,000	1,106,318	7,606,318
2044-2048	925,000	23,125	948,125
Total	$ 54,495,000	$ 33,155,030	$ 87,650,030

(3) - 2013 PFA Revenue bonds were issued by the Public Financing Authority on behalf of CFD #2, CFD #10, and CFD #11. The initial total issue of the bonds was $37,785,000. Each CFD is reflecting their individual share of the total bonds outstanding.

Community Facilities District (CFD) #12

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2013 PFA Revenue Bonds (4)	01/24/13	2.00 - 5.00%	09/01/42	$ 4,430,000
2016 PFA Refunding Bond (1)	08/18/16	2.15%	09/01/31	6,635,000
Total CFD #12 Special Tax Bonds				$ 11,065,000

	Beginning Balance	Increases	Decreases	Ending Balance
2013 PFA Revenue Bonds	$ 4,165,000	$ -	$ 120,000	$ 4,045,000
2013 PFA Bond Premium	222,582	-	6,413	216,169
2016 PA Refunding Bond (1)	6,635,000	-	283,000	6,352,000
Total CFD #12	$ 11,022,582	$ -	$ 409,413	$ 10,613,169

The annual requirements to amortize the bonds outstanding at June 30, 2018 for CFD #12 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 325,000	$ 327,211	$ 652,211
2020	348,000	319,841	667,841
2021	366,000	311,932	677,932
2022	388,000	303,442	691,442
2023	410,000	294,438	704,438
2024-2028	2,399,000	1,319,263	3,718,263
2029-2033	2,926,000	995,249	3,921,249
2034-2038	740,000	723,500	1,463,500
2039-2043	2,495,000	420,625	2,915,625
Total	$ 10,397,000	$ 5,015,501	$ 15,412,501

(4) - 2013 PFA Revenue bonds were issued by the Public Financing Authority on behalf of CFD #4, CFD #12, and CFD #13. The initial total issue of the bonds was $17,795,000. Each CFD is reflecting their individual share of the total bonds outstanding.

(1) - 2016 PFA Refunding Bond was issued to refund the 2007 PFA Revenue bonds on behalf of CFD #2, CFD #4, CFD #8, CFD #9, CFD #10, and CFD #12. The individual CFD's restructured bond issuance by putting cash on hands towards the refunding as well as entering into a debt obligation to the PFA equal to the PFA outstanding debt. Principal plus premium on the 2016 PFA Refunding Bonds total $56,171,000 with annual coupon rates ranging from 2.00-5.00% through September 15, 2031. Individual CFD's are reflecting obligations to the PFA totalling $56,171,000 at an interest rate of 2.33%.

Community Facilities District (CFD) #13

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2013 PFA Revenue Bonds (4)	01/24/13	2.00 - 5.00%	09/01/42	$ 5,375,000
Total CFD #13 Special Tax Bonds				$ 5,375,000

	Beginning Balance	Increases	Decreases	Ending Balance
2013 PFA Revenue Bonds	$ 5,270,000	$ -	$ 50,000	$ 5,220,000
2013 PFA Bond Premium	281,636	-	2,672	278,964
Total CFD #13	$ 5,551,636	$ -	$ 52,672	$ 5,498,964

The annual requirements to amortize the bonds outstanding at June 30, 2018 for CFD #13 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 55,000	$ 240,357	$ 295,357
2020	65,000	238,763	303,763
2021	70,000	236,738	306,738
2022	80,000	234,088	314,088
2023	90,000	231,138	321,138
2024-2028	600,000	1,102,876	1,702,876
2029-2033	910,000	955,306	1,865,306
2034-2038	1,365,000	678,125	2,043,125
2039-2043	1,985,000	262,375	2,247,375
Total	$ 5,220,000	$ 4,179,766	$ 9,399,766

(4) - 2013 PFA Revenue bonds were issued by the Public Financing Authority on behalf of CFD #4, CFD #12, and CFD #13. The initial total issue of the bonds was $17,795,000. Each CFD is reflecting their individual share of the total bonds outstanding.

Community Facilities District (CFD) #14

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2015 Refunding Bonds	04/22/15	2.00 - 5.00%	09/01/36	$ 44,630,000
2015 Refunding Area A	04/22/15	2.00 - 5.00%	09/01/36	44,775,000
Total CFD #14 Special Tax Bonds				$ 89,405,000

	Beginning Balance	Increases	Decreases	Ending Balance
2015 Refunding Bonds	$ 42,940,000	$ -	$ 925,000	$ 42,015,000
2015 Refunding Premium	5,845,142	-	125,914	5,719,228
2015 Refunding Area A	43,080,000	-	915,000	42,165,000
2015 Ref. Area A Premium	5,863,945	-	124,548	5,739,397
Total CFD #14	$ 97,729,087	$ -	$ 2,090,462	$ 95,638,625

The annual requirements to amortize the bonds outstanding at June 30, 2018 for CFD #14 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 1,850,000	$ 4,069,350	$ 5,919,350
2020	2,020,000	4,001,200	6,021,200
2021	2,220,000	3,916,400	6,136,400
2022	2,430,000	3,811,250	6,241,250
2023	2,670,000	3,683,750	6,353,750
2024-2028	17,600,000	14,667,000	32,267,000
2029-2033	20,210,000	10,480,000	30,690,000
2034-2038	35,180,000	4,642,750	39,822,750
Total	$ 84,180,000	$ 49,271,700	$ 133,451,700

Community Facilities District (CFD) #15

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2014 Special Tax Bonds (7)	02/27/14	3.00 - 5.00%	10/01/41	$ 40,000,000
2014 Sp. Tax Bonds Area A	08/21/14	2.00-4.625%	09/01/44	10,000,000
2016 Sp. Tax Bonds Area C	04/13/16	2.00 - 5.00%	09/01/46	15,000,000
Total CFD #15 Special Tax Bonds				$ 65,000,000

	Beginning Balance	Increases	Decreases	Ending Balance
2014 Special Tax Bonds	$ 40,000,000	$ -	$ -	$ 40,000,000
2014 Sp. Tax Bond Premium	802,459	-	-	802,459
2014 Sp. Tax Bonds Area A	9,910,000	-	75,000	9,835,000
2014 Area A Discount	(241,426)	-	(1,827)	(239,599)
2016 Sp. Tax Bonds Area C	15,000,000	-	60,000	14,940,000
2016 Area C Premium	1,472,684	-	5,891	1,466,793
Total CFD #15	$ 66,943,717	$ -	$ 139,064	$ 66,804,653

The annual requirements to amortize the bonds outstanding at June 30, 2018 for CFD #15 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 160,000	$ 3,023,194	$ 3,183,194
2020	580,000	3,012,994	3,592,994
2021	710,000	2,991,569	3,701,569
2022	830,000	2,962,806	3,792,806
2023	950,000	2,928,594	3,878,594
2024-2028	6,510,000	13,920,203	20,430,203
2029-2033	11,060,000	11,893,947	22,953,947
2034-2038	15,240,000	9,073,963	24,313,963
2039-2043	22,665,000	4,007,006	26,672,006
2044-2048	6,070,000	542,634	6,612,634
Total	$ 64,775,000	$ 54,356,910	$ 119,131,910

(7) At the time the 2014 Special Tax Bonds were issued, CFD #15 did not have adequate valuation of properties within the district to issue $40,000,000 bonds. Based upon planned building within the CFD, the District determined a need to build a school in this area in anticipation of growth. Since the CFD did not have enough valuation for which to assess taxes, the bonds were issued with a guarantee from CFD #2, CFD #4, CFD #6, CFD#8, CFD#9, CFD#10, CFD #12, CFD #13, and CFD #14. In the event that CFD #15 cannot assess enough taxes to cover the payments, the other CFD's will be responsible to make those payments.

Public Financing Authority - Trustee Portion

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2016 Revenue Bonds (1)	08/18/16	2.00-5.00%	09/15/32	$ 46,770,000
Total				$ 46,770,000

	Beginning Balance	Increases	Decreases	Ending Balance
2016 Local Bonds Receivable	$ (56,156,000)	$ -	$ (2,737,000)	$ (53,419,000)
2016 Refunding Bond (1)	46,770,000	-	1,905,000	44,865,000
2016 Refunding Premium	9,401,000	-	382,914	9,018,086
Total PFA	$ 15,000	$ -	$ (449,086)	$ 464,086

(1) - 2016 PFA Refunding Bond was issued to refund the 2007 PFA Revenue bonds on behalf of CFD #2, CFD #4, CFD #8, CFD #9, CFD #10, and CFD #12. The individual CFD's restructured bond issuance by putting cash on hands towards the refunding as well as entering into a debt obligation to the PFA equal to the PFA outstanding debt. Principal plus premium on the 2016 PFA Refunding Bonds total $56,171,000 with annual coupon rates ranging from 2.00-5.00% through September 15, 2031. Individual CFD's are reflecting obligations to the PFA totalling $56,171,000 at an interest rate of 2.15 - 2.33%.

The annual requirements to amortize the bonds outstanding at June 30, 2018 for PFA 2016 Bonds are as follows:

Year Ending June 30,	Principal Payments	Principal Receivable	Net Principal
2019	$ 2,010,000	$ 2,851,000	$ (841,000)
2020	2,140,000	2,984,000	(844,000)
2021	2,295,000	3,145,000	(850,000)
2022	2,470,000	3,300,000	(830,000)
2023	2,660,000	3,464,000	(804,000)
2024-2028	16,495,000	19,700,000	(3,205,000)
2029-2033	16,795,000	17,975,000	(1,180,000)
Total	$ 44,865,000	$ 53,419,000	$ (8,554,000)

Year Ending June 30,	Interest Payments	Interest Receivable	Net Interest
2019	$ 2,008,700	$ 1,169,817	$ 838,883
2020	1,946,450	1,103,827	842,623
2021	1,868,450	1,034,513	833,937
2022	1,773,150	961,627	811,523
2023	1,670,550	885,132	785,418
2024-2028	6,143,125	3,153,362	2,989,763
2029-2033	1,852,950	924,085	928,865
Total	$ 17,263,375	$ 9,232,363	$ 8,031,012

Year Ending June 30,	Total Payments	Total Receivable	Net Payment
2019	$ 4,018,700	$ 4,020,817	$ (2,117)
2020	4,086,450	4,087,827	(1,377)
2021	4,163,450	4,179,513	(16,063)
2022	4,243,150	4,261,627	(18,477)
2023	4,330,550	4,349,132	(18,582)
2024-2028	22,638,125	22,853,362	(215,237)
2029-2033	18,647,950	18,899,085	(251,135)
Total	$ 62,128,375	$ 62,651,363	$ (522,988)

8. Accounting Loss on Refunding Bonds

The District issues refunding bonds when the reduction in interest rate is sufficient to result in an economic gain based on present value of total future payments which are inclusive of principal and interest. The issuance of refunding bonds results in an increase in overall long term debt as the refunding carries with it certain transaction costs that increase the face value of the debt. This increase in the long term liabilities resulting from refunding is considered an accounting loss and is recorded as a deferred outflow of resources and amortized over the life of the debt using the straight line method. The following is a detail of refunding losses recorded as deferred outflows of resources on the government wide financial statements:

	Balance July 1, 2017	Increases	Amortization	Balance June 30, 2018
General Obligation Refunding				
2011 Refunding Bonds	$ 398,987	$ -	$ 36,271	$ 362,716
2014 Refunding Bonds	1,145,448	-	81,818	1,063,630
Special Tax Refunding				
CFD #1: 2008 Refunding	1,012,872	-	253,218	759,654
CFD #2: 2015 Refunding	614,796	-	51,233	563,563
CFD #3: 2015 Refunding	259,344	-	21,612	237,732
CFD #5: 2015 Refunding	83,556	-	6,963	76,593
CFD #6: 2015 Refunding	3,983,920	-	199,196	3,784,724
CFD #6: 2016 Refunding	702,780	-	27,030	675,750
CFD #6: 2016 Refunding 2	2,005,338	-	105,545	1,899,793
CFD #6: 2017 Refunding	2,393,757	-	140,810	2,252,947
CFD #7: 2015 Refunding	73,812	-	6,151	67,661
CFD #8: 2016 Refunding	-	583,604	48,633	534,971
CFD #9: 2016 Refunding	-	140,507	11,708	128,799
CFD #10: 2013 Refunding	550,352	-	-	550,352
CFD #10: 2016 Refunding	451,134	-	18,046	433,088
CFD #10: 2016 Refunding 2	3,504,811	-	219,050	3,285,761
CFD #10: 2017 Refunding	2,099,801	-	139,987	1,959,814
CFD #10: 2017 Refunding 2	1,393,785	-	92,919	1,300,866
CFD #11: 2014 Refunding	579,804	-	30,516	549,288
CFD #11: 2017 Refunding	1,388,688	-	60,377	1,328,311
CFD #12: 2016 Refunding	3,263,455	-	203,965	3,059,490
CFD #14: 2015 Refunding	3,284,162	-	164,210	3,119,952
Total Loss on Refunding	$ 29,190,602	$ 724,111	$ 1,919,258	$ 27,995,455

L. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreements (JPA) entities, the San Diego County Schools Risk Management (SDCSRM) and the Southern California Relief Property and Liability Insurance (SCR). The relationship between the District and the JPA's is such that the JPA's are not component units of the District.

The JPA's arrange for and provide for various types of insurances for its member districts as requested. The JPA's are governed by a board consisting of a representative from each member district. The board controls the operations of the JPA's, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA's.

Combined condensed unaudited financial information for the District's share of the San Diego County Schools Risk Management (SDCSRM) for the year ended June 30, 2018 can be obtained by contacting the SDCSRM at the San Diego County Office of Education located at 6401 Linda Vista Road, San Diego, California 92111.

Combined condensed unaudited financial information of the District's share of the Southern California Relief Property and Liability Insurance JPA for the year ended June 30, 2018 can be obtained by contacting Keenan & Associates located at P.O. Box 4328, Torrance, California 90510.

M. Pension Plans

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.

b. Benefits Paid

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

The Plans' provisions and benefits in effect at June 30, 2018 are summarized as follows:

	CalSTRS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	50-62
Monthly Benefits as a % of Eligible Compensation	1.1-2.4%	1.0-2.4%*
Required Employee Contribution Rates (at June 30, 2018)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2018)	14.430%	14.430%
Required State Contribution Rates (at June 30, 2018)	7.285%	7.285%

*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	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
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%	1.1-2.5%*
Required Employee Contribution Rates (at June 30, 2018)	7.000%	6.500%
Required Employer Contribution Rates (at June 30, 2018)	15.531%	15.531%

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

c. Contributions

CalSTRS

For the measurement period ended June 30, 2017 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 9.205% (if hired on or after January 1, 2013) or 10.25% (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 12.58% of creditable compensation for the measurement period ended June 30, 2017 and 14.43% for the fiscal year ended June 30, 2018. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2017 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid in 6.00%, and the employer contribution rate was 13.888% of covered payroll. For the fiscal year ending June 30, 2018, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 6.50%, and the employer's contribution rate was 15.531%.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2017 (measurement date) the State contributed 7.285% of salaries creditable to CalSTRS. In accordance with GASB 85 the District recorded these contributions as revenue and expense in the fund financial statements based on contributions made for the measurement period (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). On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contributions reported each fiscal year are based on the District's proportionate share of the States contribution for the measurement period.

Contributions made by the State on behalf of the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate		Contribution Amount
2016	4.410%	$	6,853,154
2017	6.000%	$	9,539,136
2018	7.285%	$	11,885,687

The State's pension expense associated with District employees for the past three fiscal years are as follows:

Year Ended June 30,		On Behalf Pension Expense
2016	$	13,054,410
2017	$	23,542,374
2018	$	7,222,552

d. Contributions Recognized

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), the contributions recognized for each plan were:

		CalSTRS		CalPERS		Total
Governmental Contributions - Employer	$	19,848,941	$	6,911,746	$	26,760,687
Governmental Contributions - State On Behalf Payments		11,787,639		-		11,787,639
Total Governmental Contributions		31,636,580		6,911,746		38,548,326
Business Type Contributions - Employer		166,057		1,003,837		1,169,894
Business Type Contributions - State On Behalf Payments		98,050		-		98,050
Total Business Type Contributions		264,107		1,003,837		1,267,944
Total Contributions	$	31,900,687	$	7,915,583	$	39,816,270

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

As of June 30, 2018 the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

		CalSTRS		CalPERS		Total
Proportionate Share of Net Pension Liabiltiy - Governmental	$	275,974,928	$	92,503,374	$	368,478,302
Proportionate Share of Net Pension Liability - Business Type		2,309,232		13,434,805		15,744,037
Total Proportionate Share of Net Pension Liability	$	278,284,160	$	105,938,179	$	384,222,339

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, 2017. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to measurement date June 30, 2017 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, as actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2017 and June 30, 2018 were as follows:

	CalSTRS			
	District's Proportionate Share Governmental	District's Proportionate Share Business Type	State's Proportionate Share	Total For District Employees
Proportion June 30, 2017	0.3098%	0.0030%	0.1789%	0.4917%
Proportion June 30, 2018	0.2984%	0.0025%	0.1787%	0.4796%
Change in Proportion	-0.0114%	-0.0005%	-0.0002%	-0.0121%

	CalPERS		
	District's Proportionate Share Governmental	District's Proportionate Share Business Type	Total For District Employees
Proportion June 30, 2017	0.3953%	0.0633%	0.4586%
Proportion June 30, 2018	0.3875%	0.0563%	0.4438%
Change in Proportion	-0.0078%	-0.0070%	-0.0148%

a. Pension Expense

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), pension expense was recognized as follows:

	Governmental Activities		
	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	$ 25,384,866	$ 14,428,034	$ 39,812,900
State On Behalf Pension Expense	7,162,971	-	7,162,971
Employer Contributions to Pension Expense	23,347,523	9,367,779	32,715,302
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(3,467,060)	(790,936)	(4,257,996)
Differences between actual and expected experiences	(952,541)	(433,492)	(1,386,033)
Changes in assumptions	(47,717,752)	(14,412,344)	(62,130,096)
Changes in proportionate share	1,538,700	153,433	1,692,133
Net difference between projected and actual earnings	20,145	5,562,885	5,583,030
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	(29,079)	-	(29,079)
Changes in assumptions	-	(966,381)	(966,381)
Changes in proportionate share	7,356,437	1,195,866	8,552,303
Net difference between projected and actual earnings	26,119,668	3,206,338	29,326,006
Total Pension Expense	$ 38,763,878	$ 17,311,182	$ 56,075,060

	Business Type Activities		
	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	$ (95,033)	$ 937,382	$ 842,349
State On Behalf Pension Expense	59,581	-	59,581
Employer Contributions to Pension Expense	194,204	1,034,541	1,228,745
(Increase) Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(28,147)	(30,704)	(58,851)
Differences between actual and expected experiences	(7,970)	(29,225)	(37,195)
Changes in assumptions	(399,280)	(2,093,189)	(2,492,469)
Changes in proportionate share	32,306	-	32,306
Net difference between projected and actual earnings	215	932,405	932,620
Increase (Decrease) in Deferred Inflows of Resources			
Differences between actual and expected experiences	(333)	-	(333)
Changes in assumptions	-	(171,576)	(171,576)
Changes in proportionate share	219,007	843,373	1,062,380
Net difference between projected and actual earnings	218,558	308,867	527,425
Total Pension Expense	$ 193,108	$ 1,731,874	$ 1,924,982
Total Pension Expense - Government Wide	$ 38,956,986	$ 19,043,056	$ 58,000,042

b. Deferred Outflows and Inflows of Resources

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Governmental Activities			
Pension contributions subsequent to measurement date	$ 23,347,523	$ 9,367,779	$ 32,715,302
Differences between actual and expected experience	952,541	4,395,493	5,348,034
Changes in assumptions	47,717,752	14,412,344	62,130,096
Changes in employer's proportionate share	3,077,400	306,867	3,384,267
Net difference between projected and actual earnings	50,295	14,287,623	14,337,918
Total Deferred Outflows of Resources - Governmental Activities	75,145,511	42,770,106	117,915,617
Business Type Activities			
Pension contributions subsequent to measurement date	194,204	1,034,541	1,228,745
Differences between actual and expected experience	7,970	-	7,970
Changes in assumptions	399,280	2,093,189	2,492,469
Changes in employer's proportionate share	64,611	-	64,611
Net difference between projected and actual earnings	525	2,370,921	2,371,446
Total Deferred Outflows of Resources - Business Type Activities	666,590	5,498,651	6,165,241
Total Deferred Outflows of Resources	$ 75,812,101	$ 48,268,757	$ 124,080,858

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Governmental Activities			
Differences between actual and expected experience	$ (49,192)	$ -	$ (49,192)
Changes in assumptions	-	(1,932,762)	(1,932,762)
Changes in employer's proportionate share	(7,461,634)	(1,360,935)	(8,822,569)
Net difference between projected and actual earnings	(26,119,668)	(10,812,146)	(36,931,814)
Total Deferred Inflows of Resources - Governmental Activities	(33,630,494)	(14,105,843)	(47,736,337)
Business Type Activities			
Differences between actual and expected experience	(561)	-	(561)
Changes in assumptions	-	(343,151)	(343,151)
Changes in employer's proportionate share	(573,889)	(1,842,677)	(2,416,566)
Net difference between projected and actual earnings	(218,558)	(1,727,118)	(1,945,676)
Total Deferred Inflows of Resources - Business Type Activities	(793,008)	(3,912,946)	(4,705,954)
Total Deferred Inflows of Resources	$ (34,423,502)	$ (18,018,789)	$ (52,442,291)

Pension contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2019. 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:

	Governmental Activities				
Year Ended	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect
June 30,	CalSTRS	CalPERS	CalSTRS	CalPERS	on Expenses
2019	$ 37,073,941	$ 20,314,586	$ (8,430,979)	$ (6,872,146)	$ 42,085,402
2020	13,726,417	10,946,804	(8,420,329)	(3,069,242)	13,183,650
2021	12,177,579	7,493,453	(8,403,585)	(2,102,862)	9,164,585
2022	12,167,574	4,015,263	(8,375,601)	(2,061,593)	5,745,643
Total	$ 75,145,511	$ 42,770,106	$ (33,630,494)	$ (14,105,843)	$ 70,179,280

	Business Type Activities				
Year Ended	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect
June 30,	CalSTRS	CalPERS	CalSTRS	CalPERS	on Expenses
2019	$ 328,538	$ 2,760,333	$ (220,624)	$ (1,674,506)	$ 1,193,741
2020	134,332	1,725,790	(220,504)	(965,379)	674,239
2021	101,909	1,139,910	(220,310)	(742,026)	279,483
2022	101,811	583,162	(131,570)	(531,035)	22,368
Total	$ 666,590	$ 6,209,195	$ (793,008)	$ (3,912,946)	$ 2,169,831

c. Actuarial Assumptions

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

	CalSTRS		CalPERS	
Valuation Date	June 30, 2016		June 30, 2016	
Measurement Date	June 30, 2017		June 30, 2017	
Actuarial Cost Method	Entry Age Normal		Entry Age Normal	
Actuarial Assumptions:				
Discount Rate	7.10%		7.15%	
Inflation	2.75%		2.75%	
Wage Growth	3.50%		3.00%	
Projected Salary Increase	0.5% - 6.4%	(1)	3.10% - 9.00%	(1)
Investment Rate of Return	7.10%	(2)	7.50%	(2)
Mortality	0.073%-22.86%	(3)	0.466%-32.536%	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) RP2000 series tables adjusted to fit CalSTRS/CalPERS specific experience.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.1000% for CalSTRS and 7.1500% 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 CalPERS and CalSTRS websites.

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 valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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

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

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

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

CalSTRS

Asset Class	Assumed Allocation 06/30/2017	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

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

CalPERS

Asset Class	Assumed Allocation 06/30/2017	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

e. Sensititivity 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:

	CalSTRS		
	Governmental Activities	Business Type Activities	Total
1% Decrease	6.10%	6.10%	6.10%
Net Pension Liability	$ 405,218,810	$ 3,390,685	$ 408,609,495
Current Discount Rate	7.10%	7.10%	7.10%
Net Pension Liability	$ 275,974,928	$ 2,309,232	$ 278,284,160
1% Increase	8.10%	8.10%	8.10%
Net Pension Liability	$ 171,084,760	$ 1,431,559	$ 172,516,319

	CalPERS		
	Governmental Activities	Business Type Activities	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	$ 136,102,106	$ 19,766,903	$ 155,869,009
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	$ 92,503,374	$ 13,434,805	$ 105,938,179
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	$ 56,334,575	$ 8,181,799	$ 64,516,374

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

CalSTRS - Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2017 (Previously Reported)	$ 1,315,038,419	$ 921,097,748	$ 393,940,671	$ 143,350,609	$ 250,590,062
Changes for the year:					
Change in proportionate share	(30,876,175)	(21,626,726)	(9,249,449)	(21,029)	(9,228,420)
Service cost	28,841,900	-	28,841,900	10,746,014	18,095,886
Interest	96,204,669	-	96,204,669	35,844,267	60,360,402
Differences between expected and actual experience	1,897,744	-	1,897,744	707,068	1,190,676
Change in assumptions	95,067,925	-	95,067,925	35,420,735	59,647,190
Contributions:					
Employer	-	19,848,947	(19,848,947)	(7,395,389)	(12,453,558)
Employee	-	16,365,700	(16,365,700)	(6,097,589)	(10,268,111)
State On Behalf	-	11,787,080	(11,787,080)	(4,391,671)	(7,395,409)
Net investment income	-	119,691,887	(119,691,887)	(44,595,215)	(75,096,672)
Other income	-	342,474	(342,474)	(127,600)	(214,874)
Benefit payments, including refunds of employee contributions	(66,123,975)	(66,123,975)	-	-	-
Administrative expenses	-	(867,383)	867,383	323,173	544,210
Borrowing costs	-	(275,663)	275,663	102,707	172,956
Other expenses	-	(48,756)	48,756	18,166	30,590
Net Changes	125,012,088	79,093,585	45,918,503	20,533,637	25,384,866
Balance at June 30, 2018	$ 1,440,050,507	$ 1,000,191,333	$ 439,859,174	$ 163,884,246	$ 275,974,928

CalSTRS - Business Type Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2017 (Previously Reported)	$ 12,615,734	$ 8,836,491	$ 3,779,243	$ 1,374,980	$ 2,404,263
Changes for the year:					
Change in proportionate share	(1,869,945)	(1,309,775)	(560,170)	(175,512)	(384,658)
Service cost	241,347	-	241,347	89,929	151,418
Interest	805,035	-	805,035	299,966	505,069
Differences between expected and actual experience	15,880	-	15,880	5,917	9,963
Change in assumptions	795,522	-	795,522	296,422	499,100
Contributions:					
Employer	-	166,095	(166,095)	(61,889)	(104,206)
Employee	-	136,947	(136,947)	(51,028)	(85,919)
State On Behalf	-	98,634	(98,634)	(36,752)	(61,882)
Net investment income	-	1,001,574	(1,001,574)	(373,200)	(628,374)
Other income	-	2,866	(2,866)	(1,068)	(1,798)
Benefit payments, including refunds of employee contributions	(553,321)	(553,321)	-	-	-
Administrative expenses	-	(7,258)	7,258	2,705	4,553
Borrowing costs	-	(2,307)	2,307	860	1,447
Other expenses	-	(408)	408	152	256
Net Changes	(565,482)	(466,953)	(98,529)	(3,498)	(95,031)
Balance at June 30, 2018	$ 12,050,252	$ 8,369,538	$ 3,680,714	$ 1,371,482	$ 2,309,232

CalPERS - Governmental Activities

	Increase / (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	$ 299,108,755	$ 221,033,416	$ 78,075,339
Changes for the year:			
Adjustment for change in proportionate share	(5,924,363)	(4,377,947)	(1,546,416)
Service cost	7,873,400	-	7,873,400
Interest	22,163,616	-	22,163,616
Differences between expected and actual experience	2,060,893	-	2,060,893
Changes in assumptions	18,015,430	-	18,015,430
Contributions - Employer	-	6,911,747	(6,911,747)
Contributions - Employee	-	3,477,457	(3,477,457)
Net plan to plan resource movement	-	(525)	525
Net investment income	-	24,069,844	(24,069,844)
Benefit payments, including refunds of employee contributions	(14,433,540)	(14,433,540)	-
Administrative expenses	-	(319,635)	319,635
Net Changes	29,755,436	15,327,401	14,428,035
Balance at June 30, 2018	$ 328,864,191	$ 236,360,817	$ 92,503,374

CalPERS - Business Type Activities

	Increase / (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	$ 47,877,968	$ 35,380,545	$ 12,497,423
Changes for the year:			
Adjustment for change in proportionate share	(5,297,087)	(3,914,406)	(1,382,681)
Service cost	1,143,500	-	1,143,500
Interest	3,218,951	-	3,218,951
Differences between expected and actual experience	299,316	-	299,316
Changes in assumptions	2,616,486	-	2,616,486
Contributions - Employer	-	1,003,833	(1,003,833)
Contributions - Employee	-	505,051	(505,051)
Net plan to plan resource movement	-	(76)	76
Net investment income	-	3,495,804	(3,495,804)
Benefit payments, including refunds of employee contributions	(2,096,267)	(2,096,267)	-
Administrative expenses	-	(46,422)	46,422
Net Changes	(115,101)	(1,052,483)	937,382
Balance at June 30, 2018	$ 47,762,867	$ 34,328,062	$ 13,434,805

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

N. Postemployment Benefits Other Than Pension Benefits

1. General Information about the OPEB Plan

Plan Description

The District's defined benefit OPEB plan (the Plan), provides OPEB for all permanent fulltime employees of the District. 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 lies 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.

Benefits Provided

Poway Federated Teachers (PFT): The District provides health coverage for the retiree and any eligible dependent until the retiree reaches age 65. Eligible coverage includes medical/Rx, dental and vision benefits**.** Upon reaching age 65 or Medicare eligibility, retirees and their eligible spouses must enroll in Medicare. The District's contractual obligation is to pay for the health coverage of the retiree only for the least expensive medical, dental and vision plan regardless of which plan the retiree elects for coverage. In lieu of District sponsored coverage, a retiree may receive reimbursement for non-District coverage for the retiree up to the contribution amount the retiree would otherwise be entitled to. The retiree is responsible for any health coverage elected for his/her eligible dependents and for the full cost of any elected health coverage after attainment of age 65. To be eligible to receive retiree health coverage, the employee must be eligible for and retire under STRS and have at least 10 years of District eligible service at retirement. Upon reaching age 65, retirees can elect Medicare supplemental medical coverage but must pay the full cost for this coverage. Upon the death of the retiree, eligible spouses may continue coverage by paying the full cost of coverage.

APSM and Confidential Employees: The District provides health coverage for the retiree and any eligible dependent until the retiree reaches age 65. Eligible coverage includes medical/Rx, dental and vision benefits**.** Upon reaching age 65 or Medicare eligibility, retirees and their eligible spouses must enroll in Medicare. The District's contractual obligation is to pay for the health coverage of the retiree only for the least expensive medical, dental and vision plan regardless of which plan the retiree elects for coverage. In lieu of District sponsored coverage, a retiree may receive reimbursement for non-District coverage for the retiree up to the contribution amount the retiree would otherwise be entitled to. The retiree is responsible for any health coverage elected for his/her eligible dependents and for the full cost of any elected health coverage after attainment of age 65. To be eligible to receive retiree health coverage, the employee must be eligible for and retire under PERS/STRS and have at least 10 years of District eligible service at retirement. Upon reaching age 65, retirees can elect Medicare supplemental medical coverage but must pay the full cost for this coverage**.** Upon the death of the retiree, eligible spouses may continue coverage by paying the full cost of coverage.

Poway School Employees Association (PSEA) Unit I Employees: Eligible employees can purchase retiree health coverage for themselves and their eligible dependent. Eligible coverage includes medical/Rx, dental and vision benefits. Upon reaching age 65 or Medicare eligibility, retirees and their eligible spouses must enroll in Medicare. To be eligible to purchase health coverage, the employee must be eligible for and retire under STRS/PERS/PARS, attained age 55, and have at least consecutive years of District eligible service at retirement. Employees with at least 5 consecutive years of benefited eligible service may be eligible for a District contribution towards their retiree health coverage to age 65. The District's contribution will be based on a percentage of the cost for the least expensive medical plan for employee only coverage and will vary by years of District eligible service at retirement as follows:

Years of Service at Retirement	District Contribution Percentage
15 - 17	80%
17 - 20	90%
20+	100%

Employees will receive 100% of the District contribution if working between 7.76 and 8 hours, 92% of the District contribution if working between 6 and 7.75 hours and 73% of the District contribution if working between 4 and 5.99 hours. In lieu of District sponsored coverage, a retiree may receive reimbursement for non-District coverage for the retiree up to the contribution amount the retiree would otherwise be entitled to. Upon the death of the retiree, eligible spouses may continue coverage by paying the full cost of coverage.

Poway School Employees Association (PSEA) Unit II Employees: Eligible employees can purchase retiree health coverage for themselves and their eligible dependent. Eligible coverage includes medical/Rx, dental and vision benefits. Upon reaching age 65 or Medicare eligibility, retirees and their eligible spouses must enroll in Medicare. To be eligible to purchase health coverage, the employee must be eligible for and retire under STRS/PERS/PARS and have at least 10 consecutive years of District eligible service at retirement. Beginning July 1, 2012, newly retired participants who meet the eligibility requirements can elect dental and vision coverage for life starting at age 65. To be eligible to receive a District contribution for retiree health coverage, the employee must be at eligible for and retire under STRS/PERS on or after July 1, 2007 and have at least 10 consecutive years of benefited service at retirement. The District's contribution will be based on a percentage of the cost for the based on a percentage of the cost for the least expensive medical plan for employee only coverage and will vary by years of District eligible service at retirement as follows:

Years of Service at Retirement	District Contribution Percentage	Dollar Minimum
10 - 15	50%	$200
15 - 20	75%	$300
20+	100%	$400

Employees will receive 100% of the District contribution if working between 7.76 and 8 hours, 92% of the District contribution if working between 6 and 7.75 hours and 73% of the District contribution if working between 4 and 5.99 hours. In lieu of District sponsored coverage, a retiree may receive reimbursement for non-District coverage for the retiree up to the contribution amount the retiree would otherwise be entitled to. Upon the death of the retiree, eligible spouses may continue coverage by paying the full cost of coverage.

Board Members: Eligible retired board members can elect health coverage for themselves and their eligible dependent on a self-pay basis. Eligible coverage includes medical/Rx, dental and vision benefits.

Premium Rates:
The premiums that are charged to the retiree for retiree and dependent medical and prescription drug coverage under age 65 are the same as the premiums charged for active medical coverage. Thus, the District is also providing a "rate subsidy" to the retirees by charging them a blended rate rather than a retiree only rate. GASB 75 requires that when an employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated and measured independently. This requires valuing any "rate subsidy" as an additional obligation to the District. The following table summarizes the current tenthly premiums and funding rates applicable to retiree health coverage. All premiums and funding rates are experienced-rated and effective for calendar year 2018.

Medical Benefits	AVN HMO	Aetna Full HMO	Aetna OAMC PPO	Medicare EPO	Kaiser/Sr. Advantage
Employee (EE) Only	$834	$1,414	$1,498	N/A	$706
Two Party	1,782	3,028	3,148	N/A	1,373
EE Plus Family	2,464	4,174	4,339	N/A	1,882
Single - Medicare	N/A	N/A	555	413	277
Two Party - Both MCR	N/A	N/A	1,117	834	554
Two Party - Sp. MCR	N/A	N/A	N/A	N/A	983

Other Benefits	Dental Plan	Vision Plan
Employee (EE) Only	$72	$9
Two Party	149	15
EE Plus Family	222	18
Single - Medicare	72	9
Two Party - Both MCR	149	15
Two Party - Sp. MCR	222	18

Employees Covered by Benefit Terms

At June 30, 2018, the following retirees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	419
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	3,359
Total number of participants	3,778

2. Total OPEB Liability

The District's total OPEB liability of $81,046,846 was measured as of December 31, 2017 , and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.75%
Salary Increases	3.00% per annum, in aggregate
Discount Rate	3.30%
Healthcare Cost Trend Rates	6.00% decreasing to 5.00% for HMO 6.50% decreasing to 5.00% for PPO
Retiree's Share of Costs	Premiums as noted in table above

The discount rate was based on an average, rounded to five basis points, of the range of 3-20 year municipal bond rate indicies: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO index, and Fidelity GO AA 20 Year Bond index.

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for pension valuations.

The actuarial assumptions used in the June 30, 2017 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

	Governmental Activities	Business Type Activities	Total
Balance at June 30, 2017	$ 69,865,767	$ 3,481,487	$ 73,347,254
Changes for the year:			
Service cost	5,210,151	259,627	5,469,778
Interest	2,754,525	137,261	2,891,786
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions or other inputs	2,613,300	130,224	2,743,524
Benefit payments	(3,243,851)	(161,645)	(3,405,496)
Net changes	7,334,125	365,467	7,699,592
Balance at June 30, 2018	$ 77,199,892	$ 3,846,954	$ 81,046,846

There were no changes in benefit terms or assumptions and other inputs for the fiscal year ended June 30, 2018.

Sensitivity of the Total OPEB Liabiltiy 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 (2.30%) or 1-percentage-point-higher (4.30%) than the current discount rate:

	1% Decrease 2.30%	Discount Rate 3.30%	1% Increase 4.30%
Total OPEB Liability - Governmental Activities	$ 83,359,617	$ 77,199,892	$ 71,523,355
Total OPEB Liability - Business Type Activities	4,153,900	3,846,954	3,564,086
Total OPEB Liability - District Wide	$ 87,513,517	$ 81,046,846	$ 75,087,441

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 or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
	5.00%/5.50% decreasing to 4.00%/4.00%	6.00%/6.50% decreasing to 5.00%/5.00%	7.00%/7.50% decreasing to 6.00%/6.00%
Total OPEB Liability - Governmental Activities	$ 69,349,906	$ 77,199,892	$ 86,372,075
Total OPEB Liability - Business Type Activities	3,455,781	3,846,954	4,304,014
Total OPEB Liability - District Wide	$ 72,805,687	$ 81,046,846	$ 90,676,089

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

For the year ended June 30, 2018 the District recognized OPEB expense of $8,753,496. At June 30, 2018 the District reported deferred outflows of resources related to the following sources:

	Governmental Activities	Business Type Activities	Total
Contributions made subsequent to measurement date	$ 746,648	$ 37,206	$ 783,854
Changes of Assumptions	2,239,971	111,621	2,351,592
Total Deferred Outflows of Resources - OPEB Related	$ 2,986,619	$ 148,827	$ 3,135,446

At June 30, 2018 the District did not report any deferred inflows of resources relating to OPEB.

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

Year Ended June 30,	Governmental Activities	Business Type Activities	Total
2019	$ 1,119,977	$ 55,809	$ 1,175,786
2020	373,329	18,603	391,932
2021	373,329	18,603	391,932
2022	373,329	18,603	391,932
2023	373,329	18,603	391,932
2024	373,326	18,606	391,932
Total	$ 2,986,619	$ 148,827	$ 3,135,446

O. Deferred Outflows and Inflows of Resources

As of June 30, 2018 Deferred Outflows of Resources consisted of:

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Governmental Activities				
Refunding Losses	$ 29,190,602	$ 724,111	$ 1,919,258	$ 27,995,455
Prepaid Debt Insurance	1,150,136	-	32,518	1,117,618
OPEB Related	3,258,099	746,648	1,018,128	2,986,619
Pension Related	57,416,655	113,629,491	53,130,529	117,915,617
Total Governmental Activities	91,015,492	115,100,250	56,100,433	150,015,309
Business Type Activities				
OPEB Related	158,193	37,206	46,572	148,827
Pension Related	5,252,196	4,653,610	3,030,021	6,875,785
Total Business Type Activities	5,410,389	4,690,816	3,076,593	7,024,612
Total Deferred Outflows	$ 96,425,881	$ 119,791,066	$ 59,177,026	$ 157,039,921

Future amortization of deferred outflows of resources is as follows:

	Governmental Activities				
Year Ended June 30,	Refunding Losses	Prepaid Insurance	Pension Related	OPEB Related	Total
2019	$ 1,953,655	$ 27,693	$ 57,388,527	$ 1,119,977	$ 60,489,852
2020	1,953,654	33,293	24,673,221	373,329	27,033,497
2021	1,953,654	36,154	19,671,032	373,329	22,034,169
2022	1,700,436	39,103	16,182,837	373,329	18,295,705
2023	1,700,437	42,181	-	373,329	2,115,947
2024-2028	8,502,190	262,394	-	373,326	9,137,910
2029-2033	7,339,076	276,198	-	-	7,615,274
2034-2038	2,564,267	227,808	-	-	2,792,075
2039-2043	328,086	172,794	-	-	500,880
Total	$ 27,995,455	$ 1,117,618	$ 117,915,617	$ 2,986,619	$ 150,015,309

	Business Type Activities		
Year Ended June 30,	Pension Related	OPEB Related	Total
2019	$ 3,088,871	$ 55,809	$ 3,144,680
2020	1,860,122	18,603	1,878,725
2021	1,241,819	18,603	1,260,422
2022	684,973	18,603	703,576
2023	-	18,603	18,603
2024-2028	-	18,603	18,603
Total	$ 6,875,785	$ 148,824	$ 7,024,609

As of June 30, 2018 Deferred Inflows of Resources consisted of:

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Governmental Activities				
Pension Related	$ 10,853,488	$ 52,185,974	$ 15,303,125	$ 47,736,337
Business Type Activities				
Pension Related	3,288,058	3,313,028	1,895,132	4,705,954
Total Deferred Inflows	$ 14,141,546	$ 55,499,002	$ 17,198,257	$ 52,442,291

Future amortization of deferred inflows of resources is as follows:

Governmental Activities	
Year Ended June 30,	Pension Related
2019	$ 15,303,125
2020	11,489,571
2021	10,506,447
2022	10,437,194
Total	$ 47,736,337

Business Type Activities	
Year Ended June 30,	Pension Related
2019	$ 1,895,130
2020	1,185,883
2021	962,336
2022	662,605
Total	$ 4,705,954

P. Adjustment to Beginning Balance

During the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Implementation of GASB Statement No. 75 resulted in a change in calculations of total OPEB liability as well as deferred outflows and deferred inflows of resources associated with OPEB. In addition, the District determined that salaries would not be charged to the internal service fund, shifting 100% of the liabilities for pension, OPEB, and compensated absences to the governmental funds. The result of applying the change in accounting policy is an adjustment to beginning net position on the government wide financial statements, the enterprise fund, and the self-insurance fund.

A summary of adjustments to beginning balance are as follows:

	Government-Wide Financial Statements	
	Governmental Activities	Business Type Activities
Beginning Net Position - Originally Stated	$ (226,926,797)	$ (11,989,070)
Adjustments for Accounting Policy Change:		
Total OPEB Liability	(34,833,827)	(1,703,707)
Deferred Outflows of Resources	3,258,099	158,193
Total Adjustments	(31,575,728)	(1,545,514)
Beginning Net Position - As Restated	$ (258,502,525)	$ (13,534,584)

	Enterprise Fund	Internal Service Fund
	Childcare Program	Self-Insurance Fund
Beginning Net Position - Originally Stated	$ (11,989,070)	$ 18,901,841
Adjustments for Accounting Policy Change:		
Total OPEB Liability	(1,703,707)	38,932
Deferred Outflows of Resources - OPEB related	158,193	-
Net Pension Liability	-	413,700
Deferred Outflows of Resources - Pension Related	-	(141,857)
Deferred Inflows of Resources - Pension Related	-	80,463
Compensated Absences Payable	-	62,674
Total Adjustments	(1,545,514)	453,912
Beginning Net Position - As Restated	$ (13,534,584)	$ 19,355,753

Q. Commitments and Contingencies

Litigation

The District is involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to view and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Construction Commitments

As of June 30, 2018 the district had the following commitments with regards to construction projects in process:

Project		Commitment Amount	Expected Date of Final Completion*
Asphault repairs, multiple sites	$	927,738	September 2018
Ramp repairs, multiple sites		74,934	August 2018
Flooring, multiple sites		273,505	August 2018
Flooring, multiple sites		432,960	January 2019
Duct work, Poway High School		44,982	August 2018
Orchestra Pit, Mt. Carmel High School		24,696	August 2018
Flooring, Tierra Bonita		56,607	September 2019
Electrical boxes, Westview High School		22,638	July 2018
Playground rubber, multiple sites		395,573	August 2018
Replace play surface, Creekside Elementary		189,630	July 2018
Roofing, multiple sites		2,327,159	September 2018
HVAC replacement, multiple sites		388,151	September 2018
Track-field turf replacement, Westview High		92,891	July 2018
Total Construction Commitments	$	5,251,464	

R. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has one self-insurance fund (Internal Service Fund) to account for and finance its uninsured risks of loss. The Internal Service Fund provides dental and vision coverage to employees.

All funds of the District participate in the program, but only the General Fund makes payments to the Self Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a liability for open claims and Incurred But Not Reported (IBNR) claims. The claims and liability of $371,042 is included in the liabilities under accounts payable and is reported in accordance with Financial Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated at the end of the fiscal year. Changes in the Internal Service Fund's claim liability in the fiscal year ended June 30, 2018 are indicated below:

Internal Service Fund:	Begining Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
Year 2017-18	$ 45,613	$ 11,534,309	$ 11,208,880	$ 371,042

S. Subsequent Events

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2019. Those newly implemented pronouncements are as follows:

GASB 83 - Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

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

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.

POWAY UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 103,244,647	$ 105,330,891	$ 103,073,730	$ (2,257,161)
Education Protection Account Funds	25,917,516	14,538,796	14,538,796	-
Local Sources	158,109,968	171,937,510	174,135,332	2,197,822
Federal Revenue	9,439,200	10,642,580	9,226,040	(1,416,540)
Other State Revenue	41,936,022	50,444,820	47,569,636	(2,875,184)
Other Local Revenue	12,261,432	15,173,464	15,513,627	340,163
Total Revenues	350,908,785	368,068,061	364,057,161	(4,010,900)
Expenditures:				
Current:				
Certificated Salaries	162,148,109	167,180,691	166,209,060	971,631
Classified Salaries	59,202,823	58,752,314	58,108,079	644,235
Employee Benefits	93,355,608	94,859,204	93,885,881	973,323
Books And Supplies	15,295,772	24,835,429	15,165,710	9,669,719
Services And Other Operating Expenditures	32,274,347	35,350,075	30,098,067	5,252,008
Other Outgo	843,812	1,077,246	1,077,246	-
Direct Support/Indirect Costs	(437,440)	(400,852)	(123,734)	(277,118)
Capital Outlay	1,383,982	3,180,179	1,828,172	1,352,007
Debt Service:				
Principal	3,918,963	3,916,656	3,918,959	(2,303)
Interest	195,870	198,177	195,867	2,310
Total Expenditures	368,181,846	388,949,119	370,363,307	18,585,812
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,273,061)	(20,881,058)	(6,306,146)	14,574,912
Other Financing Sources (Uses):				
Transfers In	1,867,859	4,011,980	3,440,210	(571,770)
Transfers Out	(1,459,930)	(1,276,637)	(2,177,831)	(901,194)
Total Other Financing Sources (Uses)	407,929	2,735,343	1,262,379	(1,472,964)
Net Change in Fund Balance	(16,865,132)	(18,145,715)	(5,043,767)	13,101,948
Fund Balance, July 1	65,560,509	65,560,509	65,560,509	-
Fund Balance, June 30	$ 48,695,377	$ 47,414,794	$ 60,516,742	$ 13,101,948

See Accompanying Notes to Required Supplementary Information

POWAY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.3009%	0.3128%	0.3137%	0.2994%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 278,284,160	$ 252,994,325	$ 211,162,566	$ 174,933,388	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	165,255,531	143,483,254	119,701,915	116,756,782	N/A	N/A	N/A	N/A	N/A	N/A
Total share of net pension liability (asset) associated with the District	$ 443,539,691	$ 396,477,579	$ 330,864,481	$ 291,690,170	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 159,101,733	$ 155,408,900	$ 144,944,189	$ 132,646,206	N/A	N/A	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	174.91%	162.79%	145.69%	131.88%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.02%	76.52%	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 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first implementation year and as such, no information is being presented for years prior to implementation.

See Accompanying Notes to Required Supplementary Information

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 23,541,727	$ 20,014,998	$ 16,675,375	$ 12,871,044	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(23,541,727)	(20,014,998)	(16,675,375)	(12,871,044)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 163,144,331	$ 159,101,733	$ 155,408,900	$ 144,944,189	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	14.430%	12.580%	10.730%	8.880%	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 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 is the first year of implementation and as such, information is not being presented for years prior to implementation.

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-4

POWAY UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.4438%	0.4586%	0.4672%	0.4627%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 105,938,179	$ 90,572,762	$ 68,858,624	$ 52,524,824	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 56,995,845	$ 55,534,304	$ 51,950,328	$ 48,647,990	N/A	N/A	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	185.87%	163.09%	132.55%	107.97%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	83.38%	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 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2014-15 is the first year of implementation and as such, years previous to implementation are not presented in this schedule.

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-5

POWAY UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 10,402,320	$ 7,915,583	$ 6,579,149	$ 6,115,073	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(10,402,320)	(7,915,583)	(6,579,149)	(6,115,073)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 66,977,787	$ 56,995,845	$ 55,534,304	$ 51,950,329	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%	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 10-year trend is compiled, this schedule provides the information for those years for which information is available.

N/A - 2014-15 fiscal year was the first year of implementation and as such, years previous to implementation are not presented in this schedule.

See Accompanying Notes to Required Supplementary Information

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
PUSD RETIREE HEALTH PROGRAM
LAST TEN FISCAL YEARS *

SCHEDULE OF CHANGES IN THE DISTRICT'S

	Fiscal Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability:										
Service cost	$ 5,469,778	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Interest	2,891,786	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions or other inputs	2,743,524	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(3,405,496)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	7,699,592	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	73,347,254	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	$ 81,046,846	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Covered-employee payroll	$ 209,260,000	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Total OPEB liability as a percentage of covered-employee payroll	38.73%	N/A	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 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

N/A - 2017-18 fiscal year was the first year of implementation and as such, years previous to implementation are not presented in this schedule.

See Accompanying Notes to Required Supplementary Information

Budgetary Comparison Schedule - General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) and Special Reserve Fund for Postemployment Benefits (Fund 20) were included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

General Fund - Fund Financial Statements Ending Fund Balance	$	62,514,185
Less Fund 17 Fund Balance		(1,997,443)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	$	60,516,742

General Fund - Fund Financial Statements Net Change in Fund Balance	$	(4,011,543)
Change in Fund Balance attributed to Fund 17		(1,032,224)
General Fund - Budgetary Comparison Schedule Change in Fund Balance	$	(5,043,767)

Excess of Expenditures Over Appropriations

As of June 30, 2018, expenditures exceeded appropriations in individual budgeted funds as follows:

Appropriations Category	Excess Expenditures	Reason for Excess Expenditures
General Fund:		
Debt Service Principal $	2,303	The District underestimated principal payments while also overestimating interest payments on debt service.

Amounts in excess of appropriations were not considered a violation of any laws, regulations, contracts or grant agreements and did not have a direct or material effect on the financial statements.

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

1) Benefit Changes: In 2015, 2016, 2017 & 2018 there were no changes to benefits

2) Changes in Assumptions: In 2015, 2016 & 2017 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, 2013, 2014, 2015 & 2016 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016 & 2017 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Reporting Period	June 30, 2015	June 30, 2016	June 30, 2017
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/10
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

Reporting Period	June 30, 2018
Measurement Date	06/30/17
Valuation Date	06/30/16
Experience Study	07/01/10 - 06/30/15
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.50%
Post-retirement Benefit Increases	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 there were no changes to benefits

2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65%. In 2018 the discount rate was changed from 7.65% to 7.15%.

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, 2013, 2014, 2015, & 2016 and rolling forward the total pension liabilities to June 30, 2014, 2015, 2016 & 2017 (measurement dates). The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, June 30, 2016 and June 30, 2017 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Reporting Period	June 30, 2015	June 30, 2016	June 30, 2017
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	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
Investment Rate of Return	7.50%	7.65%	7.65%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

Reporting Period	June 30, 2018
Measurement Date	06/30/17
Valuation Date	06/30/16
Experience Study	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.00%
Post-retirement Benefit Increases	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 April 2014 experience study report (based on demographic data from 1997 to 2011) 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.

2) Changes in Assumptions: In 2018 the district changed the discount rate from 3.75% to 3.30%.

3) No assets are accumulated in a trust that meets the criteria in GASB Statement No 75 Paragraph 4.

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

Year	Discount Rate
2018	3.30%

Combining Statements
as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

POWAY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	$ 1,227,820	$ 14,787,632	$ 12,072,365	$ 28,087,817
Cash on Hand and in Banks	727,625	-	5,118	732,743
Cash in Revolving Fund	1,070	-	-	1,070
Accounts Receivable	364,503	-	54,332	418,835
Due from Other Funds	2,145,917	-	-	2,145,917
Stores Inventories	476,662	-	-	476,662
Total Assets	$ 4,943,597	$ 14,787,632	$ 12,131,815	$ 31,863,044
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 1,362,988	$ -	$ 1,131,159	$ 2,494,147
Due to Other Funds	302,333	-	1,095,808	1,398,141
Unearned Revenue	1,742	-	5,118	6,860
Total Liabilities	1,667,063	-	2,232,085	3,899,148
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	1,070	-	-	1,070
Stores Inventories	476,662	-	-	476,662
Restricted Fund Balances	1,338,921	14,787,632	3,801,380	19,927,933
Committed Fund Balances	1,459,881	-	-	1,459,881
Assigned Fund Balances	-	-	6,098,350	6,098,350
Total Fund Balance	3,276,534	14,787,632	9,899,730	27,963,896
Total Liabilities and Fund Balances	$ 4,943,597	$ 14,787,632	$ 12,131,815	$ 31,863,044

POWAY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
LCFF Sources:				
Local Sources	$ 1,020,000	$ -	$ -	$ 1,020,000
Federal Revenue	3,142,501	-	-	3,142,501
Other State Revenue	2,357,663	110,871	-	2,468,534
Other Local Revenue	7,185,506	15,058,153	3,535,314	25,778,973
Total Revenues	13,705,670	15,169,024	3,535,314	32,410,008
Expenditures:				
Current:				
Instruction	1,718,049	-	-	1,718,049
Instruction - Related Services	1,081,861	-	-	1,081,861
Pupil Services	9,328,633	-	-	9,328,633
General Administration	123,734	-	43,268	167,002
Plant Services	121,050	-	261,087	382,137
Capital Outlay	713,289	-	1,237,636	1,950,925
Debt Service:				
Principal	-	23,721,150	-	23,721,150
Interest	-	29,798,577	-	29,798,577
Total Expenditures	13,086,616	53,519,727	1,541,991	68,148,334
Excess (Deficiency) of Revenues Over (Under) Expenditures	619,054	(38,350,703)	1,993,323	(35,738,326)
Other Financing Sources (Uses):				
Transfers In	47,975	38,237,964	-	38,285,939
Transfers Out	(24,472)	-	(1,032,224)	(1,056,696)
Other Sources	-	-	5,625,264	5,625,264
Total Other Financing Sources (Uses)	23,503	38,237,964	4,593,040	42,854,507
Net Change in Fund Balance	642,557	(112,739)	6,586,363	7,116,181
Fund Balance, July 1	2,633,977	14,900,371	3,313,367	20,847,715
Fund Balance, June 30	$ 3,276,534	$ 14,787,632	$ 9,899,730	$ 27,963,896

POWAY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Adult Education Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	$ 255,897	$ 186,063
Cash on Hand and in Banks	15,328	-
Cash in Revolving Fund	-	-
Accounts Receivable	192,895	43,647
Due from Other Funds	339,119	2,247
Stores Inventories	-	-
Total Assets	$ 803,239	$ 231,957
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 74,975	$ 3,895
Due to Other Funds	126,700	122,771
Unearned Revenue	1,742	-
Total Liabilities	203,417	126,666
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	-	-
Stores Inventories	-	-
Restricted Fund Balances	19,671	105,291
Committed Fund Balances	580,151	-
Total Fund Balance	599,822	105,291
Total Liabilities and Fund Balances	$ 803,239	$ 231,957

Cafeteria Fund		Deferred Maintenance Fund		Total Nonmajor Special Revenue Funds (See Exhibit C-1)
$ 782,952		$ 2,908		$ 1,227,820
712,297		-		727,625
1,070		-		1,070
125,437		2,524		364,503
230,817		1,573,734		2,145,917
476,662		-		476,662
$ 2,329,235		$ 1,579,166		$ 4,943,597
$ 584,682		$ 699,436		$ 1,362,988
52,862		-		302,333
-		-		1,742
637,544		699,436		1,667,063
1,070		-		1,070
476,662		-		476,662
1,213,959		-		1,338,921
-		879,730		1,459,881
1,691,691		879,730		3,276,534
$ 2,329,235		$ 1,579,166		$ 4,943,597

POWAY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Adult Education Fund	Child Development Fund
Revenues:		
LCFF Sources:		
Local Sources	$ 20,000	$ -
Federal Revenue	323,646	-
Other State Revenue	1,598,187	607,561
Other Local Revenue	607,765	68,787
Total Revenues	2,549,598	676,348
Expenditures:		
Current:		
Instruction	1,231,880	486,169
Instruction - Related Services	1,006,131	75,730
Pupil Services	202,031	-
General Administration	97,399	26,335
Plant Services	-	-
Capital Outlay	-	-
Total Expenditures	2,537,441	588,234
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,157	88,114
Other Financing Sources (Uses):		
Transfers In	26,637	2,206
Transfers Out	(3,850)	-
Total Other Financing Sources (Uses)	22,787	2,206
Net Change in Fund Balance	34,944	90,320
Fund Balance, July 1	564,878	14,971
Fund Balance, June 30	$ 599,822	$ 105,291

Cafeteria Fund	Deferred Maintenance Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
$ -	$ 1,000,000	$ 1,020,000
2,818,855	-	3,142,501
151,915	-	2,357,663
6,502,531	6,423	7,185,506
9,473,301	1,006,423	13,705,670
-	-	1,718,049
-	-	1,081,861
9,126,602	-	9,328,633
-	-	123,734
121,050	-	121,050
13,853	699,436	713,289
9,261,505	699,436	13,086,616
211,796	306,987	619,054
19,132	-	47,975
(20,622)	-	(24,472)
(1,490)	-	23,503
210,306	306,987	642,557
1,481,385	572,743	2,633,977
$ 1,691,691	$ 879,730	$ 3,276,534

POWAY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2018

	Bond Interest & Redemption	Blended Component Unit	Total Nonmajor Debt Service Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	$ 14,787,632	$ -	$ 14,787,632
Total Assets	$ 14,787,632	$ -	$ 14,787,632
LIABILITIES AND FUND BALANCE:			
Fund Balance:			
Restricted Fund Balances	$ 14,787,632	$ -	$ 14,787,632
Total Fund Balance	14,787,632	-	14,787,632
Total Liabilities and Fund Balances	$ 14,787,632	$ -	$ 14,787,632

POWAY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Bond Interest & Redemption	Blended Component Unit	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:			
Other State Revenue	$ 110,871	$ -	$ 110,871
Other Local Revenue	15,058,153	-	15,058,153
Total Revenues	15,169,024	-	15,169,024
Expenditures:			
Current:			
Debt Service:			
Principal	7,364,150	16,357,000	23,721,150
Interest	7,917,613	21,880,964	29,798,577
Total Expenditures	15,281,763	38,237,964	53,519,727
Excess (Deficiency) of Revenues Over (Under) Expenditures	(112,739)	(38,237,964)	(38,350,703)
Other Financing Sources (Uses):			
Transfers In	-	38,237,964	38,237,964
Total Other Financing Sources (Uses)	-	38,237,964	38,237,964
Net Change in Fund Balance	(112,739)	-	(112,739)
Fund Balance, July 1	14,900,371	-	14,900,371
Fund Balance, June 30	$ 14,787,632	$ -	$ 14,787,632

POWAY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

	Building Fund	Capital Facilities Fund
ASSETS:		
Cash in County Treasury	$ 39,557	$ 3,072,055
Cash on Hand and in Banks	-	-
Accounts Receivable	181	13,542
Total Assets	$ 39,738	$ 3,085,597
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ -	$ 7,240
Due to Other Funds	39,738	23,846
Unearned Revenue	-	-
Total Liabilities	39,738	31,086
Fund Balance:		
Restricted Fund Balances	-	3,054,511
Assigned Fund Balances	-	-
Total Fund Balance	-	3,054,511
Total Liabilities and Fund Balances	$ 39,738	$ 3,085,597

County School Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
$ 743,466	$ 8,217,287	$ 12,072,365
-	5,118	5,118
3,403	37,206	54,332
$ 746,869	$ 8,259,611	$ 12,131,815
$ -	$ 1,123,919	$ 1,131,159
-	1,032,224	1,095,808
-	5,118	5,118
-	2,161,261	2,232,085
746,869	-	3,801,380
-	6,098,350	6,098,350
746,869	6,098,350	9,899,730
$ 746,869	$ 8,259,611	$ 12,131,815

POWAY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Building Fund	Capital Facilities Fund
Revenues:		
Other Local Revenue	$ 1,659	$ 868,738
Total Revenues	1,659	868,738
Expenditures:		
Current:		
General Administration	-	43,268
Plant Services	-	166,745
Capital Outlay	39,738	-
Total Expenditures	39,738	210,013
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,079)	658,725
Other Financing Sources (Uses):		
Transfers Out	-	-
Other Sources	-	-
Total Other Financing Sources (Uses)	-	-
Net Change in Fund Balance	(38,079)	658,725
Fund Balance, July 1	38,079	2,395,786
Fund Balance, June 30	$ -	$ 3,054,511

County School Facilities Fund	Special Reserve Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
$ 11,176	$ 2,653,741	$ 3,535,314
11,176	2,653,741	3,535,314
-	-	43,268
-	94,342	261,087
-	1,197,898	1,237,636
-	1,292,240	1,541,991
11,176	1,361,501	1,993,323
-	(1,032,224)	(1,032,224)
-	5,625,264	5,625,264
-	4,593,040	4,593,040
11,176	5,954,541	6,586,363
735,693	143,809	3,313,367
$ 746,869	$ 6,098,350	$ 9,899,730

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

The Poway Unified School District (the "District"), encompasses approximately 100 square miles of the central portion of San Diego County, California (the "County"), and serves the City of Poway, a portion of the City of San Diego, as well as the communities of 4S Ranch, Black Mountain Ranch, Carmel Mountain Ranch, Del Sur, Rancho Bernardo, Rancho Peñasquitos, Sabre Springs, Santa Fe Valley, Santaluz and Torrey Highlands. The District currently operates 25 elementary schools, 6 middle schools, 1 K-8 school, 5 high schools, 1 continuation high school, and 1 adult school.

Governing Board

Name	Office	Term and Term Expiration
T. J. Zane	President	Four Year Term Expires December 2018
Darshana Patel	Vice President	Four Year Term Expires December 2020
Charles Sellers	Clerk	Four Year Term Expires December 2018
Kimberly Beatty	Member	Four Year Term Expires December 2020
Michelle O'Connor-Ratcliff	Member	Four Year Term Expires December 2018

Administration

Marian Kim-Phelps, Ed.D.
Superintendent

Mel Robertson, Ed.D
Associate Superintendent
Learning Support Services

James Jimenez
Associate Superintendent
Personnel Support Services

Ronald D. Little II
Associate Superintendent
Business Support Services

Jennifer Burkes
Associate Superintendent
Technology & Innovation

POWAY UNIFIED SCHOOL DISTRICT **TABLE D-1**
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018

	Second Period Report		Annual Report	
	Original 2E2E419A	Revised 0AEAFCA8	Original 27FDC31E	Revised EB7FA676
TK/K-3:				
Regular ADA	10,683.32	10,683.32	10,690.59	10,690.59
Extended Year Special Education	17.61	17.61	17.61	17.61
Nonpublic, Nonsectarian Schools	2.43	2.43	2.82	2.82
Extended Year - Nonpublic	0.51	0.51	0.51	0.51
TK/K-3 Totals	10,703.87	10,703.87	10,711.53	10,711.53
Grades 4-6:				
Regular ADA	8,137.78	8,137.78	8,131.54	8,131.03
Extended Year Special Education	6.99	6.99	6.99	6.99
Nonpublic, Nonsectarian Schools	9.58	9.58	10.24	10.24
Extended Year - Nonpublic	1.38	1.38	1.38	1.38
Grades 4-6 Totals	8,155.73	8,155.73	8,150.15	8,149.64
Grades 7 and 8:				
Regular ADA	5,506.49	5,506.17	5,496.76	5,492.88
Extended Year Special Education	3.49	3.49	3.49	3.49
Nonpublic, Nonsectarian Schools	12.31	12.31	11.43	11.43
Extended Year - Nonpublic	2.09	2.09	2.09	2.09
Grades 7 and 8 Totals	5,524.38	5,524.06	5,513.77	5,509.89
Grades 9-12:				
Regular ADA	10,841.20	10,841.09	10,791.98	10,791.67
Extended Year Special Education	9.19	9.19	9.19	9.19
Nonpublic, Nonsectarian Schools	39.02	39.02	38.13	38.13
Extended Year - Nonpublic	7.21	7.21	7.21	7.21
Grades 9-12 Totals	10,896.62	10,896.51	10,846.51	10,846.20
ADA Totals	35,280.60	35,280.17	35,221.96	35,217.26

Note 1: ADA revision is the result of Finding 2018-001.

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

POWAY UNIFIED SCHOOL DISTRICT

TABLE D-2

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018

Grade Level	Ed. Code 46207 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	36,000	180	-	Complied
Kindergarten	36,000	36,000	180	-	Complied
Grade 1	50,400	51,880	180	-	Complied
Grade 2	50,400	51,880	180	-	Complied
Grade 3	50,400	51,880	180	-	Complied
Grade 4	54,000	54,020	180	-	Complied
Grade 5	54,000	54,020	180	-	Complied
Grade 6	54,000	57,150	180	-	Complied
Grade 7	54,000	57,150	180	-	Complied
Grade 8	54,000	57,150	180	-	Complied
Grade 9	64,800	65,100	180	-	Complied
Grade 10	64,800	65,100	180	-	Complied
Grade 11	64,800	65,100	180	-	Complied
Grade 12	64,800	65,100	180	-	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District neither met nor exceeded its target funding.

General Fund	Budget 2019 (See Note 1)	2018	2017	2016
Revenues and other financial sources	$ 394,785,897	$ 367,497,371	$ 368,287,608	$ 353,457,941
Expenditures, other uses and transfers out	393,732,170	372,541,138	361,945,573	335,042,255
Change in fund balance (deficit)	1,053,727	(5,043,767)	6,342,035	18,415,686
Ending fund balance	$ 61,570,469	$ 60,516,742	$ 65,560,509	$ 59,218,474
Available reserves (See Note 2)	$ 56,412,107	$ 55,152,815	$ 59,705,443	$ 53,139,423
Available reserves as a percentage of total outgo (See Note 3)	14.3%	15.3%	17.1%	16.3%
Total long-term debt	$ 1,053,321,253	$ 1,060,802,744	$ 1,070,041,891	$ 1,077,832,637
Average daily attendance at P-2	35,669	35,281	34,814	34,587

This schedule discloses the district's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the district's ability to continue as a going concern for a reasonable period of time. Based on our review of the financial trends, the district will be able to continue for a reasonable period of time.

The fund balance of the general fund has increased by $1,298,268 (2.19%) over the past two years. The fiscal year 2018-19 budget projects an increase of $1,053,727 (1.74%). For a district of this size, the State recommends available reserves of at least 3.00% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has decreased by $17,029,893 (1.58%) over the past two years.

Average daily attendance has increased by 694 (2.01%) over the past two years.

Notes:

1 Budget 2019 is included for analytical purposes only and has not been subjected to audit.

2 Available reserves consist of all assigned fund balances, all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

3 On behalf payments of $11,700,496*, $11,947,803*, and $9,317,307*, have been excluded from the calculation of available reserves as a percentage of total outgo for the fiscal years ending June 30, 2018, 2017, and 2016.

4 As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) was included with the general fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the general fund.

* Represents on behalf payments in the general fund only, additional on behalf payments are posted to other funds.

POWAY UNIFIED SCHOOL DISTRICT

TABLE D-4

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

Fund Financial Statements

	General Fund	Special Reserve Fund for Other Than Capital Outlay	Enterprise Fund
June 30, 2018, annual financial and budget report fund balances/net position	$ 60,516,742	$ 1,997,443	$ (10,047,102)
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance/net position:			
GASB Statement No. 54 Fund Consolidation	1,997,443	(1,997,443)	-
GASB Statement No. 34 - Adjustment to compensated absences for current year activity	-	-	(1,350)
GASB Statement No. 68 - Adjustment to net pension liability for current year activity	-	-	(842,351)
GASB Statement No. 68 - Adjustment to deferred inflows of resources related to net pension liability	-	-	(1,417,896)
GASB Statement No. 68/71 - Adjustment to deferred outflows of resources related to net pension liability	-	-	1,623,589
GASB Statement No. 75 - Adjustment to net OPEB obligation for current year activity	-	-	(2,069,175)
GASB Statement No. 75 - Adjustment to net deferred outflows of resources related to OPEB	-	-	148,827
Net adjustments and reclassifications	1,997,443	(1,997,443)	(2,558,356)
June 30, 2018, audited financial statement fund balances/net position	$ 62,514,185	$ -	$ (12,605,458)

Government Wide Financial Statements

	Governmental Activities	Business Type Activities	Total Primary Government
June 30, 2018, annual financial and budget report total net position	$ (279,486,681)	$ (10,047,102)	$ (289,533,783)
Adjustments and reclassifications:			
Increase (decrease) in total net position:			
Corrections to Deferred Outflows of Resources	567,242	1,772,416	2,339,658
Corrections to Long Term Liabilities	(7,711,145)	(2,912,876)	(10,624,021)
Corrections to Deferred Inflows of Resources	22,280	(1,417,896)	(1,395,616)
Net adjustments and reclassifications	(7,121,623)	(2,558,356)	(9,679,979)
June 30, 2018, audited financial statement total net position	$ (286,608,304)	$ (12,605,458)	$ (299,213,762)

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

POWAY UNIFIED SCHOOL DISTRICT

TABLE D-5

SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2018

No charter schools are chartered by Poway Unified School District.

Charter Schools	Included In Audit?
None	N/A

POWAY UNIFIED SCHOOL DISTRICT

TABLE D-6

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
U. S. Department of Agriculture				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	$ -	$ 133,071
National School Lunch Program	10.555	13396	-	2,188,680
National School Lunch Program Noncash Commodities	10.555	13396	-	497,104
Total Passed Through State Department of Education			-	2,818,855
Total U. S. Department of Agriculture			-	2,818,855
Total Child Nutrition Cluster			-	2,818,855
FOREST SERVICE SCHOOLS AND ROADS CLUSTER:				
U. S. Department of Agriculture				
Passed Through San Diego County Office of Education:				
Forest Reserve Funds	10.665	10055	-	153
Total U. S. Department of Agriculture			-	153
Total Forest Service Schools and Roads Cluster			-	153
SPECIAL EDUCATION (IDEA) CLUSTER:				
U. S. Department of Education				
Passed Through State Department of Education:				
IDEA Local Assistance - Private Schools	84.027	10015	30,027	30,027
IDEA Basic Local Assistance	84.027	13379	-	4,956,756
IDEA Preschool Local	84.027	13682	-	532,994
IDEA Mental Health	84.027	14468	-	401,797
IDEA Alternate Dispute Resolution	84.173	13007	-	16,445
IDEA Preschool	84.173	13430	-	142,623
IDEA Preschool Staff Development	84.173	13431	-	1,671
Total Passed Through State Department of Education			30,027	6,082,313
Total U. S. Department of Education			30,027	6,082,313
Total Special Education (IDEA) Cluster			30,027	6,082,313
OTHER PROGRAMS:				
U. S. Department of Education				
Direct Program:				
Impact Aid - P.L. 81.874	84.041	-	-	72,280
Passed Through State Department of Education:				
Adult Education Program	84.002	14508, 13978, &	-	323,646
Title I	84.010	14329	-	1,710,447
Carl D. Perkins Career & Technical Education	84.048	14894	-	126,010
Workability	84.126	10006	-	255,223
IDEA Early Intervention Grant	84.181	23761	-	117,525
Advanced Placement Testing	84.330	14831	-	6,244
Title III	84.365	15146 & 14346	-	460,278
Title II Teacher Quality	84.367	14341	10,198	458,608
Total Passed Through State Department of Education			10,198	3,457,981
Total U. S. Department of Education			10,198	3,530,261
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 40,225	$ 12,431,582

The accompanying notes are an integral part of this schedule.

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Poway Unified School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 4.84% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

Program	CFDA #	Indirect Cost Rate
Workability	84.126	3.60%
Title III Limited English Proficiency	84.365	2.00%
Child Nutrition Cluster	10.553, 10.555	0.00%

Schoolwide Program

The District operates "schoolwide programs" at three school sites. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the District in it's schoolwide programs:

Program	CFDA #	Amount Expended
Title I	84.010	$1,226,395

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Other Independent Auditor's Reports

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

WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

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

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

Board of Trustees
Poway Unified School District
San Diego, California 92128

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Poway Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Poway Unified School District's basic financial statements and have issued our report thereon dated January 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Poway Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Poway Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Poway Unified 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Poway Unified 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2018-001, 2018-002, and 2018-003.

Poway Unified School District's Response to Findings

Poway Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Poway Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wilkinson Hadley King & Co LLP

El Cajon, California
January 9, 2019

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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

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

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

Board of Trustees
Poway Unified School District
San Diego, California 92128

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Poway Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Poway Unified School District's major federal programs for the year ended June 30, 2018. Poway Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Poway Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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Report on Internal Control Over Compliance

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

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

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

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

Wilkinson Hadley King + Co LLP

El Cajon, California
January 9, 2019

WILKINSON HADLEY
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CPAs AND ADVISORS

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Brian K. Hadley, CPA

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

Independent Auditor's Report on State Compliance

Board of Trustees
Poway Unified School District
San Diego, California 92128

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2018.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810**.** We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing* Standards issued by the Comptroller General of the United States; and the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Compliance Requirements	Procedures in Audit Guide Performed?
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	Yes
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

Basis for Qualified Opinion on Attendance Reporting

As described in the accompanying schedule of findings and questioned costs, the Poway Unified School District did not comply with attendance requirements as described in Finding 2018-001. Compliance with such requirements is necessary, in our opinion, for the Poway Unified School District to comply with the requirements applicable to the program.

Qualified Opinion on Attendance

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Poway Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on attendance for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other State Programs

In our opinion, Poway Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for each of the remaining state compliance programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2018-002 and 2018-003

Poway Unified School District's Response to Findings

Poway Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Poway Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California
January 9, 2019

Findings and Recommendations Section

POWAY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?	___	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	___	Yes	X	None Reported
Noncompliance material to financial statements noted?	___	Yes	X	No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?	___	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	___	Yes	X	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	___	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.002	Adult Education
84.010	Title I
84.027, 84.173	Special Education

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee?	X	Yes	___	No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting?	X	Yes	___	No

Type of auditor's report issued on compliance for state programs: Modified

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

D. State Award Findings and Questioned Costs

Finding Number:	2018-001
Repeat Finding:	No
Program Name:	Attendance Reporting
Questioned Costs:	LCFF Reduction of $3,434
Type of Finding:	State Compliance (10000)

Criteria or Specific Requirement
Education Code Section 46000 requires that attendance in all schools and classes be recorded and kept according to regulations prescribed by the State Board of Education. Education Code Section 44809 and the California Code of Regulations, Title 5, Section 401 require that the California Department of Education approve forms and procedures that constitute a District's attendance accounting system. Poway Unified School District has an approved attendance system in place which requires teachers to take attendance daily in each period they have students.

Condition
In two school sites out of eight school sites tested, attendance clerks reported that there are several teachers who do not take attendance daily. The attendance clerks have made numerous attempts to get teachers to take daily attendance, however, the attendance is not consistently taken by all teachers at all school sites. If a parent calls the student in absent, the attendance clerk is correcting the attendance, however, if the parent does not call the student in absent there is not a way to know that the student is not present in class when the teacher is not taking attendance. At one high school and one middle school tested during school month seven each day the number of classes for which attendance was not taken ranged from 12 classes to 30 classes daily at each school.

Additional procedures were performed on the data in the attendance system to identify instances of students where no teachers took attendance during the school day. There were cases at both school sites in which students were marked present in the system (default due to not taking of attendance) but there were no teachers who took attendance on those days. The district changed those days of attendance to absences in the attendance system and re-ran the attendance reports for those two school sites. The result was a change in ADA of 0.43 at P2 and 4.70 at Annual.

Cause
The District has not enforced the requirement that teachers take attendance daily in order to provide for accurate attendance reporting.

Effect
The District has not complied with the attendance reporting requirements established in education code. In addition, a misstatement of average daily attendance would not be detected by the District since teachers are not consistently taking attendance daily.

ADA was overstated as follows:

	P2 Reporting	Annual Reporting
Grades 4-6	0.00	0.51
Grades 7-8	0.32	3.88
Grades 9-12	0.11	0.31
Total	0.43	4.70

Context
We tested attendance at one high school, one middle school, five elementary schools, and one continuation high school. The condition of teachers not taking attendance consistently existed at the high school and middle school.

Recommendation
Establish monitoring procedures to ensure that all teachers at all school sites are taking attendance daily. Establish enforcement processes, including evaluation of teachers and principals, based on meeting the requirement of taking attendance daily.

Views of Responsible Officials
See Corrective Action Plan

Finding Number:	2018-002
Repeat Finding:	No
Program Name:	Unduplicated Pupil Counts
Questioned Costs:	$70,459 reduction in supplemental grant funding determined through extrapolation
Type of Finding:	State Compliance (40000)

Criteria or Specific Requirement
Verify that students reported as free or reduced priced meal eligible on the Form "1.18 - FRPM/English Learner/Foster Youth - Student List" is supported by documentation that indicated the student was eligible for the designation such as a Free and Reduced Price Meal (FRPM) eligibility application under a federal nutrition program, an alternative household income data collections form that indicates the student was eligible for the designation , or a direct certification list obtained from the county welfare department, or COE that matches enrolled students against those children/households receiving CalFresh (or CALWORKS) benefits.

Condition
In our review of eligibility of students reported for unduplicated pupil counts under FRPM, we identified fourteen out of eighty seven tested that did not meet the eligibility requirements. The students in question were identified as not qualifying for free or reduced priced meals by the child nutrition department.

Cause
There is a timing error between the child nutrition department records and the data pull for the unduplicated pupil counts reporting in CalPADS causing students who have been changed from free or reduced to paid in the child nutrition system not to be caputured in the CalPADS system.

Effect
Unduplicated pupil counts was overstated for students that did not meet eligibility requirements in the FRPM category. This resulted in overfunding of supplemental grant in the local control funding formula.

Audit adjustments to the count are as follows:

	Funded Under LCFF	Audit Adjustments	Adjusted Counts
Total Enrollment	36,519	-	36,519
Free/Reduced Meal Program (FRPM	1,942	(313)	1,629
English Learner (ELAS)	2,414	-	2,414
Both FRPM & ELAS	685	-	685
Other Funded (Direct Certification)	3,986	-	3,986
Total Unduplicated Pupil Count	9,027	(313)	8,714

The adjustments, and therefore questioned costs, were determined by an extrapolation of the impact error.

Context
Supplemental and concentration grant amounts (as part of the LCFF funding) are calculated based on the percentage of "unduplicated pupil" enrolled in the LEA on Census Day (first Wednesday in October) The percentage equals:

1) Unduplicated count of pupils who (1) are English Learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)).

2) Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42338.02(b)(5)).

All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

We audited a total of two hundred sixty one students accross the district eligible as English Learners (EL), FRPM, or eligible under both categories. We found no errors in EL documentation which accounted for one hundred seventy four students in our sample. We found fourteen errors out of the remaining eighty seven students tested in the FRPM category eligibility.

Recommendation
Establish a procedure to ensure that the CalPADS reporting of unduplicated pupil counts is based on the most current information available in the child nutrition system. Evaluate processes and work to eliminate timing differences in reporting. Include in new procedures a verification of items in the CalPADS system to the child nutrition system.

Views of Responsible Officials
See Corrective Action Plan

Finding Number: 2018-003
Repeat Finding: No
Program Name: After School Education and Safety Program
Questioned Costs: None
Type of Finding: State Compliance (40000)

Criteria or Specific Requirement
Determine whether the District has a process or procedure that gives first priority for enrollment to pupils who are identified by the program as homeless youth or in foster care at the time they apply

Condition
In our review of the district's policies and procedures for the after school education and safety program, written procedures state that students who attend daily will be given priority enrollment in the program.

Cause
The District established written policies and procedures prior to legislature passing Assembly Bill (AB) 1567. The District did not update policies for the 2017-18 fiscal year, which is the first fiscal year the regulations are effective.

Effect
The District is out of compliance with Education Code Sections 8483(c)(1)(A) and 8483(d)(1)(A).

Context
AB 1567, which passed on September 21, 2016 with an effective date of July 1, 2017, revised Education Code Section 8483 to require priority enrollment be provided to students who are identified as homeless youth or in foster care at the time they apply for enrollment in the program.

Recommendation
Update written policies and procedures to provide priority enrollment to students who are identified as homeless youth or foster students. Establish procedures to ensure all departments are made aware of law changes which require revisions to policies and procedures.

Views of Responsible Officials
See Corrective Action Plan

POWAY UNIFIED SCHOOL DISTRICT

BUSINESS SUPPORT SERVICES
15250 Avenue of Science
San Diego, CA 92128-3406

Ron Little, Associate Superintendent
rlittle@powayusd.com

(858) 521-2778
FAX (858) 485-1388

January 9, 2019

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting published by the Education Audit Appeals Panel. The name of the contact person responsible for corrective action, the planned corrective and the anticipated completion date for each finding including in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

Ronald D. Little II
Associate Superintendent
Business Support Services

Findings and Questioned Costs Related to State Awards

Finding Number: 2018-001
Program Name: Attendance Reporting
Contact Person: Ronald Little
Anticipated Completion Date: Ongoing

Planned Corrective Action: The District's Finance, Information Technology (IT), and Learning Support Services (LSS) teams are collaboratively working together to ensure attendance is taken regularly and daily by all classroom teachers. Information Technology has provided site staff with the ability to run missing period attendance reports (ATP 602) from the student information system, Synergy. The attendance clerks have made this part of their procedures following each period. In addition, attendance clerks are able to utilize the system's automated attendance reminder. This will generate an email to classroom teachers that have not submitted all of their period attendance.

The Finance Department has started the attendance visit and reviews for the 2018-19 school year to evaluate internal controls and document improvements with the daily period attendance at all school sites. Additionally, Finance has updated its attendance procedures and responsibilities within the Business Service Guide.

In efforts to establish consistent daily attendance practices for teachers at all sites, the following actions have been taken and will continue to be monitored by LSS Executive Directors who supervise schools.

- Joint communication from Associate Superintendents of Learning Support Services (LSS) and Business Support Services (BSS) was sent to all site administrators regarding expectations for administrators to communicate and monitor daily student attendance taking practices of all teachers. Initial findings were also communicated in order to demonstrate the gravity of the lack of consistent practices.

- The Finance Department provided LSS with site-based attendance reports for each school that reflected individual teachers and sections for daily attendance. LSS Executive Directors met with each school site administrator to review the reports and develop action plans for improvement. It was noted that two middle schools have strong attendance practices in place with very few errors, Meadowbrook and Twin Peaks MS.

- The site-based attendance reports also revealed areas of improvement for sites regarding courses such as ensuring that when students are assigned to courses such as, Office Assistant or PE Exempt, the assigned counselor or assistant principal completes daily attendance for those students. LSS reviewed this area of need with site leaders to ensure systems are in place to capture student attendance in all settings.

- LSS leadership organized collaborative opportunities for site leaders to share best practices for monitoring and accountability of daily student attendance taking practices by teachers as well as the role of site attendance clerks.

- At the November 2018, Poway Federation of Teachers (PFT) union meeting, PFT leadership addressed the need and importance of teachers completing daily student attendance. PFT President shared best practices with LSS to review and highlight across schools.

- On December 6, 2018, Leadership Learning (Principal) meeting, Associate Superintendents of LSS and BSS met with secondary administrators to review actions and reinforce the importance of ongoing monitoring and accountability. Associate Superintendent of LSS communicated the need for accountability with teachers and has collaborated with PFT President on this issue. Disciplinary action taken by site administrators is appropriate for teachers who fail to consistently record student attendance on a daily basis following appropriate communication processes.

- The November 2018 site-based attendance reports were sent to schools on December 8, 2018. Executive Directors will continue to follow-up with site administrators each month.

- During the 2018-19 school year, LSS will continue to work with Finance to provide monthly reports. In subsequent years, LSS will monitor and ensure that site attendance clerks are providing reports to administrators on a regular basis.

Finding Number: 2018-002
Program Name: Unduplicated Pupil Counts
Contact Person: Ronald Little
Anticipated Completion Date: Ongoing

Planned Corrective Action: The District believes this is a timing error between the child nutrition system and the verification process in the CalPADS system done by the Information Technology Department in conjunction with the Food Services Department. The Finance Department has coordinated meetings between IT and Food Services Departments to clarify reporting deadlines, assigned duties/functions, and the relationship of reportable data. For 2018-19, Finance Department is corroborating data between Information Technology and Food Services before CalPADS certification submission to ensure accuracy of data reported.

Finding Number: 2018-003
Program Name: After School Education and Safety Program
Contact Person: Ronald Little
Anticipated Completion Date: October 2018

Planned Corrective Action: There was an oversight on the change in the required language needed in the District's written policies and procedures to provide priority enrollment to students who are identified as homeless or foster youth pupils. For 2018-19, the Learning Support Services team has updated its written policies and procedures to give priority enrollment to homeless or foster youth pupils as required in Education Code 8483(c)(1)(A) and 8483(d)(1)(A).

In addition, Learning Support Services (LSS) leaders have been working closely with the ASES TOSA and ASES Supervisors to monitor the implementation. During the September and October 2018 ASES meetings, the ASES Program Plan and priority requirements were reviewed.

The following strategies to better address prioritization of pupils who are identified as homeless youth or in foster care were implemented:

- Working with Supervisors to share effective practices to identify and inform families/guardians of students identified as homeless youth or in foster care about the ASES Program.

- Updated the ASES Program Plan to include the language "First priority will go to pupils who are identified by the program as homeless youth and to pupils who are identified by the program as being in foster care.

- Updated district websites about ASES to reflect the same language.

- Use San Diego County Enrollment forms which also includes this language during enrollment in March/April.

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Finding 2017-001 (30000) **Associated Student Body Accounts** Condition At Midland Elementary School supporting documents for expenditures did not include documented approval for the expenditures. At Bernardo Heights Middle School, cash deposits did not consistently contain dual counts of cash received. In addition, cash was left unattended by school employees in the associated student body clerks mailbox or on her desk. Finally, one out of twenty deposits tested the cash count form was not in agreement with amounts counted and recorded at the bank. Audit Recommendation Provide training in established internal control policies and procedures to all ASB clerks, ASB advisors, and school site principals with designated responsibility over ASB accounts. Establish a monitoring system over ASB accounts to verify that policies and procedures are being consistently followed at all school sites.	Implemented	
Finding 2017-002 (30000) **Vacation Balances** Condition Labor contracts address carryover limits for vacation time; however, the cap on vacation time is not automated and carryover limits for vacation have not been consistently enforced. Annual reports detailing vacation balances are provided to all sites and supervisors; however, expectations on how to manage the vacation balances are not consistent among sites and supervisors. Use Use of vacation is submitted to payroll by sites and supervisors in an inconsistent manner and timing. Additionally, tracking of absences and vacation balances is maintained by a manual system by the payroll department. With inconsistent treatment of vacation carryover, reporting of absences, and management of vacation balances, vacation balance data may be incorrect without being detected by management or employees in the normal course of performing their assigned functions. Additionally, vacation liability has increased over several years to a balance of $7.2 Million at June 30, 2017 (an increase of $1.6 Million since June 30, 2016).		

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Audit Recommendation Continue to work with management and employees to create a plan to address vacation, excess vacation balances, and encourage employees to take action to use vacation time. Provide training to supervisors regarding district expectations over use of vacation and encourage supervisors to manage vacation in a consistent manner. Consistently enforce carryover limits established in labor agreements. Establish policies and procedures regarding reporting of absences and monitor the submission by supervisors to ensure accurate reporting. Transition tracking of vacation from a manual tracking system to an automated computerized system to decrease risk of error.	Implemented	
Finding 2017-003 (30000) **Revolving Cash Fund** Condition District policy has established that Revolving Cash Fund (RCF) Custodians are limited to principals or department directors. Signers on RCF bank accounts were identified to also include accounting technicians and administrative staff who are involved in the RCF administration and reconciliation process. Additionally, there are no restrictions preventing accounting technicians or administrative staff from requesting reimbursement from RCFs. Therefore, accounting technicians and administrative staff can request reimbursement for themselves and sign the checks. During an internal control review performed, this was observed to have occurred one time. It does not appear that there is an adequate segregation of duties established over RCF. The District has established policies and procedures over administration of RCFs; however, the District does not have a consistent and cohesive approach to the application or enforcement of the policies. During an internal control review performed, it was noted that accounting staff identified various instances of non-compliant purchases, including prohibited purchases and altered receipts. The individuals involved were notified of the non-compliance; however, those individuals went to their principals or director to seek exceptions to the policy. The result is an inconsistent application and enforcement of the established policies.		

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
Some purchases reimbursed by the RCFs circumvent the District's purchasing process. It is District policy to utilize approved vendors through a purchase order system. Accounting staff have identified instances where RCF reimbursements were used for items which could have been purchased through the use of a PO for an approved vendor. <u>Audit Recommendation</u> Establish an adequate segregation of duties over RCFs at the District. Prohibit requesting reimbursements from anyone involved in administering RCFs including principals, accounting technicians, and administrative staff. Reimbursements for these individuals should be directed to the District RCF rather than the site RCF. Develop a cohesive stance towards RCF compliance thereby empowering accounting technicians to uphold and enforce policies. Establish a policy prohibiting reimbursement of any noncompliant submission. Provide training to all principals, directors, accounting technicians and administrative staff regarding policies and procedures for RCFs.	Implemented	
Finding 2017-004 (10000) **Independent Study** <u>Condition</u> In review of the written agreements for students in the independent study program, one eighth grade student, out of sixty students tested did not include a student signature as required by Education Code section 51747(c). <u>Audit Recommendation</u> Implement monitoring procedures over independent study agreements to verify that all required signatures are obtained prior to claiming attendance for students participating in the independent study program.	Implemented	

APPENDIX C

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF POWAY AND THE COUNTY OF SAN DIEGO

The following information has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District or the Underwriter. The District comprises only a portion of the County of San Diego, and the Bonds are only payable from *ad valorem* property taxes levied on property in the District.

The following information concerning the City of Poway (the "City") and the County of San Diego (the "County") is included only for the purpose of supplying general information regarding the area served by the District. The Bonds are not a debt of the City or the County.

Introduction

The City of Poway encompasses approximately 40 square miles and lies approximately 25 miles north of downtown San Diego along Interstate 15 in San Diego County. Incorporated in 1980, the City operates incorporated and operates a council-manager form of government, with the Mayor elected at-large and the other council members elected by district for four-year terms.

The County is located in the southwestern corner of the State of California and is bordered by the Pacific Ocean to the west, Orange and Riverside Counties to the north and Imperial County to the east. The County includes 70 miles of the Pacific Ocean coastline, the Anza-Borrego Desert in the eastern portion of the County, the Laguna Mountains and the San Diego Bay, one of the world's largest natural deep-water harbors. The County is the second-most populous county in California, the fifth-most populous county in the United States, and encompasses approximately 4,526 square miles.

Transportation

Transportation within and without the County is available by car, train, bus and air. Several interstate highways provide access to the County. Interstate Highway 5 runs parallel to the Pacific Coast from the Mexico border and runs north through the County and the State. Interstate Highway 15 provides access inland from the County northeast through Riverside, San Bernardino, Las Vegas and Salt Lake City, while Interstate Highway 8 runs east through the southern United States. In addition, several State routes provide access from the County to adjacent counties and other regions of the State.

San Diego's International Airport (Lindbergh Field) is located approximately one mile west of the downtown San Diego area at the edge of San Diego Bay. The facilities are owned and maintained by the San Diego Airport Authority and are leased to commercial airlines and other tenants. The airport is California's third most active commercial airport, served by 20 major airlines. In addition to San Diego International Airport, there are several general aviation airports located in the County, including McClellan-Palomar Airport in Carlsbad. Amtrak provides rail service through the County and local bus and light rail service is available in the City and provides connecting services between most cities in the County.

Education

The County has many higher education opportunities for residents as well as for students who travel from outside of the County to attend its universities. The County is home to three public state universities: University of California, San Diego; San Diego State University; and California State University, San

Marcos; as well as four private universities: University of San Diego, Point Loma Nazarene University, Alliant International University, and National University. In addition, the County has 23 public elementary school districts, six high school districts, and 13 unified school districts providing kindergarten through twelfth grade educational services throughout the County. There are also five community college districts in the County.

Population

The following table shows historical population statistics for the cities in the County as well as the County since 2015.

POPULATION
Cities of the County and the County of San Diego
Calendar Years 2015 through 2019

	2015	2016	2017	2018	2019
Carlsbad	111,547	112,003	113,179	114,622	115,095
Chula Vista	261,801	263,611	265,357	267,503	268,060
Coronado	23,838	25,193	24,512	21,683	21,708
Del Mar	4,244	4,247	4,284	4,322	4,442
El Cajon	103,981	104,577	105,276	105,557	105,258
Encinitas	61,843	62,038	62,625	63,158	63,375
Escondido	149,932	150,621	150,978	151,478	152,478
Imperial Beach	27,721	27,901	28,041	28,163	27,202
La Mesa	60,181	60,735	60,980	61,261	60,707
Lemon Grove	26,402	26,477	26,710	26,834	27,068
National City	60,533	60,932	61,350	62,257	62,268
Oceanside	175,691	176,610	176,666	177,362	177,274
Poway	**49,699**	**49,799**	**49,986**	**50,207**	**50,210**
San Diego	1,376,790	1,387,362	1,399,924	1,419,845	1,414,373
San Marcos	92,405	93,332	94,258	95,768	96,335
Santee	56,104	56,014	56,434	56,994	57,410
Solana Beach	13,675	13,798	13,860	13,938	13,895
Vista	98,890	100,093	102,933	103,381	101,770
Balance of County	509,172	509,134	512,156	513,123	514,200
County Total	3,264,449	3,284,477	3,309,509	3,337,456	3,333,128

Based on 2010 Census benchmark and Population Estimates for Cities, Counties, and State.
Source: California State Department of Finance.

Employment

The table below provides the California Employment Development Department's estimates of total annual civilian nonagricultural wage and salary employment by number of employees in each major industry in the County from calendar years 2014 through 2018.

WAGE AND SALARY EMPLOYMENT
County of San Diego
Calendar Years 2014 through 2018

Industry Category	2014[1]	2015[1]	2016[1]	2017	2018
Mining and Logging	400	300	300	300	400
Construction	63,900	69,900	76,100	81,00	79,100
Manufacturing					
Nondurable Goods	25,100	26,300	27,000	27,600	27,700
Durable Goods	77,100	79,900	80,800	83,100	87,700
Total Manufacturing	102,200	106,200	107,800	110,200	115,400
Transportation, Warehousing & Utilities	27,000	28,400	29,400	33,200	33,000
Trade					
Wholesale	43,700	44,000	44,800	48,900	47,700
Retail	144,300	146,800	147,400	155,400	154,700
Total Trade	188,000	190,800	192,200	204,300	202,400
Financial Activities[2]	69,400	71,200	73,000	74,700	74,100
Professional and Business Services	224,300	230,200	234,000	238,400	251,000
Educational and Health Services	186,000	192,700	198,500	207,200	213,500
Leisure and Hospitality	177,000	183,900	190,700	193,200	193,900
Other Services	52,000	53,200	54,900	54,400	58,100
Government					
Federal	41,600	43,800	47,000	47,200	47,700
State and Local	186,200	190,200	195,600	205,300	209,400
Total Government	231,900	236,200	242,100	252,500	257,100
Total Nonagricultural[3]	1,346,600	1,386,800	1,422,600	1,474,000	1,502,400

(1) Figures are based on a March, 2016 benchmark.
(2) Includes finance, insurance, and real estate.
(3) Figures may not add to total due to independent rounding.
Source: State of California Employment Development Department, Labor Market Information Division.

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The following table summarizes the labor force, employment and unemployment figures for the County, the State and the United States from 2014 through 2018.

LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT[1]
County of San Diego, State of California and United States
2014 through 2018

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate[2]
2014				
San Diego County	1,544,600	1,445,400	99,200	6.4%
California	18,726,400	17,474,600	1,251,800	6.7
United States	155,922,000	146,305,000	9,617,000	6.2
2015				
San Diego County	1,563,800	1,482,500	81,300	5.2%
California	18,981,800	17,798,600	1,183,200	6.2
United States	157,130,000	148,834,000	8,296,000	5.3
2016				
San Diego County	1,570,400	1,497,000	73,500	4.7%
California	19,102,700	18,065,000	1,037,700	5.4
United States	159,187,000	151,436,000	7,751,000	4.9
2017				
San Diego County	1,584,700	1,521,200	63,500	4.0%
California	19,593,000	18,779,200	813,900	4.2
United States	160,320,000	153,337,000	6,982,000	4.4
2018				
San Diego County	1,594,300	1,541,700	52,600	3.3%
California	19,593,000	18,779,200	813,900	4.2
United States	162,075,000	155,761,000	6,314,000	3.9

(1) Data reflects employment status of individuals by place of residence.
(2) Unemployment rate is based on unrounded data.
S*ource: California State Employment Development Department and U.S. Department of Labor.*

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Personal Income

The following tables show the personal income and per capita personal income for the County, State of California and United States from 2013 through 2017.

PERSONAL INCOME
County of San Diego, State of California, and United States
2013-2017

Year	County of San Diego	California	United States
2013	$159,087,705	$1,860,628,000	$13,987,200,000
2014	169,896,807	1,965,276,000	14,565,400,000
2015	180,101,999	2,107,422,000	15,235,400,000
2016	186,149,364	2,167,615,000	15,460,900,000
2017	193,296,405	2,228,776,000	15,857,200,000

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

PER CAPITA PERSONAL INCOME[1]
County of San Diego, State of California, and United States
2013-2017

Year	County of San Diego	California	United States
2013	$49,460	$48,520	$44,231
2014	52,166	50,781	45,714
2015	54,742	53,991	47,457
2016	56,116	55,161	47,806
2017	57,913	56,372	48,683

(1) Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Major Employers

The following table sets forth the ten largest employers in the City in 2018.

MAJOR EMPLOYERS
City of Poway
2018

Employer	Number of Employees	Percentage of Total City Employment
General Atomics Aeronautical Systems	4,571	17.58%
Geico Direct	1,720	6.62
Poway Unified School District	1,366	5.25
Delta Design, Inc.	750	2.88
Pomerado Hospital	738	2.84
A.O. Reed & Co.	450	1.73
Sysco Food Services of SD	385	1.48
Walmart	367	1.41
H M Electronics Inc.	300	1.15
Arch Health Partners	300	1.15

Source: City of Poway 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.

The following table sets forth the ten largest employers in the County in 2018.

MAJOR EMPLOYERS
County of San Diego
2018

Employer	Number of Employees	Percentage of Total County Employment
University of California, San Diego	34,488	2.26%
Naval Base San Diego	34,185	2.24
Sharp Healthcare	18,364	1.20
County of San Diego	17,413	1.14
Scripps Health	14,941	0.98
San Diego Unified School District	13,815	0.91
Qualcomm Inc.	11,800	0.77
City of San Diego	11,462	0.75
Kaiser Permanente San Diego	9,606	0.63
UC San Diego Health	8,932	0.59

Source: County of San Diego 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.

Commercial Activity

A summary of taxable sales within the City from 2015 through 2018 and the County from 2013 through 2018, the most recent data available, is shown in the following tables.

TAXABLE SALES
City of Poway
2015-2018
(Dollars in Thousands)

Year	Retail and Food Permits	Retail and Food Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2015	856	$ 763,867	1,669	$ 1,140,312
2016	864	784,199	1,638	1,164,434
2017	888	862,152	1,642	1,205,406
2018	893	863,106	1,706	1,241,757

Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization.

TAXABLE SALES
County of San Diego
2014-2-2018
(Dollars in Thousands)

Year	Retail and Food Permits	Retail and Food Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2014	59,705	$37,257,495	86,671	$52,711,639
2015	58,838	37,989,566	95,645	54,185,588
2016	58,391	38,576,363	95,435	55,407,867
2017	59,798	40,371,715	97,412	57,551,360
2018	59,836	41,886,825	100,674	59,041,042

Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization.

Building Activity

In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2014 through 2018 are shown in the following tables for City and the County.

BUILDING PERMIT VALUATIONS
City of Poway
2014-2018
(Dollars in Thousands)

	2014	2015	2016	2017	2018
Valuation ($000's)					
Residential	$ 17,631,065	$ 17,448,174	$ 19,453,690	$ 19,455,535	$ 17,341,907
Non-Residential	33,225,949	18,758,769	21,870,683	30,068,305	22,922,236
Total	$ 50,857,014	$ 36,206,943	$ 41,324,373	$ 49,523,840	$ 40,264,143
Units					
Single Family	19	14	19	20	15
Multiple Family	0	0	0	0	0
Total	19	14	19	20	15

Note: Totals may not add to sum because of rounding.
Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
San Diego County
2014-2018

	2014	2015	2016	2017	2018
Valuation ($000's)					
Residential	$1,818,853	$2,447,042	$2,472,237	$2,632,826	$2,680,400
Non-Residential	1,920,627	1,862,502	1,782,421	2,371,303	1,896,378
Total	$3,739,480	$4,309,544	$4,254,658	$5,004,128	$4,576,778
Units					
Single Family	2,276	3,136	2,420	3,960	3,421
Multiple Family	4,327	6,869	7,680	6,056	6,190
Total	6,603	10,005	10,100	10,016	9,611

Note: Totals may not add to sum because of rounding.
Source: Construction Industry Research Board.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by the Poway Unified School District (the "District"), on behalf of School Facilities Improvement District No. 2002-1 of the Poway Unified School District (the "Improvement District"), in connection with the issuance of $____________ aggregate principal amount of the 2019 General Obligation Refunding Bonds of School Facilities Improvement District No. 2002-1 of the Poway Unified School District (Federally Taxable) (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Education of the District on September 12, 2019 (the "Resolution"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Raymond James & Associates (the "Underwriter") in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Dissemination Agent" shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. The Dissemination Agent shall be Isom Advisors, a Division of Urban Futures Incorporated.

"Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Event" means any of the events listed in Section 6 of this Disclosure Agreement.

"Material Events Disclosure" means dissemination of a notice of a Material Event as set forth in Section 6.

"MSRB" shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at http://emma.msrb.org/, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

SECTION 3. <u>CUSIP Numbers and Final Official Statement</u>. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated ___, 2019 ("Final Official Statement").

SECTION 4. <u>Provision of Annual Reports</u>.

(a) The District shall cause the Dissemination Agent, not later than 9 months after the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the fiscal year ending June 30, 2019, which would be due on April 1, 2020, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District, in a timely manner, shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. <u>Content of Annual Report</u>. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the MSRB as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding fiscal year (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Adopted general fund budget for the current fiscal year or most recent interim report;

(ii) 20 largest local secured taxpayers in the Improvement District as shown on the most recent equalized assessment roll; and

(iii) Assessed valuations of taxable property in the Improvement District, as shown on the most recent equalized assessment roll;

(iv) Property tax levies, collections and delinquencies, only if the County terminates or discontinues the Teeter Plan within the Improvement District.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.

(iv) Substitution of or failure to perform by any credit provider.

(v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) Tender Offers;

(vii) Defeasances;

(viii) Rating changes;

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person; or

(x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(ii) Modifications of rights to Bondholders;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) Appointment of a successor or additional Paying Agent or Trustee or the change of name of a Paying Agent or Trustee; or

(viii) Incurrence of a Financial Obligation of the obligated person or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Bondholders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Designated Material Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: _______, 2019

POWAY UNIFIED SCHOOL DISTRICT

By:____
Superintendent

Acceptance of duties as Dissemination Agent:

By:____________________________________
____

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Poway Unified School District

Name of Issue: $____________ 2019 General Obligation Refunding Bonds of School Facilities Improvement District No. 2002-1 of the Poway Unified School District

Date of Issuance: ______, 2019

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated _______, 2019. The Issuer anticipates that the Annual Report will be filed by ___________________.

Dated: __________________________

[ISSUER/DISSEMINATION AGENT]

By:____

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APPENDIX E

SAN DIEGO COUNTY INVESTMENT POLICY STATEMENT

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SAN DIEGO COUNTY TREASURER'S
POOLED MONEY FUND
INVESTMENT POLICY

January 1, 2019

The Investment Policy and practices of the County Treasurer are based on prudent money management principles and California State Law, specifically Government Code Sections 27000.1 - 27000.5, 27130 - 27137, and 53600 - 53686. Section 53635 shall apply to a local agency that is a county or other local agency that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body. However, Section 53601 shall apply to all local agencies that pool money in deposits or investments exclusively with local agencies that have the same governing body.

The practices of this office will always comply with the legal authority and limitations placed on it by the governing legislative bodies. The implementation of these laws, allowing for the dynamics of the money markets, will be the focus of this policy statement. All matters contained in this policy are to be read and applied pursuant to and consistent with state law. Where this Investment Policy specifies a percentage limitation, compliance will be measured as of the date of purchase. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing the Pooled Money Fund (the "Fund") the objectives of this office shall be as follows.

1. **The primary objective shall be to safeguard the principal of the funds under the County Treasurer's control.**

2. **The secondary objective shall be to meet the liquidity needs of the participants.**

3. **The third objective shall be to achieve an investment return on the funds under control of the County Treasurer within the parameters of prudent risk management.**

The Fund is an actively managed portfolio. By this, it is meant that the County Treasurer and his staff will observe, review, and adjust to changing conditions that affect the Fund. This shall be viewed as a full-time responsibility by the County Treasurer and his staff. The authority to execute investment transactions that will affect the Fund will be limited to:

County Treasurer-Tax Collector
Assistant Treasurer-Tax Collector
Chief Deputy Treasurer
Chief Investment Officer
Investment Officers

The County Treasurer and the above staff will meet on a regular basis to discuss current market conditions and future trends and how each of these affects the Fund.

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SAN DIEGO COUNTY TREASURER
INVESTMENT POLICY

**2018 SAN DIEGO COUNTY TREASURER'S
POOLED MONEY FUND INVESTMENT POLICY**

The purpose of the County Treasurer's Investment Policy is to implement the legislated parameters of the investment authority of the Fund. As an elected official of the County of San Diego, the County Treasurer must manage public monies in a way that is consistent with its objectives, investment oversight, and sound investment practices and not solely to maximize returns. The basic concept of investment return is based on a risk/reward relationship; the higher the risk, the higher the expected return. Risk management must be an integral part of any investment policy. Risk management must include adequate internal controls so that Fund depositors and the public have confidence that public monies are secure. The policy stated below will concern itself with risk management.

1. **SECURITY OF PRINCIPAL POLICY** - The policy issues directed to protecting the principal entrusted to this office are:

   A. Limiting the Fund's exposure to each type of security.

   B. Limiting the Fund's exposure to each issuer of debt.

   C. Determining the minimum credit requirement for each type of security.

2. **LIQUIDITY POLICY** - The policy issues directed to provide the necessary liquidity to the participants are:

   A. Limiting the length of maturity for securities in the Fund.

   B. Limiting the Fund's exposure to Moderately Liquid and Illiquid securities.

3. **RETURN POLICY** - The policy issues directed to achieving a return are:

   A. Attaining a market rate of return while taking into account the investment risk constraints and liquidity needs.

   B. Limiting a majority of the investments to low-risk securities in anticipation of earning a fair return relative to the risk being taken.

4. **MATURITY POLICY**

   A. The maximum maturity allowed by the California Government Code is 5 years, with shorter limitations specified for certain types of securities. The guidelines for maturities of investments and duration of the Fund, as established under this Policy, shall be:

      - At least 35% of the Fund maturing within 1 year
      - At least 15% of the Fund maturing within 90 days, and
      - A maximum effective duration of 2.0 years

B. The Fund will be considered in compliance with the maturity policy if it meets the maturity targets above. In the event that the Fund distribution does not comply with the table above, until such time as the Fund is within maturity targets, all securities purchased shall be of a maturity or duration that will lower the maturity and or duration of the Fund. In the event a compliance violation has occurred, a variance report shall be made to the Oversight Committee as part of the normal monthly reporting.

5. GENERAL STRATEGY

The County Treasurer will generally use a buy and hold investment strategy, where securities are purchased with the intent of holding them to maturity. The investment staff will update the Treasury Oversight Committee on its asset allocation and investment strategy at its regularly scheduled meetings. Securities may be sold prior to maturity when deemed prudent. Reasons for selling include, but are not limited to:

- A security with declining credit quality
- A financially advantageous sale and replacement of a security that improves the quality, yield, or target duration of the portfolio
- Meeting the liquidity needs of the portfolio
- Portfolio rebalancing to bring the portfolio back into compliance

6. PROHIBITED SECURITIES

The California Government Code prohibits a local agency from investing in any of the following derivative notes:

- Inverse Floaters
- Range Notes
- Interest-only strips derived from a pool of mortgages
- Any security that could result in zero interest accrual

7. CREDIT RATING POLICY

A. This Investment Policy sets forth minimum credit ratings for each type of security. These credit limits apply to the initial purchase of a security and do not automatically force the sale of a security if the credit ratings of the security fall below the policy limits.

B. Minimum credit ratings:
   a. For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one nationally recognized statistical rating organization (the "NRSRO").
   b. For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.

C. The monitoring of credit ratings consists of the following procedures:

1. When a credit rating downgrade occurs which results in a rating below the minimum credit requirement, the Chief Investment Officer and staff will analyze and evaluate the credit to determine whether to hold or sell the security.

2. In the event a security in the Fund receives a credit rating downgrade which results in a rating below the minimum credit requirement, the Investment Group will report the rating change to the Oversight Committee in the monthly report. In the same manner, the Oversight Committee will be informed on the Investment Group's decision to hold or sell a downgraded security.

3. The Investment Group shall meet at least quarterly to review and update the approved list of securities and establish credit criteria for each category of security.

To ensure that the Fund maintains the highest overall credit rating with the contracted NRSRO, the asset allocation and portfolio holdings will be provided to the contracted NRSRO on a monthly basis.

8. INTERNAL CONTROLS

A. The Chief Deputy Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that:

   1. The cost of a control should not exceed the benefits likely to be derived; and

   2. The valuation of costs and benefits requires estimates and judgments by management.

B. Accordingly, the Chief Deputy Treasurer shall establish and maintain internal controls that shall address the following points:

   1. Control of Collusion - Collusion is a situation where two or more employees are working in conjunction to defraud their employer. To achieve a segregation of duties, individuals who authorize investment transactions shall not also record or reconcile said transactions.

   2. Clear Delegation of Authority to Subordinate Staff Members - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

   3. Custodial Safekeeping - Securities purchased from any bank or dealer, including appropriate collateral (as defined by California Government Code), that are not

insured by the FDIC, shall be placed with an independent third party for custodial safekeeping.

4. Avoidance of Physical Delivered Bearer Securities - Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Bearer securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with such securities.

5. Written Confirmation of Telephone Wire Transfers - Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions should be supported by written or electronic communications and approved by the appropriate person.

6. Development of a Wire Transfer Agreement with the Lead Bank or Third-Party Custodian - This agreement should outline the various controls, security provisions, and responsibilities of each party making and receiving wire transfers.

7. A treasury operations manual, as overseen by the Chief Deputy Treasurer, will be reviewed and updated by the treasury staff every two years or on an as needed basis.

9. **ANNUAL AUDIT** - The Treasury Oversight Committee shall cause an independent review to be conducted annually on a fiscal year basis by an external auditor to determine if the County Treasury is in compliance with the Investment Policy, other internal policies and procedures, and the California Government Code.

10. **PERMISSIBLE INVESTMENTS** - Government Codes 53601, 53601.1, 53601.2, 53601.8, 53635, 53635.8, 53637, 53638, 53651, 53652, and 53653 address permissible investments. These investment categories are addressed individually in sections 11-26 below.

11. **GOVERNMENT OBLIGATIONS** - The Fund invests in two categories of Government Obligations: U.S. Treasury and Agency obligations. Both are issued at the Federal level. U.S. Treasury obligations are bills, notes, and bonds issued by the Treasury and are direct obligations of the Federal Government. Agency obligations are notes and bonds of federal agencies and government sponsored enterprises, including:

    Federal National Mortgage Association (FNMA)
    Federal Home Loan Bank (FHLB)
    Federal Farm Credit Bank (FFCB)
    Federal Home Loan Mortgage Corporation (FHLMC)
    Government National Mortgage Corporation (GNMA)
    Tennessee Valley Authority (TVA)

A. Maximum Maturity - The maximum maturity of a security shall be 5 years from the settlement date.

B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category is unlimited.

C. Maximum Exposure Per Issuer - The maximum exposure to the Fund for an individual issuer shall be:

1. Treasury - Unlimited

2. Agency - No more than 35% of the Fund value shall be invested in any single issuer.

D. Minimum Credit Requirement - None

E. Liquidity Category - Liquid

12. **LOCAL AGENCY AND STATE OBLIGATIONS** -These include registered state warrants or treasury notes or bonds of the state of California and registered bonds of any of the other 49 states, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state and bonds, notes, warrants, or other evidences of indebtedness of a local agency within the state of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

A. Maximum Maturity - The maximum maturity of a security shall be 5 years from the settlement date.

B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 30%.

C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 10% of the Fund value.

D. Minimum Credit Requirement - Issuers must be at or above the following ratings:

a. For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one NRSRO.

b. For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.

E. Liquidity Category – Moderately Liquid

13. **BANKER'S ACCEPTANCES** - This is a draft or bill of exchange accepted by a bank or trust company and brokered to investors in a secondary market. The purpose of the Banker's Acceptance (BA) is to facilitate trade and provide liquidity to the import-export markets. Acceptances are collateralized by the pledge of documents such as invoices, trust

receipts, and other documents evidencing ownership and insurance of the goods financed. Since their inception in 1914, there has been no known loss of principal to investors holding Banker's Acceptances.

A. Maximum Maturity - The maximum maturity of a security shall be 180 days from the settlement date.

B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 40%.

C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 5% of the Fund value.

D. Minimum Credit Requirement – The rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one NRSRO.

E. Liquidity Category – Liquid

14. **COMMERCIAL PAPER** - These are short-term, unsecured, promissory notes issued by firms in the open market. Commercial paper (CP) is generally backed by a bank credit facility, guarantee/bond of indemnity, or some other support agreement.

A. Maximum Maturity - The maximum maturity of a security shall be 270 days from the settlement date.

B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 40%.

C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 10% of the Fund value.

D. Minimum Credit Requirements - The Rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one NRSRO.

E. Liquidity Category - Liquid

15. **MEDIUM-TERM NOTES ("MTN")** - These are corporate notes**,** deposit notes**,** and bank notes sold by an agent in the open market on a continually offered basis. Issuers include well-recognized banks and bank holding companies, thrifts, finance companies, insurance companies, and industrial corporations. These medium-term notes are generally unsecured debt obligations, although some issues come to market on a collateralized or secured basis.

A. Maximum Maturity - The maximum maturity of a security shall be 5 years from the settlement date.

B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 30%.

C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 5% of the Fund value.

D. Minimum Credit Requirements - Issuers must be at or above the following ratings**:**

a. For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one NRSRO.
b. For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.

E. Liquidity Category - Liquid

16. **NEGOTIABLE CERTIFICATES OF DEPOSIT** - These are issued by commercial banks and thrift institutions against funds deposited for specified periods of time, and they earn specified or variable rates of interest. Negotiable certificates of deposit ("NCD") differ from other certificates of deposit by their liquidity. NCD's are traded actively in secondary markets.

A. Maximum Maturity

1. The maximum maturity of a NCD security shall be 5 years from the settlement date.
2. The maximum maturity of any FDIC insured CDs, whether directly placed or placed through a private sector entity, shall be 13 months.

B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 30%.

D. Maximum Exposure per Issuer - The maximum exposure to a single issuer shall be 10% of the Fund value.

E. Minimum Credit Requirement – Issuers must be at or above the following ratings:

a. For securities with maturities of 13 months or less, the rating must be in the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one NRSRO.
b. For securities with maturities greater than 13 months, the rating must be "A" or higher by at least one NRSRO.

F. Liquidity Category - Liquid

17. **REPURCHASE AGREEMENTS** - A repurchase agreement (RP) consists of two simultaneous transactions. One is the purchase of securities by an investor (the Fund); the other is the commitment by the seller (i.e. a broker/dealer) to repurchase the securities at the same price, plus interest, at some mutually agreed-upon future date.

A. Maximum Maturity - The maximum maturity of repurchase agreements shall be one year.

B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 40%.

C. Maximum Exposure Per Broker/Dealer - The maximum exposure to a single broker/dealer shall be 10% of the Fund when the dollar-weighted average maturity is greater than 5 days or 15% of the Fund when the dollar-weighted average maturity is 5 days or less.

D. Eligible Broker/Dealers - Broker/Dealers shall sign a PSA Master Repurchase Agreement or a Tri-Party Repurchase Agreement. The Agreement must specify a minimum margin percentage of 102% and also provide for daily mark-to-market of the collateral by the custodian bank.

E. Eligible Collateral - The securities eligible for repurchase agreement transactions shall be securities authorized in Section 53601 of the California Government Code. Collateral eligible for repurchase agreements maturing from 7 days to 1 year shall be Treasury and Agency obligations.

F. Delivery of Collateral - Broker/Dealers shall deliver the underlying securities to the County's safekeeping bank, a mutually agreed-upon third party custodian bank, or a counterparty bank's customer book-entry account. When a third-party custodian is used, it will be the custodian's responsibility to transfer funds and securities between the broker/dealer and the Fund in accordance with the terms of the repurchase agreement.

G. Liquidity Category - Liquid

18. **REVERSE REPURCHASE AGREEMENTS** - Reverse repurchase agreements (RRPs) are essentially the mirror image of RPs. In this instance, the Fund is the seller of securities and the broker or bank is the investor.

Due to the nature of RRPs, the policy regarding this instrument is different from the above RP policy.

A. Maximum Maturity - The maximum maturity of a securities lending loan shall be 92 days unless the agreement includes a written guarantee of a minimum earning or spread for the entire period of the RRP.

B. Maximum Exposure of Fund - No more than 20% of the Fund shall be exposed to RRPs and/or securities lending at any one time.

C. Maximum Exposure Per Broker/Dealer – No more than 10% of the Fund shall be invested in RRPs with any one broker/dealer at any one time.

D. Purpose of RRPs - The uses of RRPs shall be to invest the proceeds from the agreement into permissible securities that are in the highest short-term rating category; to supplement the yield on securities owned; or to provide funds for the immediate payment of an obligation. The maturity of the RRP and the maturity of the security purchased shall be the same.

E. Eligible Securities - A RRP may only be entered into with a security authorized in California Government Code 53601 which has been owned and paid for 30 days prior to the settlement of the RRP.

F. Eligible Broker/Dealer - Broker/Dealers shall be primary broker/dealers of the Federal Reserve Bank of New York.

G. Liquidity Category - Liquid

19. **SECURITIES LENDING** - This is a program conducted by an agent authorized to execute securities lending under the guidelines listed under RRPs and as detailed in the "Services for Securities Lending Agreement." A securities lending transaction is when the Fund transfers its securities to broker/dealers and other entities for collateral which may be cash or securities and simultaneously agrees to return the collateral for the same securities in the future. The loans must be secured continuously by cash collateral or securities and maintained at a value of at least equal to 102 % of the market value of the securities loaned. During the term of the loan, the Fund will continue to receive the equivalent of the interest paid by the issuer of the securities loaned. The Fund will have the right to call the loan and receive the securities loaned at any time with one day's notice.

A. Maximum Maturity - The maximum maturity of a securities lending loan shall be 92 days.

B. Maximum Exposure of Fund - No more than 20% of the Fund shall be exposed to securities lending and/or RRPs at any one time.

C. Maximum Exposure Per Counterparty - No more than 10% of the Fund shall be on loan with any single counterparty at any one time.

D. Proceeds shall be invested in securities authorized by California Government Code and this Investment Policy.

20. **COLLATERALIZED CERTIFICATES OF DEPOSIT** - This is the deposit of funds in state or national banks, state or federal savings and loan associations, federal credit unions, or FDIC-insured industrial loan companies in California per California Government Code Section 53652. The deposit of the funds will be made under the following conditions:

A. The deposit may not exceed the total of the paid-in capital and surplus of a depository.

B. The depository must maintain securities with a market value of at least 10% in excess of the total amount of the Fund's deposits. These securities will be placed in the institution's pooled collateral account and monitored by the State Treasurer of California or a mutually agreed-upon third party custodian bank.

C. The County Treasurer may waive the first $250,000 of collateral for each depository, so long as that amount is insured by an agency of the Federal Government. The documents listed below in D will not be required for deposits of $250,000 or less.

D. Each institution that receives Fund deposits must provide the County Treasurer with an up-to-date Contract, Annual Report, Affirmative Action Policy, Community Reinvestment Act Statement, and EEO-1 Form.

E. Maximum Maturity – The maximum maturity of a collateralized CD shall be 13 months.

F. Maximum Exposure of Fund – The maximum exposure to the Fund for this category shall be 5%.

G. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 5% of the Fund value.

H. Institutions at or above the highest short-term rating category (without regard to qualification of such rating symbol such as "+" or "-") by at least one NRSRO may pledge mortgage-based collateral for County deposits.

I. Liquidity Category - Illiquid

21. **FDIC & NCUA INSURED DEPOSIT ACCOUNTS –** This is the deposit of funds in a nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union in this state per California Government Code Section 53635.8.he deposit of funds will be made under the following conditions:

A. The deposit of funds may be placed directly with a selected depository institution, not to exceed the issuance limit from the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA).

B. A selected depository may use a private sector entity to help place deposits with one or more commercial bank, savings bank, savings and loan association, or credit union located in the United States.

C. The full amount of each deposit and the interest that may accrue on each such deposit shall at all times be insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA).

D. Maximum Maturity - The maximum maturity of an FDIC or NCUA Insured Deposit Account shall be 13 months.

E. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 5%.

F. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 5% of the Fund value.

G. Minimum Credit Requirement - There is no minimum credit requirement for FDIC or NCUA insured deposit accounts whether directly placed or placed through a private sector entity.

H. California Government Code Section 53636.8 shall remain in effect until January 1, 2021.

I. Liquidity Category - Illiquid

22. **COVERED CALL OPTION/PUT OPTION** - An option is the right to buy or sell a specific security within a specific time period at a specific price.

A. A covered call is when the County Treasurer sells the option to another party giving them the right to buy an existing security in the Fund at a specific price within a specific time period.

B. A put option is when the County Treasurer sells the option to another party giving them the right to sell to the County Treasurer a security at a specific price within a specific time period.

C. The seller of a covered call option/put option is paid at the time of the sale of the option. At the end of the option period, if the option is not exercised, the right to buy or sell the security is canceled.

D. The County Treasurer will act only as a seller of covered call and put options with the following exception: County Treasurer may buy an option to offset an existing open option position.

E. Securities subject to covered calls shall not be used for Reverse Repurchase Agreements.

F. Cash sufficient to pay for outstanding puts shall be invested in securities maturing on or before the expiration date of the options.

G. Maximum Maturity - The maximum maturity of a covered call option/put option shall be 90 days.

H. Maximum Exposure of Fund - No more than 10% of the Fund may have options written against it at any given time.

I. Counterparty Risk - Options shall only be written with primary broker/dealers of the Federal Reserve Bank of New York.

J. Liquidity Category - Liquid

23. **MONEY MARKET MUTUAL FUND** – These investments consist of shares of beneficial interest issued by management companies. Such shares represent ownership of a diversified portfolio of securities, which are redeemable at their net asset value. The Government Code allows for purchases of many types of mutual funds, but the Fund will limit use to money market mutual funds managed to maintain a stable NAV.

A. Maximum Exposure - The maximum exposure to the Fund for this category shall be 20%.
B. Maximum Exposure Per Fund - The maximum exposure to a single mutual fund shall be 10% of the Fund value.

C. Purchase Price - The purchase price of the mutual fund shall not include any commission.

D. Minimum Credit Requirement - Mutual fund ratings must be in the highest rating category by at least two NRSROs or retain an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years of experience in managing money market mutual funds and with assets under management in excess of five hundred million dollars.

E. Liquidity Category - Liquid

24. **INVESTMENT TRUST OF CALIFORNIA (CalTRUST**) - This is a pooled investment program through the CalTRUST Joint Powers Authority authorized by Government Code Section 53601(p). The Fund shall only invest in products offered through CalTRUST that comply with the California Government Code and all relevant sections of this Investment Policy.

A. Maximum Exposure - The maximum exposure to the Fund for this category shall be 2.5%, subject to limitations placed upon deposits by CalTRUST.

B. Minimum Credit Requirement – CalTRUST fund ratings must be in the highest rating category by at least one NRSRO.

C. Liquidity Category - Liquid

25. **PASS-THROUGH SECURITIES** - These will be limited to equipment lease-backed certificates, consumer receivable pass-through certificates, or consumer receivable-backed bonds.

A. Maximum Maturity - The maximum maturity of a security shall be 5 years from the settlement date.

B. Maximum Exposure - The maximum exposure to the Fund for this category shall be 20%.

C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 5% of the Fund value.

D. Minimum Credit Requirement - The security must be rated "AA" or higher by at least one NRSRO.

E. Liquidity Category - Liquid

26. **WHEN-ISSUED SECURITIES** - The Fund may invest in new issues of Government Obligations offered on a when-issued basis; that is, delivery and payment take place after the date of the commitment to purchase, normally within 15 days. Both price and interest rate are fixed at the time of commitment. This allows the Fund to lock in an interest rate that may not be available on the issue date. The Fund does not earn interest on the securities until settlement, and the market value of the securities may fluctuate between purchase and settlement. Such securities can be sold before settlement.

27. **SUPRANATIONALS** – The fund may invest in United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by multi-national organizations, including:

- Inter-American Development Bank (IADB)
- International Bank for Reconstruction and Development (IBRD)
- International Finance Corporation (IFC)

A. Maximum Maturity - The maximum maturity of a security shall be 5 years from the settlement date.

B. Maximum Exposure of Fund - The maximum exposure to the Fund for this category shall be 30%.

C. Maximum Exposure Per Issuer - The maximum exposure to a single issuer shall be 10% of the Fund value.

D. Minimum Credit Requirement - The security must be rated "AA "or higher by at least one NRSRO.

E. Liquidity Category - Liquid

28. **QUALIFIED BROKERS AND DEALERS** - In order to minimize risk in making investments under this Investment Policy, all investments will be made only through qualified dealers.

A. A qualified dealer must be a bank, savings and loan association, or an investment securities dealer. Commercial Paper and Certificate of Deposit issuers may be considered qualified dealers for direct issuance of their paper.

B. Any dealer entering into a new business relationship to conduct security transactions with the County Treasurer is required to make application to the County Treasurer.

C. The dealer must ensure that its staff is aware of the County Treasurer's Investment Policy and the California Government Code Sections 53601 and 53635.

D. Investment securities dealers for Reverse Repurchase Agreements must be primary dealers regularly reporting to the Federal Reserve Bank.

E. The dealer is required to have net capital in excess of $1 million with liquidity lines of $50 million or more.

F. The dealer is required to maintain an active secondary market for securities sold to the County and must be competitive in price for bids and offers.

G. The dealer will be monitored by the Chief Investment Officer and staff to ensure the services the County requires are delivered in a timely and efficient manner.

H. The primary account representative must be in the institutional or middle market fixed income division with 5 years or more experience covering large municipalities.

I. A qualified dealer must not have made any political contributions to the County Treasurer, any member of the Board of Supervisors, or any candidate for these offices within any consecutive 48-month period following January 1996. The exception is if the broker/dealer is entitled to vote for any of these offices, in which case the contributions shall not be in excess of $250 to each official per election.

J. Each dealer, at minimum every three years, or more frequently if requested, will be required to respond to the County's Request for Information (RFI) providing the County with up-to-date financial and investment experience information in order to continue in its role.

29. **DELEGATION OF INVESTMENT AUTHORITY TO THE COUNTY TREASURER** - The State of California gives the Board of Supervisors the ability to delegate investment authority to the County Treasurer for a one-year period in accordance with Section 53607 of the California Government Code. The delegation will require renewal each year.

30. **SAFEKEEPING AUTHORITY**

A. The State of California gives the Board of Supervisors the ability to delegate the deposit for safekeeping authority to the County Treasurer in accordance with Section 53608 of the California Government Code. Board Resolution 109 adopted September 29, 1959 delegated this authority to the County Treasurer.

B. In exercising this safekeeping function, the County Treasurer will require depositories to provide evidence that they are taking reasonable measures to prevent unauthorized access to the depository's electronic data files.

C. The County Treasurer's Continuity of Operations Plan (COOP) addresses contingency plans in the event that a disaster, natural or otherwise, disrupts normal operations. Contingency plans vary depending upon the severity and expected longevity of the disruption.

31. **EXTERNAL OVERSIGHT** - The County Treasurer shall retain an independent third-party investment advisor to provide oversight and compliance monitoring.

The County Treasurer will also retain an NRSRO to provide a rating for the Fund and will have in place an internal system to provide credit and compliance monitoring.

32. **COUNTY TREASURY OVERSIGHT COMMITTEE** - The Board of Supervisors has established a County Treasury Oversight Committee pursuant to Sections 27130-27137 of the California Government Code. The County Treasurer shall annually prepare an investment policy that will be reviewed and monitored by the County Treasury Oversight Committee and shall be reviewed and approved at a public hearing by the Board of Supervisors.

33. **RULES GOVERNING THE ACCEPTANCE OF HONORARIA, GIFTS, AND GRATUITIES:**

A. The County Treasury Oversight Committee:

1. Gifts and Gratuity Limits: - Members may not accept a gift or gifts aggregating more than the Fair Political Practices Commission (FPPC) guidelines in a calendar year from an advisor, broker, dealer, banker, or other persons with whom the County Treasurer conducts business.

2. Honorarium Limits - Members may not accept any honorarium from advisors, brokers, dealers, bankers, or other persons with whom the County Treasurer conducts business.

3. Employment - A member may not be employed by an entity that has contributed to the campaign of a candidate for the office of the County Treasurer or a candidate for a legislative body of a local agency that has deposited funds in the County Treasury in the previous three years or during the period the employee is a member of the Oversight Committee. A member may not secure employment with bond underwriters, bond counsel, security brokers or dealers, or financial services firms during the period that the person is a member of the Committee or for one year after leaving the Committee.

4. Contributions - A member may not directly or indirectly raise money for a candidate for County Treasurer or a member of the governing board of any local agency that has deposited funds in the County Treasury while a member of the Committee.

B. The County Treasurer and Designated Employees:

1. Gifts and Gratuity Limits - The County Treasurer and designated employees may not accept a gift or gifts aggregating more than the Fair Political Practices Commission (FPPC) guidelines in a calendar year from a single source that does business with the County Treasurer’s Office.

2. Honorarium Limits - The County Treasurer and designated employees may not accept any honorarium.

3. Form 700 "Statement of Economic Interests" - The County Treasurer and designated employees are required to file a Form 700 annually.

34. **REPORTING** - The County Treasurer shall prepare an investment report monthly to be posted on the County Treasurer Tax-Collector’s website.

A. The report will be available to the following officials:

1. Board of Supervisors
2. Oversight Committee
3. Chief Administrative Officer
4. Auditor & Controller
5. Pool Participants

B. The report will include the following:

1. A summary of Fund statistics

2. The type of investment, issuer, maturity date, par value, and dollar amount invested for all securities, investments, and monies held by the Fund

3. A description of any of the Fund’s investments or programs that are under management of contracted parties, including the securities lending program

4. Current market value and the source of the valuation as of the date of the report for all securities held by the Fund

5. Securities lending portfolio, if applicable

6. Pool purchases, sales, and maturities

7. Pooled Money Fund cash flow forecast demonstrating the Fund’s ability to meet cash flow requirements for the next six months

8. Statement of compliance with the Investment Policy

35. **COSTS AND EARNINGS APPORTIONMENT**

A. Prior to quarterly interest distribution, investment costs incurred by the County Treasurer will be deducted from the interest earnings of the pool and Dedicated Portfolios based on an equitable distribution formula. The costs, which are authorized by Government Code Section 27013, are made up of direct costs (salaries, banking services, computer services, and supplies) and indirect costs (department overhead and external overhead).

B. The Pool earnings distributed to each participant are proportionate to the average daily balance of the amounts on deposit by the participant. The County Auditor and Controller conducts the apportionment process based on the net earnings of the Fund each quarter.

C. In the event there is a negative balance in a participant's fund at any time, it shall reduce the average daily balance for the fund. If at quarter-end there is a negative average daily balance in a participant's fund, that fund will be charged the higher of the pool's earning rate for the quarter or a proxy TRANs cost.

D. The apportionment rate is set approximately ten business days after each calendar quarter end. Apportionments are not paid out by warrants; all earnings are credited to the participant's fund balance.

36. **TERMS AND CONDITIONS FOR DEPOSITING FUNDS BY VOLUNTARY PARTICIPANTS** - California Government Code Section 53684 allows local agencies, upon adoption of a resolution by the governing body of the agency, the option of depositing excess funds in the County Treasury for the purpose of investment by the County Treasurer.

A. The County, in its regional role to assist and aid other local agencies, adopted Board Resolution 11 on March 24, 1987, to allow agencies to deposit excess funds with the County Treasurer for investment. The limitation on acceptance of voluntary deposits and this Investment Policy are structured to help to ensure that, pursuant to Section 27133 of the California Government Code, the County Treasurer shall be able to find that all proposed deposits/withdrawals will not adversely affect the interests of the other depositors in the Fund.

B. The policy for the acceptance of local agency deposits is:

1. The local agency must sign an Investment Management Agreement.

2. The maximum amount of transactions per month shall be 10 per local agency.

3. The local agency must provide cash flows on a quarterly basis indicating projected withdrawals from the Fund.

C. Before any deposits for new accounts from Voluntary Participants can be accepted by the County Treasurer, the local agency must perform the following:

1. Provide a resolution adopted by the Board or governing body that authorizes the local agency to deposit excess funds in the County Treasury for the purpose of investment by the County Treasurer. The resolution must:

    a) be signed by an authorized official

    b) indicate the resolution number and date passed by the Board or governing body,

    c) indicate the persons authorized to initiate deposits to and instruct withdrawals from the Fund,

    d) bear the seal of the local agency, if the local agency has a seal.

2. Provide wire/ACH transfer instructions for cash withdrawals from the Fund. All withdrawals will be paid by electronic funds transfer.

3. Establish a trust account through the County Auditor and Controller's General Accounting Division.

37. **CRITERIA FOR WITHDRAWAL OF MONIES FROM THE FUND BY VOLUNTARY PARTICIPANTS**

A. Before a local agency withdraws monies from the Fund, it must submit a withdrawal request a minimum of 2 working days prior to the desired withdrawal date. Although not encouraged, shorter notice may be honored at the discretion of the County Treasurer's Office if the withdrawal does not cause the Fund to fall out of compliance with its maturity policy or jeopardize its ability to meet cash flow requirements.

B. When monies are requested for withdrawal, the County Treasurer's Office must find that the withdrawal will not adversely affect the interests of all other depositors in the Fund.

38. **GRANDFATHERED AGENCIES**

A. Grandfathered agencies that use the services of the County to keep their records and/or issue warrants/wires for the agency can continue to function in this manner and will be treated as a mandatory participant (assuming the agency continues to make deposits into the Fund).

B. These agencies can also opt to be treated as Voluntary Participants and elect to withdraw funds in the same fashion as the other Voluntary Participants. However, any agency so opting shall be subject to all restrictions placed upon the other Voluntary Participants.

GLOSSARY OF TERMS

BID - The price offered by a buyer of securities.

CREDIT RATING - The alphanumeric score which provides an assessment of the credit opinion of one of the Nationally Recognized Statistical Rating Organizations for a particular investment or issuing entity.

DEDICATED PORTFOLIO - Any assets, besides those held in the Fund, invested by the County Treasurer on behalf of any San Diego County agency.

DOLLAR-WEIGHTED AVERAGE MATURITY - The sum of the amount of each security investment multiplied by the number of days to maturity, divided by the total amount of security investments.

DURATION - A measure of the price volatility of a portfolio that reflects an estimate of the projected increase or decrease in the value of a portfolio based upon a decrease or increase in the interest rates. A duration of 1.0 means that for every 1.0 percent increase in interest rates, the market value of a portfolio would decrease by 1.0 percent.

EARNINGS APPORTIONMENT - The quarterly interest distribution to the Pool Participants after the actual investment costs incurred by the County Treasurer are deducted from the interest earnings of the Fund.

EFFECTIVE DURATION OR OPTION-ADJUSTED DURATION - The approximate percentage price change of a bond for a 100 basis point parallel shift in the yield curve, allowing for the cash flow to change as a result of the change in yield.

GRANDFATHERED AGENCIES- Some fire districts and other agencies that use the County's banking and accounting services.

ILLIQUID – Investments for which 1) the secondary market is non-existent or thinly traded, 2) it is not possible to access funds prior to maturity, or 3) One cannot liquidate at the cost of principal.

ISSUER - The entity identified as the counterparty or obligator related to a security trade.

INVESTMENT GROUP - Group consisting of the County Treasurer, Chief Deputy Treasurer, Chief Investment Officer, and Investment Officers.

INVESTMENT MANAGEMENT AGREEMENT - An agreement between a voluntary participant and the San Diego County Treasurer-Tax Collector. The agreement addresses the terms and conditions of local agencies' deposits of funds for investment into the Fund.

LIQUID – Term for securities that can be converted to cash quickly.

MODERATELY LIQUID - Securities that can be converted to cash quickly with the potential for minimum loss of principal.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO) - A credit rating agency that issues credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes.

OFFER - The price at which a holder of a security would be willing to sell the security.

PORTFOLIO VALUE - The total book value of all the securities held in the Fund.

PRUDENT RISK - An investment system in which the investor will invest conservatively to receive a stable income with little risk.

SAFEKEEPING - A custodian bank's action to store and protect an investor's securities by segregating and identifying the securities.

SELECTED DEPOSITORY INSTITUTION - A nationally or state chartered commercial bank, savings bank, savings and loan association, or credit union in the state of California.

SHORT-TERM - The term used to describe a security when the maturity is one year or less.

VOLUNTARY PARTICIPANTS - Local agencies that are not required to deposit their funds with the County Treasurer.

WHEN-ISSUED SECURITIES - A security traded before it receives final trading authorization, with the investor receiving the certificate/security only after the final approval is granted.

Appendix A
Approved Broker/Dealers

Link to approved broker/dealers

APPENDIX B - POLICY GUIDELINES

Investment Type	Maximum Maturity	Maximum % of Portfolio	Maximum % With One Issuer	Minimum Rating
US Treasury Obligations	5 years	No Limit	No Limit	No Limit
Agency Obligations	5 years	No Limit	35%	No Limit
Local Agency Obligations	5 years	30%	10%	A
Banker's Acceptances	180 days	40%	5%	A-1
Commercial Paper (1)	270 days	40%	10%	A-1
Medium Term Notes	5 years	30%	5%	A
Negotiable Certificate of Deposits	5 years	30%	10%	A-1/A
Repurchase Agreements	1 year	40%	Note (2)	No Limit
Reverse Repurchase Agreements	92 days	20%	10%	No Limit
Collateralized Certificates of Deposit	13 months	5%	5%	No Limit
FDIC & NCUA Insured Deposit Accounts	13 months	5%	5%	No Limit
Money Market Funds	N/A	20%	10%	AAAm
Investment Trust of California (CalTrust)	N/A	2.5%	2.5%	AAAm
Pass-Through Securities	5 years	20%	5%	AA
Supranationals	5 years	30%	10%	AA

(1) *Government Code Section 53635(a) (1-2) specifies percentage limitations for this security type for county investment pools.*
(2) *Maximum exposure per issue – The maximum exposure to a single Repurchase Agreement (RP) issue shall be 10% of the portfolio value for RPs with maturities greater than 5 days and 15% of the portfolio for RPs maturing in 5 days or less. The maximum exposure to a single broker/dealer of RPs shall be 10% of the portfolio value for maturities greater than 5 days and 15% of the portfolio value for maturities of 5 days or less.*

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Paying Agent on behalf thereof) as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, transfer and exchange of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in St. Paul, Minnesota. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least $1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in St. Paul, Minnesota, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.