

**LAKESIDE UNION SCHOOL DISTRICT
COUNTY OF SAN DIEGO
LAKESIDE, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2019

Introductory Section

Lakeside Union School District
 Audit Report
 For The Year Ended June 30, 2019

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Financial Section



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Independent Auditor's Report

To the Board of Trustees
Lakeside Union School District
Lakeside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lakeside Union School District ("the District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, each major fund, and the aggregate remaining fund information of Lakeside Union School District as of June 30, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and other required supplementary information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lakeside Union 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, *2018-19 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 31, 2020 on our consideration of Lakeside Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Lakeside Union School District's internal control over financial reporting and compliance.

Wilkinson Hadley King + Co LLP

El Cajon, California
January 31, 2020

Lakeside Union School District
Management Discussion and Analysis
June 30, 2019
(Unaudited)

Our discussion and analysis of Lakeside Union School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the District's financial statements which follow this section. The intent of this discussion and analysis is to look at the District's financial performance. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report, the District's financial statements, and the notes to the financial statements.

The Management's Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the Management's Discussion and Analysis.

Financial Highlights

Total general fund revenues increased by \$5,906,332 over the previous years, largely due to an increase in State Revenues.

General Fund revenues and other sources exceeded expenditures and other uses by \$1,593,158, ending the year with available reserves of 14.84%.

Overview of the Financial Statements

The annual report consists of a series of parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, supplementary information, and findings and recommendations. These statements are organized so the reader can understand the School District as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Basic Financial Statements

The first two statements are district-wide financial statements, the Statement of Net Position, and the Statement of Activities. These statements provide information about the entire School District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements also look at the District's more significant funds with all other non-major funds presented in total on one column.

The financial statements also provide notes that explain some of the supplementary information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements. A comparison of the District's general fund and major special revenue funds is provided.

District-wide Financial Condition

The Statement of Net Position is a District-wide financial statement that reports net position which is comprised of assets and deferred outflows of resources less liabilities and deferred inflows of resources. The book value of all District assets, including buildings, land, and equipment as well as related depreciation are included in this financial statement. The following table summarizes the value of District net position for the year ended June 30, 2019:

Beginning Net Position	\$ (50,384,634)
Change	<u>(3,017,653)</u>
Ending Net Position	<u>\$ (53,402,287)</u>

The increase in the District's negative net position is primarily due to recognition of net pension liability required by Governmental Accounting Standards Board (GASB), Statement Number 68.

Comparative financial information as of June 30 from the Statement of Net Position is summarized in the following table:

	June 30, 2019	June 30, 2018
Other Assets	\$ 34,460,454	\$ 17,648,974
Capital Assets	<u>37,987,990</u>	<u>38,420,908</u>
Total Assets	<u>\$ 72,448,444</u>	<u>\$ 56,069,882</u>
Deferred Outflows of Resources	<u>\$ 21,304,864</u>	<u>\$ 23,431,587</u>
Current and Other Liabilities	5,220,164	4,263,483
Long-term Liabilities	<u>132,629,569</u>	<u>118,013,457</u>
Total Liabilities	<u>\$ 137,849,733</u>	<u>\$ 122,276,940</u>
Deferred Inflows of Resources	<u>\$ 9,305,862</u>	<u>\$ 7,609,164</u>
Net Investment in Capital Assets	(25,931,293)	(9,244,793)
Restricted Net Assets	21,842,672	6,409,694
Unrestricted Net Assets	<u>(49,313,666)</u>	<u>(47,549,536)</u>
Total Net Position	<u>\$ (53,402,287)</u>	<u>\$ (50,384,635)</u>

The Statement of Activities is a District-wide financial statement that reports the District's cost of instruction and other District activities, and the resources that fund individual and general activities of the District. Comparative financial information for the year ended June 30 is presented in the following table:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 1,203,200	\$ 983,484
Operating Grants and Contributions	10,619,097	11,515,932
General Revenues:		
Taxes Levied for General Purposes	10,926,469	10,433,528
Taxes Levied for Debt Service	2,696,545	2,665,673
Taxes Levied for Other Specific Purposes	222,429	209,054
Federal and State Aid, Not Restricted	35,532,979	32,724,989
Interest and Investment Earnings	266,476	173,097
Interagency Revenues	529,369	968,338
Miscellaneous	1,247,109	1,089,218
Special and Extraordinary Items	-	36,000
Total Revenues	<u><u>\$ 63,243,673</u></u>	<u><u>\$ 60,799,313</u></u>
Expenses		
Government Activities:		
Instruction	\$ 40,806,519	\$ 40,870,052
Instruction-Related Services	4,839,352	4,422,803
Pupil Services	6,978,426	6,829,076
General Administration	4,441,051	5,264,054
Plant Services	4,295,824	4,417,339
Community Services	1,619,710	1,489,670
Interest on Long Term Debt	3,020,372	2,484,447
Other Outgo	260,072	-
Total Government Activities	<u>66,261,326</u>	<u>65,777,441</u>
Total Expenses	<u><u>\$ 66,261,326</u></u>	<u><u>\$ 65,777,441</u></u>
Total Increase (Decrease) in Net Position	<u><u>\$ (3,017,653)</u></u>	<u><u>\$ (4,978,128)</u></u>

General Fund Financial and Budgetary Highlights

The General Fund accounts for the primary operations of the District. The District's initial budget is adopted by July 1 each year. Over the course of the year, the District's budget is revised several times to account for changes in categorical funding and to update budgets for prior-year carryover amounts. The budget is also revised to reflect mid-year changes to the State Budget which affects District funding. The following table summarizes the General Fund budget to actual information for the year ended June 30, 2019:

	Adopted Budget	Year-End Budget	Actual
Total Revenues	57,313,255	58,547,101	60,409,651
Total Expenditures	56,868,786	57,977,065	58,840,829
Total Other Sources/(Uses)	-	(1,932)	(6,962)

The actual net increase to the total revenue budget of \$3,096,396 was due to several reasons. The largest change of revenue budget was due to the additional \$2 million of STRS and PERS On-Behalf revenue, which is the required recognition of the District's share of employee pension expense paid by the State. With the one-time contribution of \$3 billion by the State to the pension funds in June 2019, the District had to recognize our additional share of the cost. There were also a couple additional one-time grants from the State this year which were unknown at the time of adopted budget, the Low-Performing Student Block grant at \$449,000 and the Classified Employee Professional Development grant at \$34,000. There was \$210,000 of revenue from insurance claims made this year for flooding experienced in the LEAPP building and insurance claim for a bus.

The actual net increase to the total expenditure budget of \$1,972,043 was a result of several factors. The largest factor was the expense recognizing the STRS and PERS On-Behalf payment by the State of about \$2 million. After budget adoption, salary increases were negotiated for Non-Management Certificated Staff and Management, giving an increase of 1.8% on the 2017-18 salary schedule. Budget revisions are made annually as needed to account for changes in categorical funds received. Additionally, prior year expenditure budgets with unspent funds (carryover) were appropriated after the District closed its books at fiscal year-end. Approximately \$810,000 of unrestricted site budgets and \$300,000 in Restricted budget expenditures were carried over to the 2019-2020 fiscal year.

The following table summarizes the General Fund operational fund financial statements for the year ended June 30, 2019:

Total Revenues	60,409,651
Total Expenditures	58,810,829
Other Finance Sources & (Uses)	(6,962)
Net Change in Fund Balance	1,591,860

Over the years, Lakeside Union School District has maintained a strong and financially responsible budget with a reasonable and appropriate reserve balance. This sound financial condition is a result of the wisdom of the governing board and good fiscal management by staff. This is evident in careful budget management, compliant oversight, and revenue maximization by improving attendance rates and offering programs that increase enrollment. Fiscal year 2019-20 will be an especially challenging year for the District due to continued declining enrollment, rising pension and benefit costs, and only receiving a small Cost-Of-Living-Adjustment (COLA) for LCFF and State revenues. Future financial performance is dependent on management's ability to continue to control expenses and maintain revenue levels in an environment of declining enrollment and low State COLAs.

Capital Projects

In 2014, the voters passed Measure L, which provided \$31 million in general obligation bonds to be spent on facilities and technology improvements for all Lakeside Union School District school sites. Measure L was a reauthorization of a previous bond measure passed by the voters in November 2008. In November 2019, the District received \$15 million in proceeds from the sale of Measure L, Series B bonds

The District completed a Long Range Master Facility Plan in 2018 and prioritized multiple projects to be completed with the Series B bond funds. Planning activities and quick-start construction projects began in 2018/19 fiscal year, and include the following:

- Replacement of SmartBoards, with flat-panel monitors and AppleTV in all classrooms
- Shade structures - Eucalyptus Hills and Winter Gardens
- Carpet replacement – Lakeside Farms
- Flooring replacement and roofing of Old Hall building – Lakeside Middle School
- Fire alarm upgrades - Eucalyptus Hills and Winter Gardens
- HVAC upgrades – Lindo Park
- Modernization - Lakeside Farms
- Video surveillance system upgrade - Districtwide

The Work In Progress total of \$1,096,773 on June 30, 2019 are all related to the bond projects listed above.

In addition to the bond project activity, the Central Kitchen roof was replaced for \$78,617, and a portable restroom building was installed at Lakeside Farms Elementary school for \$151,821 in the 2018/19 fiscal year.

Capital Assets

The following tables show the values of capital assets at June 30, 2019 and June 30, 2018:

Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2019 and 2018

	2019	2018	Net Change
Governmental Activities:			
Land	2,600,683	2,600,683	\$ -
Work in progress	1,096,773	13,659	1,083,114
Buildings	31,850,800	33,169,772	(1,318,972)
Improvements	172,113	185,239	(13,126)
Equipment	2,267,621	2,451,555	(183,934)
Total	<u>37,987,990</u>	<u>38,420,908</u>	<u>\$ (432,918)</u>

Long Term Debt

The following table shows the long term debt at June 30, 2019 and June 30, 2018:

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>
Governmental Activities:			
General Obligation Bonds	63,919,283	48,236,654	15,682,629
Capital leases	-	27,979	(27,979)
Early retirement incentives	<u>532,474</u>	<u>666,646</u>	<u>(134,172)</u>
Total	<u><u>64,451,757</u></u>	<u><u>48,931,279</u></u>	<u><u>15,520,478</u></u>

Financial Issues and Economic Factors

The District's average daily attendance, as reported in Period-2 annually, steadily increased from 2007-08 through 2015-16. More recently, the District experienced a decline in enrollment of approximately 60 students in 2016-17, an increase in 2017-18 of 125 students, followed by another decrease in 2018-19 of 92 students. The District is projecting a decline in enrollment for the 2019-20 year of approximately 86 students. Demographic projections by the State Department of Finance indicate statewide declining enrollment as far out as the projection goes, 2027-28, by an average annual rate of 0.4%. Declining enrollment will have a negative impact on the District's largest source of revenue, the Local Control Funding Formula (LCFF).

District-wide health care costs have been growing in the past several years at an average rate of about 3% per year. As District health care costs and other expenditures rise, District Management must continue to closely monitor the District's limited financial resources.

GASB 68, Accounting and Financial Reporting for Pensions, was effective in the 2014-2015 fiscal year. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to increase as a result. The District participates in state employee pension plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2019. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans have raised the amount that employers must contribute to the plans each year and those increased costs will be significant.

Landmark legislation passed in 2013 reformed California school district finance by creating the LCFF. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups including those that are low income, English language learners, foster and homeless youth. All school districts reached the statewide targeted base funding levels in 2018-19. Moving forward, the LCFF revenue will increase only by the State COLA and the additional funding to close the gap to target funding is eliminated.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the funding it receives. If you have questions regarding this report or need additional financial information, contact Erin Garcia, Assistant Superintendent of Business Services, or Miranda Durning, Director of Finance at Lakeside Union School District, 12335 Woodside Avenue, Lakeside, CA 92040, or email to mdurning@lsusd.net.

Basic Financial Statements

LAKESIDE UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities
ASSETS:	
Cash	\$ 30,998,882
Accounts Receivable	3,336,308
Stores Inventories	106,113
Prepaid Expenses	19,114
Other Current Asset	37
Capital Assets:	
Land	2,600,683
Land Improvements	927,614
Buildings	51,691,553
Equipment	8,162,374
Work in Progress	1,096,773
Less Accumulated Depreciation	(26,491,007)
Total Assets	<u>72,448,444</u>
DEFERRED OUTFLOWS OF RESOURCES	21,304,864
LIABILITIES:	
Accounts Payable	2,863,562
Unearned Revenue	88,329
Long-Term Liabilities:	
Due within one year	2,268,273
Due in more than one year	132,629,569
Total Liabilities	<u>137,849,733</u>
DEFERRED INFLOWS OF RESOURCES	9,305,862
NET POSITION:	
Net Investment in Capital Assets	(25,931,293)
Restricted For:	
Capital Projects	15,941,494
Debt Service	3,066,340
Educational Programs	887,571
Other Purposes (expendable)	1,737,040
Other Purposes (nonexpendable)	210,227
Unrestricted	(49,313,666)
Total Net Position	<u>\$ (53,402,287)</u>

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Instruction	\$ 40,806,519	\$ 198,888	\$ 6,275,742	\$ -
Instruction-Related Services:				
Instructional Supervision and Administration	994,960	-	83,925	-
Instructional Library, Media and Technology	151,053	-	(148)	-
School Site Administration	3,693,339	16,497	122,527	-
Pupil Services:				
Home-to-School Transportation	1,651,920	235	(6,652)	-
Food Services	2,342,807	396,063	1,588,305	-
All Other Pupil Services	2,983,699	5,012	82,839	-
General Administration:				
Centralized Data Processing	659,629	-	(3,710)	-
All Other General Administration	3,781,422	26,044	537,723	-
Plant Services	4,295,824	237,298	812,329	-
Community Services	1,619,710	278,237	969,467	-
Other Outgo	260,072	44,926	156,750	-
Interest on Long-Term Debt	3,020,372	-	-	-
Total Expenses	<u>\$ 66,261,326</u>	<u>\$ 1,203,200</u>	<u>\$ 10,619,097</u>	<u>\$ -</u>

General Revenues:

Taxes and Subventions:

 Taxes Levied for General Purposes

 Taxes Levied for Debt Service

 Taxes Levied for Other Specific Purposes

Federal and State Aid Not Restricted to Specific Programs

Interest and Investment Earnings

Interagency Revenues

Miscellaneous

 Total General Revenues

Change in Net Position

Net Position Beginning

Net Position Ending

The accompanying notes are an integral part of this statement.

EXHIBIT A-2

Net (Expense)
Revenue and
Changes in
Net Position

Governmental
Activities

\$ (34,331,889)

(911,035)
(151,201)
(3,554,315)

(1,658,337)
(358,439)
(2,895,848)

(663,339)
(3,217,655)
(3,246,197)
(372,006)
(58,396)
(3,020,372)

\$ (54,439,029)

10,926,469
2,696,545
222,429
35,532,979
266,476
529,369
1,247,109

\$ 51,421,376

(3,017,653)

(50,384,634)

\$ (53,402,287)

LAKESIDE UNION SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	\$ 10,049,739	\$ 1,473,246
Cash on Hand and in Banks	-	35,582
Cash in Revolving Fund	85,000	-
Accounts Receivable	2,867,670	13,776
Due from Other Funds	389,167	26,250
Stores Inventories	-	-
Prepaid Expenditures	14,200	100
Total Assets	<u>13,405,776</u>	<u>1,548,954</u>
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	\$ 2,033,640	\$ 76,770
Due to Other Funds	31,312	242,307
Unearned Revenue	59,040	-
Total Liabilities	<u>2,123,992</u>	<u>319,077</u>
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	85,000	-
Stores Inventories	-	-
Prepaid Items	14,199	100
Restricted Fund Balances	887,571	1,225,968
Assigned Fund Balances	1,570,031	3,809
Unassigned:		
Reserve for Economic Uncertainty	1,764,325	-
Other Unassigned	6,960,658	-
Total Fund Balance	<u>11,281,784</u>	<u>1,229,877</u>
Total Liabilities and Fund Balances	<u>\$ 13,405,776</u>	<u>\$ 1,548,954</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Building Fund	Other Governmental Funds	Total Governmental Funds
\$ 14,539,895	\$ 4,793,423	\$ 30,856,303
-	21,897	57,479
-	100	85,100
166,518	288,388	3,336,352
-	9,087	424,504
-	106,113	106,113
-	4,814	19,114
<u>14,706,413</u>	<u>5,223,822</u>	<u>34,884,965</u>
\$ 19,568	\$ 51,187	\$ 2,181,165
109	150,782	424,510
-	29,289	88,329
<u>19,677</u>	<u>231,258</u>	<u>2,694,004</u>
-	100	85,100
-	106,113	106,113
-	4,814	19,113
14,686,736	4,832,170	21,632,445
-	49,367	1,623,207
-	-	1,764,325
-	-	6,960,658
<u>14,686,736</u>	<u>4,992,564</u>	<u>32,190,961</u>
<u>\$ 14,706,413</u>	<u>\$ 5,223,822</u>	<u>\$ 34,884,965</u>

LAKESIDE UNION SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2019

Total fund balances, governmental funds: \$ 32,190,961

Amounts reported for assets and liabilities 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:	64,478,997	
Accumulated depreciation:	(26,491,007)	
Net:		37,987,990

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 unmatrued interest owing at the end of the period was: (682,398)

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 relating to pensions	16,858,316	
Deferred inflows of resources relating to pensions	(9,235,544)	

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	307,937	
Deferred inflows of resources relating to OPEB	(70,318)	

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: 4,138,611

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General Obligation Bonds Payable	63,919,283	
Net Pension Liability	55,918,459	
Total OPEB Liability	14,196,360	
Compensated Absences Payable	331,266	
Other General Long-Term Debt	532,474	
Total:		(134,897,842)

Net position of governmental activities - Statement of Net Position \$ (53,402,287)

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Child Development Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	\$ 26,229,537	\$ -
Education Protection Account Funds	7,635,516	-
Local Sources	10,086,466	-
Federal Revenue	2,824,042	-
Other State Revenue	8,073,185	260,017
Other Local Revenue	5,562,203	2,179,594
Total Revenues	<u>60,410,949</u>	<u>2,439,611</u>
Expenditures:		
Current:		
Instruction	40,164,783	532,888
Instruction - Related Services	4,876,581	142,801
Pupil Services	4,615,560	14,256
Community Services	73,578	1,584,661
General Administration	4,531,900	21,867
Plant Services	4,171,262	23,690
Other Outgo	-	-
Capital Outlay	349,186	-
Debt Service:		
Principal	27,979	-
Interest	-	-
Total Expenditures	<u>58,810,829</u>	<u>2,320,163</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,600,120</u>	<u>119,448</u>
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	(6,962)	-
Proceeds From Sale of Bonds	-	-
Other Sources	-	-
Total Other Financing Sources (Uses)	<u>(6,962)</u>	<u>-</u>
Net Change in Fund Balance	1,593,158	119,448
Fund Balance, July 1	9,688,626	1,110,429
Fund Balance, June 30	<u>\$ 11,281,784</u>	<u>\$ 1,229,877</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 26,229,537
-	-	7,635,516
-	-	10,086,466
-	1,579,217	4,403,259
-	123,412	8,456,614
230,560	3,405,816	11,378,173
230,560	5,108,445	68,189,565
-	-	40,697,671
-	-	5,019,382
-	2,338,206	6,968,022
-	-	1,658,239
-	127,396	4,681,163
66,986	48,004	4,309,942
260,072	-	260,072
1,086,773	153,971	1,589,930
-	1,651,000	1,678,979
-	1,109,529	1,109,529
1,413,831	5,428,106	67,972,929
(1,183,271)	(319,661)	216,636
-	6,962	6,962
-	-	(6,962)
15,000,000	-	15,000,000
271,075	686,301	957,376
15,271,075	693,263	15,957,376
14,087,804	373,602	16,174,012
598,932	4,618,962	16,016,949
\$ 14,686,736	\$ 4,992,564	\$ 32,190,961

LAKESIDE UNION 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, 2019

Total change in fund balances, governmental funds: \$ 16,174,012

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	1,589,870		
Depreciation Expense	(2,022,788)		
Net			(432,918)

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: 1,678,979

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount were: (15,957,376)

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 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: (1,667,601)

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: (2,444,143)

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: 15,260

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: (274,796)

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: 134,172

Amortization of debt issue premium or discount: 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 is amortized as interest over the life of the debt. Amortization of premium or discount for the period is:

(243,242)

Change in net position of governmental activities - Statement of Activities

\$ (3,017,653)

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2019

	OPEB Trust Fund	Agency Fund
	Retiree Benefit Fund	Student Body Fund
ASSETS:		
Cash on Hand and in Banks	\$ -	\$ 38,831
Investments	1,135,165	-
Total Assets	<u>1,135,165</u>	<u>38,831</u>
LIABILITIES:		
Due to Student Groups	\$ -	\$ 38,831
Total Liabilities	<u>-</u>	<u>38,831</u>
NET POSITION:		
Held in Trust for OPEB Benefit	1,135,165	-
Total Net Position	<u>\$ 1,135,165</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	OPEB Trust Fund
	Retiree Benefit Fund
Additions:	
Contributions:	
Employer Contributions Direct	\$ 600,000
Contributions outside of Trust	856,503
Investment Income	35,423
Total Additions	<u>1,491,926</u>
Deductions:	
Benefit Payments	856,503
Administrative Expenses	258
Total Deductions	<u>856,761</u>
Change in Net Position	635,165
Net Position-Beginning of the Year	500,000
Net Position-End of the Year	<u>\$ 1,135,165</u>

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

A. Summary of Significant Accounting Policies

Lakeside Union 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 District operates under a locally elected Board form of government and provides educational services as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

2. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by GASB Statements 14, 39, and 61.

3. 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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 funds, each displayed in a separate column. All remaining governmental 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.

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Building Fund. This fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund (Fund 21) are proceeds from the sale or lease-with-option-to-purchase of real property (Education Code Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (Education Code Section 41003).

Child Development Fund. This fund is used to account for the activities associated with the District's child development activities.

In addition, the District reports the following fund types:

Special Revenue Funds: These 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. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Capital Projects Funds: These 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: These 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.

Pension (and Other Employee Benefit) Trust Funds: These funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

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.

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 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.

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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.

4. 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.

5. 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.

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 when incurred.

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District.

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 incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

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 March 1. Taxes are payable in two installments on November 15 and March 15. 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.

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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 convey 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.

6. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

7. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 17 (Special Reserve Fund for Other Than Capital Outlay) and Fund 20 (Special Reserve Fund for Postemployment Benefits) are merged with the General Fund for purposes of presentation in the audit report.

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

8. 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, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

9. 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.

10. 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.

11. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to 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.

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

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 Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit GASB Statement No. 84, Fiduciary Activities.

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

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.

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

LAKESIDE UNION SCHOOL DISTRICT
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2. Deficit Fund Balance or Fund Net Position of Individual Funds

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

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Fair Value Measurement

The District reports investments at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the District's own assumptions about the assumptions market participants would use in pricing the investment based on the best information available.

The District's investments at June 30, 2019, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	Amount	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Beneficial interests in investments held by CERBT trust fund	\$ 1,135,165	-	-	1,135,165
Total investments by fair value level	<u>\$ 1,135,165</u>	<u>-</u>	<u>-</u>	<u>1,135,165</u>
External investment pools measured at fair value				
San Diego County Treasury	\$ 30,856,304	-	\$ 30,856,304	-
Total investments by fair value level	<u>\$ 30,856,304</u>	<u>-</u>	<u>\$ 30,856,304</u>	<u>-</u>

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.

Investments in money market funds are amounts held by fiscal agents for community facilities districts special tax bonds.

LAKESIDE UNION SCHOOL DISTRICT
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The District invests OPEB trust funds in the California Employers' Retiree Benefit Trust (CERBT) Strategy 1 portfolio. The CERBT Strategy 1 portfolio is invested in various asset classes in percentages approved by the CalPERS Board. Generally, equities are intended to help build the value of the employer's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

The following is a reconciliation of the beginning and ending balance of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2019:

	Beneficial Interests in Investments Held by CERBT Trust
Balance at June 30, 2018	\$ 500,000
Purchases/contributions of investments	1,456,503
Investment return, net	35,423
Distributions	(856,503)
Administrative expenses	<u>(258)</u>
Balance at June 30, 2019	<u>\$ 1,135,165</u>

D. 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 (\$30,856,304 as of June 30, 2019). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$30,856,304. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances on hand and in banks (\$96,309 as of June 30, 2019) and in the revolving fund (\$85,100) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Cash with Fiscal Agent & Investments

The District's cash with fiscal agent & investments at June 30, 2019 are shown below.

<u>Cash with Fiscal Agent Type</u>	<u>Maturity</u>	<u>Amount Reported</u>	<u>Fair Value</u>
OPEB - CERBT Strategy 1 Investments	<30 Days	\$ 1,135,165	\$ 1,135,165
Total Cash with Fiscal Agent & Investments		<u>\$ 1,135,165</u>	<u>\$ 1,135,165</u>

* Represents an average of the days to maturity

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 June 30, 2019, credit risk for the District's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer's Investment Pool	Unrated	Not Applicable	\$ 30,856,304

LAKESIDE UNION SCHOOL DISTRICT
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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, 2019, the District's bank balances and investments (including revolving cash) were not exposed to custodial credit risk.

c. Concentration of Credit Risk

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

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. As of June 30, 2019 the San Diego County Treasurer did not hold any investments in debt securities and as such the District was not exposed to interest rate risk.

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.

5. 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.

LAKESIDE UNION SCHOOL DISTRICT
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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.

E. Accounts Receivable

Accounts receivable at June 30, 2019 consisted of intergovernmental grants, entitlements, interest and other local sources as follows:

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Child Development Fund	Building Fund		
Federal Government:					
Federal Programs	\$ 1,506,039	\$ -	\$ -	\$ 254,300	\$ 1,760,339
State Government:					
Lottery	248,670	-	-	-	248,670
Special Education	280,603	-	-	-	280,603
Other State Programs	229,310	-	-	15,508	244,818
Local Sources:					
Interest	124,631	13,776	166,518	18,580	323,505
Charter School Oversight	177,617	-	-	-	177,617
After School Program	194,238	-	-	-	194,238
Other Local Sources	106,562	-	-	-	106,562
Total	\$ 2,867,670	\$ 13,776	\$ 166,518	\$ 288,388	\$ 3,336,352

F. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,600,683	\$ -	\$ -	\$ 2,600,683
Work in progress	13,659	1,096,773	13,659	1,096,773
Total capital assets not being depreciated	2,614,342	1,096,773	13,659	3,697,456
Capital assets being depreciated:				
Buildings	51,461,115	230,438	-	51,691,553
Improvements	927,614	-	-	927,614
Equipment	7,885,996	276,378	-	8,162,374
Total capital assets being depreciated	60,274,725	506,816	-	60,781,541
Less accumulated depreciation for:				
Buildings	(18,291,403)	(1,549,350)	-	(19,840,753)
Improvements	(742,375)	(13,126)	-	(755,501)
Equipment	(5,434,441)	(460,312)	-	(5,894,753)
Total accumulated depreciation	(24,468,219)	(2,022,788)	-	(26,491,007)
Total capital assets being depreciated, net	35,806,506	(1,515,972)	-	34,290,534
Governmental activities capital assets, net	\$ 38,420,848	\$ (419,199)	\$ 13,659	\$ 37,987,990

LAKESIDE UNION SCHOOL DISTRICT
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Depreciation was charged to functions as follows:

	Governmental Activities
Instruction	\$ 1,656,868
Instruction-Related Services	4,725
Pupil Services	236,195
Community Services	5,967
General Administration	33,804
Plant Services	85,229
	<u>\$ 2,022,788</u>

G. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2019 consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Capital Facilities	\$ 6,924	Administrative fees
Child Development Fund	General Fund	26,250	Reimburse operation costs
Cafeteria Fund	General Fund	5,056	Reimburse operation costs
Cafeteria Fund	Child Development Fund	4,031	Reimburse operation costs
General Fund	Child Development Fund	238,276	Child care costs and indirect
General Fund	Cafeteria Fund	143,858	Food service reimbursement
General Fund	Building Fund	109	Reimburse operation costs
	Total	<u>\$ 424,504</u>	

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	Cafeteria Fund	\$ 6,962	Reimbursement of costs
	Total	<u>\$ 6,962</u>	

H. 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, 2019, the District did not enter into any short-term debt agreements.

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

I. Accounts Payable

Accounts payable at June 30, 2019 consisted of:

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Child Development Fund	Building Fund		
Vendor payables	\$ 1,267,642	\$ 19,433	\$ 19,568	\$ 32,577	\$ 1,339,220
Pension related liabilities	557,245	44,091	-	10,038	611,374
Payroll and related benefits	207,716	12,309	-	8,427	228,452
Other	1,037	937	-	145	2,119
Total	\$ 2,033,640	\$ 76,770	\$ 19,568	\$ 51,187	\$ 2,181,165

J. Unearned Revenue

Unearned revenue balances as of June 30, 2019 consisted of:

	General Fund
Federal Government:	
Indian Education	\$ 15,929
ESSA School Improvement	43,111
Total	<u>\$ 59,040</u>

K. Deferred Outflows of Resources

A summary of the deferred outflows of resources as of June 30, 2019 are as follows:

Description	Amortization Term	Balance July 1, 2018	Additions	Current Year Amortization	Balance June 30, 2019
2015 Series B Refunding Loss	21 Years	\$ 2,606,999	\$ -	\$ 144,833	\$ 2,462,166
2016 Series A Refunding Loss	17 Years	1,788,208	-	111,763	1,676,445
Pension Related	Varies	19,036,380	6,974,659	9,152,723	16,858,316
OPEB Related	Varies	-	307,937	-	307,937
Total Deferred Outflows of Resources		\$ 23,431,587	\$ 7,282,596	\$ 9,409,319	\$ 21,304,864

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Refunding Loss	Pension Related	OPEB Related	Total
2020	\$ 256,596	\$ 10,001,971	\$ 307,937	\$ 10,566,504
2021	256,596	3,700,984	-	3,957,580
2022	256,596	2,862,118	-	3,118,714
2023	256,596	293,243	-	549,839
2024	256,596	-	-	256,596
2025-2029	1,282,980	-	-	1,282,980
2030-2034	1,282,980	-	-	1,282,980
2035-2039	289,671	-	-	289,671
Total	\$ 4,138,611	\$ 16,858,316	\$ 307,937	\$ 21,304,864

LAKESIDE UNION SCHOOL DISTRICT
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L. Deferred Inflows of Resources

A summary of the deferred inflows of resources as of June 30, 2019 is as follows:

Description	Amortization Term	Balance July 1, 2018	Additions	Current Year Amortization	Balance June 30, 2019
Pension Related	Varies	\$ 7,524,782	\$ 1,710,762	\$ -	\$ 9,235,544
OPEB - Changes of Assumptions	6 Years	84,382	-	14,064	70,318
Total Deferred Inflows of Resources		\$ 7,609,164	\$ 1,710,762	\$ 14,064	\$ 9,305,862

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related	OPEB Related	Total
2020	\$ 2,850,224	\$ 14,064	\$ 2,864,288
2021	2,688,871	14,064	2,702,935
2022	2,661,765	14,064	2,675,829
2023	1,034,684	14,064	1,048,748
2024	-	14,062	14,062
Total	\$ 9,235,544	\$ 70,318	\$ 9,305,862

M. 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, 2019 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 48,236,654	\$ 17,346,983	\$ 1,664,354	\$ 63,919,283	\$ 1,755,525
Capital leases	27,979	-	27,979	-	-
Early retirement Incentive	666,646	582	134,754	532,474	181,482
Total OPEB liability	13,599,563	596,797	-	14,196,360	-
Compensated absences *	346,526	-	15,260	331,266	331,266
Net pension liability	57,363,142	-	1,444,683	55,918,459	-
Total governmental activities	\$ 120,240,510	\$ 17,944,362	\$ 3,287,030	\$ 134,897,842	\$ 2,268,273

* 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, Child Development & Cafeteria
Net Pension liability	Governmental	General, Child Development & Cafeteria
Total OPEB liability	Governmental	General, Child Development & Cafeteria

LAKESIDE UNION SCHOOL DISTRICT
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2. General Obligation Bonds

General obligation bonds at June 30, 2019 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue
2008 Election Series A	05/07/2009	3.00-6.03%	08/01/2033	\$ 21,833,149
2008 Election Series B	10/07/2010	6.14-6.49%	08/01/2050	12,982,209
2014 Election Series A	04/07/2015	0.0%	08/01/2018	2,900,000
2015 Refunding Bonds	06/09/2015	2.00-4.00%	08/01/2035	6,185,000
2016 Refunding Bonds	11/02/2016	2.00-4.00%	08/01/2033	17,815,000
2014 Election Series B	11/15/2018	4.00-5.75%	08/01/2045	15,000,000
Total GO Bonds				<u>\$ 76,715,358</u>

	Beginning Balance	Increases	Decreases	Ending Balance
2008 Election Series A	\$ 2,918,149	\$ -	\$ 510,000	\$ 2,408,149
2008-A Bond Premium	84,587	-	14,783	69,804
2008-A Accreted Interest	1,681,246	287,103	-	1,968,349
2008 Election Series B	10,690,031	-	-	10,690,031
2008-B Bond Premium	278,929	-	-	278,929
2008-B Accreted Interest	6,257,203	1,102,504	-	7,359,707
2014 Election Series A	1,031,000	-	1,031,000	-
2015 Refunding Bonds	6,020,000	-	110,000	5,910,000
2015 Discount	(78,213)	-	(1,429)	(76,784)
2016 Refunding Bonds	17,455,000	-	-	17,455,000
2016 Premium	1,898,722	-	-	1,898,722
2014 Election Series B	-	15,000,000	-	15,000,000
2014 Premium	-	957,376	-	957,376
Total GO Bonds	<u>\$ 48,236,654</u>	<u>\$ 17,346,983</u>	<u>\$ 1,664,354</u>	<u>\$ 63,919,283</u>

The annual requirements to amortize the bonds outstanding at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2020	\$ 1,615,000	\$ -	\$ 919,456	\$ 2,534,456
2021	1,365,000	-	895,306	2,260,306
2022	1,420,000	-	869,556	2,289,556
2023	1,050,000	-	1,544,891	2,594,891
2024	1,285,000	-	1,496,932	2,781,932
2025-2029	4,978,149	5,161,851	8,423,753	18,563,753
2030-2034	17,330,000	-	4,740,335	22,070,335
2035-2039	8,399,980	16,755,020	1,953,106	27,108,106
2040-2044	7,333,550	15,983,322	1,028,050	24,344,922
2045-2049	5,430,153	23,273,266	103,300	28,806,719
2050-2054	1,256,348	14,228,303	-	15,484,651
Totals	<u>\$ 51,463,180</u>	<u>\$ 75,401,762</u>	<u>\$ 21,974,685</u>	<u>\$ 148,839,627</u>

Accreted interest represented in the table is inclusive of amounts that have accrued as of June 30, 2019. Accreted interest represented in the repayment schedule is inclusive of all amounts that will be repaid.

LAKESIDE UNION SCHOOL DISTRICT
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4. Bond Premium & Discount

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.

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

Premiums and discounts are amortized over the life of the debt using the straight line method.

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

	2008 Series A Bonds	2008 Series B Bonds	2015 Refunding Bonds	2016 Refunding Bonds
Total Interest Payments on Bond	\$ 23,929,697	\$ 79,073,622	\$ 3,328,219	\$ 8,717,336
Bond (Premium)/Discount	(846,769)	(338,737)	80,353	(1,937,882)
Net Interest Payments	<u>23,082,928</u>	<u>78,734,885</u>	<u>3,408,572</u>	<u>6,779,454</u>
Par Amount of Bonds	\$ 21,833,149	\$ 12,982,209	\$ 6,185,000	\$ 17,815,000
Periods	21	38	20	15
Effective Interest Rate	5.034%	15.960%	2.756%	2.537%

	2014 Series B Bonds
Total Interest Payments on Bond	\$ 11,652,125
Bond (Premium)/Discount	(957,376)
Net Interest Payments	<u>10,694,749</u>
Par Amount of Bonds	\$ 15,000,000
Periods	26
Effective Interest Rate	2.742%

5. Early Retirement Incentives

On June 20, 2012 the district offered an early retirement incentive through CalSTRS for which eligible employees received two years of service credit in exchange for early retirement. The incentive was utilized by two employees. The district elected to defer payments on the service credits over an eight year period at a fixed interest rate of 5%. The district incurred a one time administrative fee of \$360 for each employee (total of \$720). Total principal incurred for the service credits was \$89,648.

On June 20, 2015 the district offered an early retirement incentive through CalSTRS for which eligible employees received two years of service credit in exchange for early retirement. The incentive was utilized by twelve employees. The district elected to defer payments on the service credits over an eight year period at a fixed interest rate of 5%. The district incurred a one time administrative fee of \$360 for each employee (total of \$4,320). Total principal incurred for the service credits was \$573,762.

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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On June 20, 2016, the District offered an early retirement incentive whereby one employee opted to receive 40% of their annual salary over a three year period after retirement based on employee specifications noted in the Lakeside Teachers Association contract. The payments will be paid through District payroll and amount to \$37,764 to be paid over three years in annual installments of approximately \$12,588 annually.

On June 20, 2017, the District offered an early retirement incentive whereby two employees opted to receive 40% of their annual salary over a three year period after retirement based on employee specifications noted in the Lakeside Teachers Association contract. The payments will be paid through District payroll and amount to \$73,334 to be paid over three years in annual installments of approximately \$24,445 annually.

In February 2018 the District offered an early retirement incentive through the San Diego County Schools Fringe Benefits Consortium whereby a 403(b) plan was offered to classified employees for the 2017-18 fiscal year. A total of fifteen employees utilized the incentive whereby each employee received 40% of their base salary over three years in three equal payments. Total incentive cost to the District amounts to \$224,156, which includes an administrative fee of 1% for each year, to be paid in three equal payments over three consecutive years.

Early retirement incentives can be summarized as follows:

	Original Amount	Beginning Balance	Increases	Decreases	Ending Balance
2012 STRS Retirement	\$ 89,648	\$ 22,412	-	\$ 22,412	-
2015 STRS Option III 2 Yrs	573,762	358,602	582	-	359,184
2016 Option II 40% Salary 3 Yrs	37,764	12,587	-	12,587	-
2017 Option II 40% Salary 3 Yrs	73,334	50,689	-	25,036	25,653
FBC 40% Salary 3 YRS	224,156	224,156	-	74,719	149,437
Total	\$ 998,664	\$ 668,446	\$ 582	\$ 134,754	\$ 534,274

Future repayments on early retirement incentives are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 181,482	\$ 27,884	\$ 209,366
2021	157,628	21,448	179,076
2022	82,910	15,012	97,922
2023	112,254	10,712	122,966
Totals	\$ 534,274	\$ 75,056	\$ 609,330

4. Compensated Absences

Total District's governmental funds unpaid employee compensated absences as of June 30, 2019 amounted to \$331,266. This amount is included as part of long-term liabilities in the government-wide financial statements.

5. Net Pension Liability

The District's governmental funds beginning net pension liability was \$57,363,142 and decreased by \$1,444,683 during the year ended June 30, 2019. The ending net pension liability for the governmental funds at June 30, 2019 was \$55,918,459. See Note O for additional information regarding the net pension liability.

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

6. Total OPEB Liability

The District's governmental funds beginning total OPEB liability was \$13,599,563 and increased during the year ended June 30, 2019 by \$596,797. The ending total OPEB liability for the governmental funds at June 30, 2019 was \$14,196,360. See Note P for additional information regarding the total OPEB liability.

N. Joint Ventures (Joint Powers Agreements)

The District participates in two joint powers agreements (JPAs) entity, the San Diego County Schools Risk Management (SDCSRM) and the Fringe Benefits Consortium (FBC). The relationship between the District and the JPAs is such that the JPAs are not a component unit of the District.

The JPAs arranges for and provides for various types of insurances for its member districts as requested. The JPAs are governed by a board consisting of a representative from each member district. The board controls the operations of the JPAs, 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 JPAs.

Financial information on the District's share of the JPA's for the year ended June 30, 2019 was not available at the time this report was issued. The information can be obtained by contacting the JPA's directly.

O. 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.

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

The Plans' provisions and benefits in effect at June 30, 2019 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55-60	55-62
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2019)	10.250%	10.205%
Required Employer Contribution Rates (at June 30, 2019)	16.280%	16.280%
Required State Contribution Rates (at June 30, 2019)	14.772%	14.772%

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

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

	CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2019)	7.000%	7.000%
Required Employer Contribution Rates (at June 30, 2019)	18.062%	18.062%

c. Contributions

CalSTRS

For the fiscal year ended June 30, 2019 (measurement date June 30, 2018), Section 22950 of the California Education Code requires members to contribute monthly to the system 10.205% (if hired prior to January 1, 2013) or 10.25% (if hired on or after 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 16.28% of creditable compensation for the fiscal year ended June 30, 2019. Rates are defined in Section 22950.5 through the fiscal year ending June 30, 2021. Beginning in the fiscal year ending June 30, 2022 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 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 the employees. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018) the employee contribution rate was 7.00% and employer contribution rate was 18.062% of covered payroll.

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the fiscal year ended June 30, 2019 (measurement date June 30, 2018) the State contributed 14.772% of salaries creditable to CalSTRS. The contributions made by the State during the fiscal year ended June 30, 2019 included amounts resulting from Senate Bill (SB) 90 settlement in which the State contributed an additional \$2.2 Billion to CalSTRS on behalf of the Districts during the 2018-19 fiscal year in order to reduce contribution rates for Districts in 2019-20 and 2020-21. The contribution resulting from SB 90 made up 42% of the total contributions made by the State on behalf of the District. Consistent with the requirements of GASB 85, the District has recorded these contributions as revenue and expense in the fund financial statements (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). Contributions reported for on behalf payments are based on the District's proportionate share of the State's contribution for the fiscal year.

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

CalSTRS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2017	7.470%	\$ 1,775,673	\$ 3,145,221
2018	8.292%	1,865,999	850,852
2019	14.772%	3,574,436	(679,068)

CalPERS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2019	7.971%	\$ 692,389	-

d. Contributions Recognized

For the fiscal year ended June 30, 2019 (measurement period June 30, 2018), the contributions recognized for each plan were:

	Fund Financial Statements (Current Financial Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 3,939,426	\$ 1,569,004	\$ 5,508,430
Contributions - State On Behalf Payments	3,574,436	692,389	4,266,825
Total Contributions	<u>\$ 7,513,862</u>	<u>\$ 2,261,393</u>	<u>\$ 9,775,255</u>

	Government-Wide Financial Statements (Economic Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 3,247,138	\$ 1,318,445	\$ 4,565,583
Contributions - State On Behalf Payments	3,574,436	692,389	4,266,825
Total Contributions	<u>\$ 6,821,574</u>	<u>\$ 2,010,834</u>	<u>\$ 8,832,408</u>

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 38,942,832
CalPERS	16,975,627
Total Net Pension Liability	<u>\$ 55,918,459</u>

The District's net pension liability for each Plan is measured as the proportionate share of the total net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 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, 2018 and June 30, 2019 were as follows:

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	
Proportion June 30, 2018	0.0450%	0.0267%	0.0717%	0.0661%
Proportion June 30, 2019	0.0424%	0.0244%	0.0667%	0.0637%
Change in Proportion	<u>-0.0026%</u>	<u>-0.0023%</u>	<u>-0.0050%</u>	<u>-0.0024%</u>

a. Pension Expense

For the measurement period ended June 30, 2018 (fiscal year June 30, 2019), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ (2,631,662)	\$ 1,186,980	\$ (1,444,682)
State On Behalf Pension Expense	(679,068)	-	(679,068)
Employer Contributions to Pension Expense	3,939,426	1,569,004	5,508,430
(Increase)/Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(623,117)	(226,130)	(849,247)
Difference Between Actual & Expected Experience	35,874	(672,480)	(636,606)
Change in Assumptions	1,797,121	385,748	2,182,869
Change in Proportionate Shares	440,447	120,806	561,253
Net Difference Between Projected & Actual Earnings	3,000	916,795	919,795
Increase/(Decrease) in Deferred Inflows of Resources			
Difference Between Actual & Expected Experience	29,208	-	29,208
Change in Assumptions	-	(160,208)	(160,208)
Change in Proportionate Shares	1,566,731	444,870	2,011,601
Net Difference Between Projected & Actual Earnings	339,656	(509,495)	(169,839)
Total Pension Expense	<u>\$ 4,217,616</u>	<u>\$ 3,055,890</u>	<u>\$ 7,273,506</u>

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

b. Deferred Outflows and Inflows of Resources

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 3,939,426	\$ 1,569,004	\$ 5,508,430
Differences between actual and expected experience	107,622	1,407,622	1,515,244
Changes in assumptions	5,391,363	2,074,178	7,465,541
Change in employer's proportionate share	707,150	221,889	929,039
Net difference between projected and actual earnings	4,520	1,435,542	1,440,062
Total Deferred Outflows of Resources	<u>\$ 10,150,081</u>	<u>\$ 6,708,235</u>	<u>\$ 16,858,316</u>

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ (33,520)	\$ -	\$ (33,520)
Changes in assumptions	-	(160,208)	(160,208)
Change in employer's proportionate share	(2,943,856)	(525,430)	(3,469,286)
Net difference between projected and actual earnings	(4,274,478)	(1,298,052)	(5,572,530)
Total Deferred Inflows of Resources	<u>\$ (7,251,854)</u>	<u>\$ (1,983,690)</u>	<u>\$ (9,235,544)</u>

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2020. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2020	\$ 6,215,869	\$ 3,786,102	\$ (2,145,946)	\$ (704,278)	\$ 7,151,747
2021	2,101,217	1,599,767	(2,144,802)	(544,069)	1,012,113
2022	1,832,995	1,029,123	(2,144,548)	(517,217)	200,353
2023	-	293,243	(816,558)	(218,126)	(741,441)
Total	<u>\$ 10,150,081</u>	<u>\$ 6,708,235</u>	<u>\$ (7,251,854)</u>	<u>\$ (1,983,690)</u>	<u>\$ 7,622,772</u>

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2019 were based on actuarial valuations were determined using the following actuarial assumptions:

Fiscal Year	CalSTRS	CalPERS
	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2018	June 30, 2018
Valuation Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.5%
Wage Growth	3.50%	(3)
Investment Rate of Return	7.10%	7.15%
Post Retirement Benefit Increase	(1)	(4)
Mortality	(2)	(5)

LAKESIDE UNION SCHOOL DISTRICT
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- (1) CalSTRS post retirement benefit increases assumed at 2% simple for DB (annually) maintaining 85% purchasing power level for DB. Increases are not applicable for DBS/CBB.
- (2) CalSTRS projects mortality by setting the projection scale equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.
- (3) Wage growth is a component of inflation for CalPERS assumptions.
- (4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.
- (5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.10% for CalSTRS and 7.15% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies (where applicable) will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS respective 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 valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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

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

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

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

CalSTRS

Asset Class	Assumed Asset Allocation	Long Term Expected Real Rate of 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%
Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year average

CalPERS

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

* In the Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

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

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

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

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

	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 57,046,693	\$ 24,715,701
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 38,942,832	\$ 16,975,627
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 23,932,980	\$ 10,554,127

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, 2018 (Previously Reported)	\$ 216,937,837	\$ 150,674,816	\$ 66,263,021	\$ 24,688,527	\$ 41,574,494
Changes for the year:					
CalSTRS auditor adjustment	-	(339,615)	339,615	123,942	215,673
Change in prop share	(14,923,540)	(10,365,189)	(4,558,351)	(2,169,587)	(2,388,764)
Service cost	4,765,285	-	4,765,285	1,739,077	3,026,208
Interest	14,342,561	-	14,342,561	5,234,276	9,108,285
Differences between expected and actual experience	(62,719)	-	(62,719)	(22,889)	(39,830)
Contributions:					
Employer	-	3,247,134	(3,247,134)	(1,185,032)	(2,062,102)
Employee	-	2,332,765	(2,332,765)	(851,336)	(1,481,429)
State on behalf payments	-	1,865,996	(1,865,996)	(680,990)	(1,185,006)
Net investment income	-	12,459,357	(12,459,357)	(4,547,006)	(7,912,351)
Other income	-	70,154	(70,154)	(25,603)	(44,551)
Benefit payments, including refunds of employee contributions	(9,699,174)	(9,699,174)	-	-	-
Administrative expenses	-	(144,175)	144,175	52,616	91,559
Borrowing costs	-	(62,885)	62,885	22,950	39,935
Other expenses	-	(1,120)	1,120	409	711
Net Changes	(5,577,587)	(636,752)	(4,940,835)	(2,309,173)	(2,631,662)
Balance at June 30, 2019	\$ 211,360,250	\$ 150,038,064	\$ 61,322,186	\$ 22,379,354	\$ 38,942,832

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2018 (Previously Reported)	\$ 56,131,150	\$ 40,342,503	\$ 15,788,647
Changes for the year:			
Change in proportionate share	(2,096,313)	(1,506,660)	(589,653)
Service cost	1,383,290	-	1,383,290
Interest	3,925,526	-	3,925,526
Differences between expected and actual experience	1,179,687	-	1,179,687
Change in assumptions	286,542	-	286,542
Contributions:			
Employer	-	1,318,437	(1,318,437)
Employee	-	606,733	(606,733)
Net investment income	-	3,243,874	(3,243,874)
Plan to plan resource movement	-	1	(1)
Benefit payments, including refunds of employee contributions	(2,580,499)	(2,580,499)	-
Administrative expenses	-	(58,859)	58,859
Other expenses	-	(111,774)	111,774
Net Changes	<u>2,098,233</u>	<u>911,253</u>	<u>1,186,980</u>
Balance at June 30, 2019	<u>\$ 58,229,383</u>	<u>\$ 41,253,756</u>	<u>\$ 16,975,627</u>

P. Postemployment Benefits Other Than Pension Benefits

1. General Information about the OPEB Plan

The District's defined benefit OPEB plan, Lakeside Union School District Retiree Healthcare Plan (the Plan), provides OPEB for retirees that meet eligibility requirements until age 65. Retirees in the Plan are eligible for the same medical plans as active employees. The Plan is a single-employer defined benefit OPEB plan administered by the District. Authority to establish and amend the benefit terms and financing requirements lie with the District's board of directors.

Benefit Plan Provisions

The postretirement health plans and the District's obligation vary by employee group as described below.

Certificated Employees

The District provides retiree medical including prescription drug benefits to eligible retirees and their eligible dependents to the retirees' attainment of age 65. Eligibility for retiree medical benefits requires retirement under STRS on or after age 55 with at least 15 years of District eligible service.

The District's contribution is 100% of the retiree-only medical premium. The District does not provide any financial contribution for coverage beyond age 65. Retirees can elect dependent medical coverage and additional dental coverage on a self-paid basis. Spouse coverage ceases upon the death of the retiree.

LAKESIDE UNION SCHOOL DISTRICT
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Classified Employees

The District provides retiree medical including prescription drug benefits and dental benefits to eligible retirees and their eligible dependents to the retirees' attainment of age 65. Eligibility for retiree medical and dental benefits requires retirement under PERS on or after age 55 with at least 10 years of District eligible service.

The District's contribution is 100% of the retiree-only medical and dental premium. The District does not provide any financial contribution for coverage beyond age 65. Retirees can elect dependent medical and dental coverage on a self-paid basis. Spouse coverage ceases upon the death of the retiree.

Management Employees

The District provides retiree medical including prescription drug benefits to eligible retirees and their eligible dependents to the retirees' attainment of age 65. There are some management employees with lifetime medical coverage and/or some life insurance coverage. Eligibility for retiree medical benefits requires retirement under STRS/PERS on or after age 55 with at least 10 years of District eligible service.

The District's contribution is 100% of the retiree-only medical premium. The District does not provide any financial contribution for coverage beyond age 65. Retirees can elect dependent medical and dental coverage on a self-paid basis. Spouse coverage ceases upon the death of the retiree.

Benefits Provided

The Plan provides the following benefits to retirees:

<u>Description</u>	<u>Plan</u>
Benefit types provided	Medical, life, prescription, dental.
Duration of benefits	To age 65
Required service	10-15 Years
Minimum age	55 (50 PERS Management Employees)
Dependent coverage	Yes
District contribution %	100%

Employees Covered by Benefit Terms

At June 30, 2019, the following retirees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	75
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	475
Total number of participants	<u>550</u>

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Contributions

The District makes contributions to CERBT to fund as much of the OPEB liability as determined feasible in current operating budget. Contributions are determined by management of the District based on budget implications. Plan members are not required to contribute to the plan.

2. Investments

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the CalPERS Board by a majority vote of its members. It is the policy of CalPERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The CERBT provides participating employers with the choice of three investment allocation strategies. The expected rate of return of assets is dependent on the funding strategy of a participating employer and which investment allocation strategy is selected. For employers fully funding their annual required contribution, Strategy 1 has a CERBT published median yield of 7.28%, Strategy 2 has a published median yield of 6.73% and Strategy 3 has a published median yield of 6.12%. The District has elected to participate in CERBT Strategy 1. The Objective of CERBT Strategy 1 portfolio is to seek returns that reflect the broad investment performance of the financial markets through capital appreciation and investment income. There is no guarantee that the portfolio will achieve its investment objective.

Investment Strategy

The CERBT Strategy 1 portfolio is invested in various asset classes in percentages approved by the CalPERS Board. Generally, equities are intended to help build the value of the Plan's portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

The CERBT Strategy 1 portfolio consists of the following asset classes and corresponding benchmarks:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Target Range</u>	<u>Benchmark</u>
Global Equity	57%	+ or - 2%	MSCI All Country World Index IMI (net)
Fixed Income	27%	+ or - 2%	Bloomberg Barclays Long Liability Index
Treasury Inflation-Protected Securities (TIPS)	5%	+ or - 2%	Bloomberg Barclays U.S. TIPS Index, Series L
Real Estate Investment Trusts	8%	+ or - 2%	FTSE EPRA/NAREIT Developed Liquid Index
Commodities	3%	+ or - 2%	S&P GSCI Total return Index

*Allocations were approved by the CalPERS Board at the October 2014 Investment Committee meeting

Concentrations

The Plan holds investments explicitly in the CERBT Strategy 1 portfolio which represents an amount greater than 5% of the Plan's fiduciary net position.

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Rate of Return

For the year ended June 30, 2019, the time weighted investment rates of return for CERBT Strategy 1 were:

Category	1 Year Return	3 Year Return	5 Year Return
Total Fund	10.60%	3.70%	8.10%
Global Equity	19.40%	5.20%	11.10%
Global Fixed Income	0.30%	4.30%	3.90%
TIPS	-0.60%	0.60%	0.20%
REITS	-0.10%	3.90%	7.60%
Commodities	-8.90%	-24.80%	-14.00%

Index	1 Year Return	3 Year Return	5 Year Return
CERBT Strategy 1 Policy Index	9.90%	3.20%	7.70%
CERBT S1 Global Equity Benchmark	19.00%	4.90%	10.80%
CalPERS Custom Long Liability (Daily)	-0.90%	3.50%	2.90%
CalPERS TIPS (Daily)	-0.60%	0.60%	0.30%
PERS FTSE EPRA NAREIT Developed Liquid	-0.90%	3.10%	7.00%
GSCI Total Return (Daily)	-9.00%	-24.80%	-13.70%

For the year ended June 30, 2019, the money-weighted rate of return, net of investment expense, was 10.0%.

3. Total OPEB Liability

The District's total OPEB liability of \$14,196,360 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2015, revised April 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Fiscal Year:	July 1st to June 30th
Measurement Date:	June 30, 2019
Funding Policy:	Pay-as-you-go
Asset Return:	7.0% per annum; assumes the District invests in the CERBT asset allocation Strategy 1 with a margin for adverse deviation of 28 bps.
Discount Rate:	3.50% per annum. The discount rate is a blended rate between the rate of return at 7.0% and 3.5%, the resulting rate using the average of 3 - 20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20- Bond GO index, Fidelity GO AA 20 Year Bond Index.
Inflation:	2.75% per annum
Payroll Increases:	3.00% per annum, in aggregate

LAKESIDE UNION SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

Pre-retirement turnover: According to the Crocker-Sarason T-5 turnover table less mortality. Sample rates are as follows:

Age	Males	Females
20	7.9%	7.9%
25	7.7%	7.7%
30	7.2%	7.2%
35	6.3%	6.3%
40	5.2%	5.2%
45	4.0%	4.0%
50	2.6%	2.6%
55	0.9%	0.9%

Mortality Rates: Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for the pension valuations. Sample rates are as follows:

Age	CalPERS			
	Actives Males	Females	Retirees Males	Females
25	0.040%	0.023%		
30	0.049%	0.025%		
35	0.057%	0.035%		
40	0.075%	0.050%		
45	0.106%	0.071%		
50	0.155%	0.100%		
55	0.228%	0.138%	0.599%	0.416%
60	0.308%	0.182%	0.710%	0.436%
65	0.400%	0.257%	0.829%	0.588%
70			1.305%	0.993%
75			2.205%	1.722%
80			3.899%	2.902%

The CalPERS mortality rates have been updated to reflect those used in the most recent CalPERS pension valuation which reflect additional mortality improvement experience.

Age	CalSTRS			
	Actives Males	Females	Retirees* Males	Females
25	0.023%	0.013%		
30	0.033%	0.014%		
35	0.034%	0.018%		
40	0.057%	0.034%		
45	0.076%	0.041%		
50	0.103%	0.063%		
55	0.143%	0.093%	0.164%	0.118%
60	0.238%	0.179%	0.300%	0.254%
65	0.435%	0.368%	0.596%	0.468%
70			1.095%	0.864%
75			1.866%	1.451%
80			3.772%	2.759%

*Rates applicable to future retirees include a 2 year setback.

LAKESIDE UNION SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

Retirement Rates:

Age	Percent Retiring*	
	CalSTRS Employees	CalPERS Employees
50-54	0%	2%
55	25%	25%
56	15%	15%
57	10%	10%
58	10%	10%
59	10%	10%
60	50%	50%
61	35%	35%
62	50%	50%
63	25%	25%
64	25%	25%
65	100%	100%

*Of those having met eligibility to receive District paid benefits. The percentage refers to the probability that an active employee who has reached the stated age will retire within the following year.

Retirement Eligibility Age:

The earliest retirement age assumed for employees who participate in CalSTRS is age 55. The earliest retirement age assumed for employees who participate in CalPERS is age 50.

Participation Rates:

85% of future active employees are assumed to elect retiree health coverage at retirement. Approximately 75% are assumed to elect the Kaiser HMO 10 Plan and the remainder in the Select HMO Network or the Network I HMO if Certificated employees.

Spouse Coverage:

15% of future retirees electing coverage are assumed to elect coverage for their spouse. Spouses are assumed to be the same age as retiree.

Average Claim Costs:

The valuation was based on the premiums and funding rates furnished by the District. These costs include medical and prescription drug for both active and retired employees.

A claim cost curve was developed using an assumption for aging based on the District's covered population (pooled populations from SISC and VEBA were not provided) using Tower Watson Health Maps. This results in an expected claim cost for every 5 year age bracket. Sample annual medical/Rx costs are provided in the table below.

Age Band	SISC	VEBA
55 to 59	\$9,385	\$11,390
60 to 64	\$11,255	\$13,680

Medical Trend Rates:

Medical costs are adjusted in future years by the following trends:

Year	Trend
2018	7.0%
2019	6.5%
2020	6.0%
2021	5.5%
2022+	5.0%

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Future Increases on District's Maximum: No future increases are assumed in the current maximum.

Actuarial Cost Method: The actuarial cost method used to determine the allocation of the retiree health actuarial liability to the past (accrued), current and future periods is the Entry Age Normal (EAN) cost method. The EAN cost method is a projected benefit cost method which means the "cost" is based on the projected benefit expected to be paid at retirement.

The EAN normal cost equals the level annual amount of contribution from the employee's date of hire (entry date) to their retirement date that is sufficient to fund the projected benefit. For plans unrelated to pay, the normal cost is calculated to remain level in dollars; for pay-related plans the normal cost is calculated to remain level as a percentage of pay. The EAN actuarial accrued liability equals the present value of all future benefits for retired and current employees and their beneficiaries less the portion expected to be funded by future normal costs.

All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the District were included in the valuation.

Actuarial Value of Assets: Any assets of the Plan will be valued on a market value basis.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period June 30, 1997 through June 30, 2011 which was completed and adopted by the CalPERS Board in April 2014.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Inflation Assets	5.00%	1.25%
Global Debt Securities	27.00%	2.25%
Global Equities	57.00%	5.25%
REITs	8.00%	4.50%
Commodities	3.00%	1.25%
Total	100.00%	

Discount rate

The Discount rate used to measure the total OPEB liability was 3.22% (a decrease from 3.50% used in the June 30, 2018 measurement date). The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Changes in the Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2018	\$ 14,099,563	\$ 500,000	\$ 13,599,563
Changes for the year:			
Service cost	935,348	-	935,348
Interest	511,233	-	511,233
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions	(214,514)	-	(214,514)
Contributions - Employer	284,429	1,456,503	(1,172,074)
Net investment income	-	35,423	(35,423)
Benefit payments, including refunds of employee contributions	(856,503)	(856,761)	258
Net Changes	659,993	635,165	24,828
Balance at June 30, 2019	\$ 14,759,556	\$ 1,135,165	\$ 13,624,391

Sensitivity of the net OPEB liability to changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.22%) or 1-percentage point higher (4.22%) than the current discount rate:

	1% Decrease (2.22%)	Discount Rate (3.22%)	1% Increase (4.22%)
Net OPEB Liability	\$ 14,685,098	\$ 13,624,391	\$ 12,633,916

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point-lower (5.50% decreasing to 4.00% per year) or 1-percentage-point higher (7.50% decreasing to 6.00% per year) than the current healthcare cost trend rates:

	1% Decrease 5.50% decreasing to 4.00%	Healthcare Cost Trend Rate 6.50% decreasing to 5.00%	1% Increase 7.50% decreasing to 6.00%
Total OPEB Liability	\$ 12,062,500	\$ 13,624,391	\$ 15,467,206

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

For the year ended June 30, 2019 the District recognized OPEB expense of \$1,207,017. At June 30, 2019 the District reported deferred inflows of resources related to the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Changes in assumptions	\$ 70,318	\$ 307,937

Amounts reported as deferred inflows and deferred outflows of resources related to OPEB will be recognized in OPEB adjustments during the fiscal year ending June 30, 2019.

Payable to the OPEB Plan

At June 30, 2019, the District did not have any payables to the OPEB plan outstanding.

Q. Fund Balances Classifications of the Governmental Funds

As of June 30, 2019 ending fund balance consisted of the following:

	Major Governmental Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Child Development Fund	Building Fund		
Nonspendable Fund Balances					
Revolving Cash	\$ 85,000	\$ -	\$ -	\$ 100	\$ 85,100
Stores Inventory	-	-	-	106,113	106,113
Prepaid Expense	14,200	100	-	4,814	19,114
Total Nonspendable	<u>99,200</u>	<u>100</u>	<u>-</u>	<u>111,027</u>	<u>210,327</u>
Restricted Fund Balances					
Capital Projects	-	-	14,686,736	1,254,758	15,941,494
Medi-Cal	124,740	-	-	-	124,740
Debt Service	-	-	-	3,066,340	3,066,340
Low Performing Students	433,030	-	-	-	433,030
Lottery-Instructional Materials	232,758	-	-	-	232,758
Child Development Program	-	1,225,968	-	-	1,225,968
Cafeteria Child Nutrition	-	-	-	511,072	511,072
Other Restricted	97,043	-	-	-	97,043
Total Restricted	<u>887,571</u>	<u>1,225,968</u>	<u>14,686,736</u>	<u>4,832,170</u>	<u>21,632,445</u>
Assigned Fund Balances					
Deferred Maintenance	162,321	-	-	-	162,321
Retire Incentive	537,426	-	-	-	537,426
OPEB Obligation	58,871	-	-	-	58,871
Site/Department Carryovers	811,174	-	-	-	811,174
Other Assignments	238	3,809	-	49,367	53,414
Total Assigned	<u>1,570,030</u>	<u>3,809</u>	<u>-</u>	<u>49,367</u>	<u>1,623,206</u>
Unassigned Fund Balances					
For Economic Uncertainty	1,764,325	-	-	-	1,764,325
Other Unassigned	6,960,658	-	-	-	6,960,658
Total Unassigned	<u>8,724,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,724,983</u>
Total Fund Balance	<u>\$ 11,281,784</u>	<u>\$ 1,229,877</u>	<u>\$ 14,686,736</u>	<u>\$ 4,992,564</u>	<u>\$ 32,190,961</u>

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

R. Construction Commitments

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

<u>Construction in Process:</u>	<u>Commitment</u>	<u>*Expected Date of Final Completion</u>
Food Service Kitchen Remodel	\$ 10,000	November 2020
Classroom TV Installations	965,000	September 2019
EH/WG Fire	24,133	January 2020
EH/G Shade Structures	39,427	November 2019
LMS Old Hall Roof	7,031	October 2019
LF/LMS Floor	7,250	September 2019
LP HVAC Replacement	7,940	September 2019
District Wide Video Surveillance	34,868	January 2020
LF Modernization	1,125	September 2020

* Expected date of final completion subject to change

S. 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.

T. Risk Management

The District is exposed to risk of losses due to:

- a. Torts,
- b. Theft of, damage to, or destruction of assets,
- c. Business interruption,
- d. Errors or omissions,
- e. Job related illnesses or injuries to employees,
- f. Natural disasters,
- g. Other risks associated with public entity risk pools

Risk management is the process of managing the District's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention (self-insurance), risk transfer to and from an insurer, and risk transfer to a noninsurer.

The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property & liability insurance as well as workers compensation insurance to cover any losses resulting from the risks identified above.

LAKESIDE UNION SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

The District purchases insurance through joint powers authorities. The District is not obligated to cover any losses beyond the premiums paid for the insurance costs. As a result there has not been a liability recorded for incurred but not reported claims.

U. 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, 2020. Those newly implemented pronouncements are as follows:

GASB 84 - Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District expects adjustments to be made to the financial statements resulting from implementation of this GASB Statement but does not expect the adjustments to be material to the financial statements.

GASB 90 - Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or a permanent fund. Those governments and funds should be measure the majority equity interest at fair value.

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

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

The District does not currently hold any equity interests in legally separate organizations and as such does not anticipate any adjustments to be made to the financial statements as a result of implementing this GASB Statement.

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.

LAKESIDE UNION SCHOOL DISTRICT

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

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 28,563,717	\$ 26,800,850	\$ 26,229,537	\$ (571,313)
Education Protection Account Funds	5,650,285	7,174,039	7,635,516	461,477
Local Sources	9,637,832	10,107,019	10,086,466	(20,553)
Federal Revenue	2,502,472	3,145,484	2,824,042	(321,442)
Other State Revenue	5,752,341	5,930,271	8,073,185	2,142,914
Other Local Revenue	5,206,608	5,389,438	5,560,905	171,467
Total Revenues	<u>57,313,255</u>	<u>58,547,101</u>	<u>60,409,651</u>	<u>1,862,550</u>
Expenditures:				
Current:				
Certificated Salaries	24,435,156	24,806,762	24,621,868	184,894
Classified Salaries	8,113,183	8,224,586	8,035,268	189,318
Employee Benefits	16,620,188	16,691,543	18,576,439	(1,884,896)
Books And Supplies	1,824,388	2,227,785	1,831,336	396,449
Services And Other Operating Expenditures	5,587,390	5,820,835	5,518,017	302,818
Direct Support/Indirect Costs	(146,519)	(138,437)	(149,264)	10,827
Capital Outlay	435,000	343,990	349,186	(5,196)
Debt Service:				
Principal	-	-	27,979	(27,979)
Total Expenditures	<u>56,868,786</u>	<u>57,977,064</u>	<u>58,810,829</u>	<u>(833,765)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>444,469</u>	<u>570,037</u>	<u>1,598,822</u>	<u>1,028,785</u>
Other Financing Sources (Uses):				
Transfers Out	-	(1,932)	(6,962)	(5,030)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,932)</u>	<u>(6,962)</u>	<u>(5,030)</u>
Net Change in Fund Balance	444,469	568,105	1,591,860	1,023,755
Fund Balance, July 1	9,630,818	9,630,815	9,630,815	-
Fund Balance, June 30	<u>\$ 10,075,287</u>	<u>\$ 10,198,920</u>	<u>\$ 11,222,675</u>	<u>\$ 1,023,755</u>

See Accompanying Notes to Required Supplementary Information.

LAKESIDE UNION SCHOOL DISTRICT

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

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other State Revenue	\$ 242,479	\$ 262,542	\$ 260,017	\$ (2,525)
Other Local Revenue	1,980,201	1,975,201	2,179,594	204,393
Total Revenues	<u>2,222,680</u>	<u>2,237,743</u>	<u>2,439,611</u>	<u>201,868</u>
Expenditures:				
Current:				
Certificated Salaries	127,024	121,426	121,343	83
Classified Salaries	1,100,891	1,132,632	1,156,858	(24,226)
Employee Benefits	440,219	464,761	467,694	(2,933)
Books And Supplies	87,166	108,376	165,846	(57,470)
Services And Other Operating Expenditures	290,395	362,335	386,555	(24,220)
Direct Support/Indirect Costs	19,427	22,367	21,867	500
Capital Outlay	9,300	-	-	-
Total Expenditures	<u>2,074,422</u>	<u>2,211,897</u>	<u>2,320,163</u>	<u>(108,266)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>148,258</u>	<u>25,846</u>	<u>119,448</u>	<u>93,602</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	148,258	25,846	119,448	93,602
Fund Balance, July 1	1,110,429	1,110,429	1,110,429	-
Fund Balance, June 30	<u>\$ 1,258,687</u>	<u>\$ 1,136,275</u>	<u>\$ 1,229,877</u>	<u>\$ 93,602</u>

See Accompanying Notes to Required Supplementary Information.

LAKESIDE UNION SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS
 LUSD RETIREE HEALTH BENEFIT PLAN
 LAST TEN FISCAL YEARS*

EXHIBIT B-9

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2019	7.0%
2018	7.0%
2017	N/A
2016	N/A
2015	N/A
2014	N/A
2013	N/A
2012	N/A
2011	N/A
2010	N/A
2009	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, OPEB plans should present information for those years for which information is available.

N/A - The money-weighted rate of return, net of investment expenses is not available for periods prior to 2018.

LAKESIDE UNION 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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
2019's proportion of the net pension liability (asset)	0.0424%	0.0449%	0.0471%	0.0451%	0.0436%	N/A	N/A	N/A	N/A	N/A
2019's proportionate share of the net pension liability (asset)	\$ 38,942,832	\$ 41,574,495	\$ 38,081,551	\$ 30,364,814	\$ 25,487,786	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the 2019	22,379,354	24,688,493	20,867,350	16,696,330	16,011,691	N/A	N/A	N/A	N/A	N/A
Total	\$ <u>61,322,186</u>	\$ <u>66,262,988</u>	\$ <u>58,948,901</u>	\$ <u>47,061,144</u>	\$ <u>41,499,477</u>	N/A	N/A	N/A	N/A	N/A
2019's covered-employee payroll	\$ 22,502,689	\$ 23,769,141	\$ 22,215,413	\$ 23,392,665	\$ 20,842,725	N/A	N/A	N/A	N/A	N/A
2019's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	173.06%	174.91%	171.42%	129.80%	122.29%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.99%	69.46%	70.04%	74.02%	76.52%	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.

See Accompanying Notes to Required Supplementary Information

LAKESIDE UNION SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 3,939,426	\$ 3,247,138	\$ 2,990,158	\$ 2,510,033	\$ 1,850,834	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(3,939,426)	(3,247,138)	(2,990,158)	(2,510,033)	(1,850,834)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 24,197,948	\$ 22,502,689	23,769,141	23,392,665	20,842,725	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	16.280%	14.430%	12.580%	10.730%	8.880%	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.

See Accompanying Notes to Required Supplementary Information

LAKESIDE UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.0637%	0.0661%	0.0603%	0.0613%	0.0586%	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	\$ 16,975,627	\$ 15,788,647	\$ 11,911,296	\$ 9,029,628	\$ 6,651,738	N/A	N/A	N/A	N/A	\$ N/A
District's covered-employee payroll	\$ 8,489,119	\$ 8,494,456	\$ 7,720,687	\$ 7,303,360	\$ 6,812,395	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	199.97%	185.87%	154.28%	123.64%	97.64%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	70.85%	71.87%	73.90%	79.43%	83.38%	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.

See Accompanying Notes to Required Supplementary Information

LAKESIDE UNION SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,569,004	\$ 1,318,445	\$ 1,179,710	\$ 865,229	\$ 801,887	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(1,569,004)	(1,318,445)	(1,179,710)	(865,229)	(801,887)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 8,686,768	\$ 8,489,119	\$ 8,494,456	\$ 7,303,360	\$ 6,812,395	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	18.062%	15.531%	13.888%	11.847%	11.771%	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.

See Accompanying Notes to Required Supplementary Information

LAKESIDE UNION SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
LUSD RETIREE HEALTH BENEFIT PLAN
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB liability:										
Service cost	\$ 935,348	\$ 903,718	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Interest	511,233	480,489	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
Differences between expected and actual experience	(214,514)	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	284,428	(98,446)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(856,503)	(829,004)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	659,992	456,757	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	14,099,563	13,642,806	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending (a)	\$ 14,759,555	\$ 14,099,563	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Plan fiduciary net position:										
Contributions - employer	\$ 1,456,503	\$ 1,329,004	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions - employee	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	35,423	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(856,761)	(829,004)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expense	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	635,165	500,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - beginning	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position - ending (b)	\$ 635,165	\$ 500,000	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's net OPEB liability - ending (a) - (b)	\$ 13,624,391	\$ 13,599,563	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Plan fiduciary net position as a percentage of the total OPEB liability	4.30%	3.55%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	\$ 30,064,000	\$ 30,064,000	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
District's net OPEB liability as a percentage of covered-employee payroll	45.32%	45.24%	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.

See Accompanying Notes to Required Supplementary Information

LAKESIDE UNION SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
LUSD RETIREE HEALTH BENEFIT PLAN
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 824,820	\$ 842,259	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions in relation to the actuarially determined contribution	(1,456,503)	(1,329,004)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$ (631,683)	\$ (486,745)	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Covered-employee payroll	\$ 30,064,000	\$ 30,064,000	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Contributions as a percentage of covered-employee payroll	4.84%	4.42%	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 for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

LAKESIDE UNION SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2019

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 the District's Special Reserve Fund for Other Post Employment 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	\$ 11,281,784
Less: Fund 17 Fund Balance	(238)
Less: Fund 20 Fund Balance	<u>(58,871)</u>
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u>\$ 11,222,675</u>
General Fund - Fund Financial Statements Net Change in Fund Balance	\$ 1,593,158
Change in Fund Balance attributed to Fund 17	(5)
Change in Fund Balance attributed to Fund 20	<u>(1,293)</u>
General Fund - Budgetary Comparison Schedule Change in Fund Balance	<u>\$ 1,591,860</u>

Excess of Expenditures Over Appropriations

As of June 30, 2019, expenditures exceeded appropriations in individual budgeted funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>	<u>Reason for Excess Expenditures</u>
General Fund:		
Employee Benefits	\$ 1,884,896	The underestimation resulted from the additional on behalf payment contributions made by the state as a result of SB90 passed on 6/28/19.
Capital Outlay	5,197	The District underestimated costs of capital outlay
Debt Service Principal	27,979	The District underestimated debt principal payments
Child Development Fund:		
Classified Salaries	24,226	The District underestimated costs of salary increases
Employee Benefits	2,933	The underestimation resulted from the additional on behalf payment contributions made by the state as a result of SB90 passed on 6/28/19.
Books and Supplies	57,470	The District underestimated costs for books and supplies
Services and Other	24,220	The District underestimated costs of services and other

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, & 2019 there were no changes to benefits

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

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

The total pension liability for California State Teachers Retirement System was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, 2016 & 2017 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016, 2017 & 2018 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
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 Increase:	2.00% Simple	2.00% Simple	2.00% Simple

<u>Reporting Period</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Measurement Date	06/30/17	06/30/18
Valuation Date	06/30/16	06/30/17
Experience Study	07/01/10 - 06/30/15	07/01/10 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.10%	7.10%
Consumer Price Inflation	2.75%	2.75%
Wage Growth (Average)	3.50%	3.50%
Post-retirement Benefit Increase:	2.00% Simple	2.00% Simple

CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 experience study adopted by the CalSTRS board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among CalSTRS members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries. Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on CalSTRS website.

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

1) Benefit Changes: In 2015, 2016, 2017, 2018 & 2019 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%. In 2019, demographic assumptions and inflation rate were changed in accordance to the CalPERS experience study and review of Actuarial Assumptions December 2017, there were no changes to the discount rate in this period.

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:

<u>Reporting Period</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
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 Increase:	2.00% Simple	2.00% Simple	2.00% Simple

<u>Reporting Period</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Measurement Date	06/30/17	06/30/18
Valuation Date	06/30/16	06/30/17
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/15
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.15%	7.50%
Consumer Price Inflation	2.75%	2.50%
Wage Growth (Average)	3.00%	3.00%
Post-retirement Benefit Increase:	2.00% Simple	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the 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 & 2019 there were no changes to benefits.
- 2) Changes in Assumptions: In 2018 there were no changes in assumptions. Changes in assumptions for the fiscal year ended June 30, 2019 included an decrease in the discount rate from 3.35% to 3.22% based on a change in the bond buyer 20 bond index rate.
- 3) The following are the discount rates used for each period:

<u>Year</u>	<u>Discount Rate</u>
2018	3.35%
2019	3.22%

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.

LAKESIDE UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	\$ 461,392	\$ 3,066,340	\$ 1,265,691	\$ 4,793,423
Cash on Hand and in Banks	21,897	-	-	21,897
Cash in Revolving Fund	100	-	-	100
Accounts Receivable	275,640	-	12,748	288,388
Due from Other Funds	9,087	-	-	9,087
Stores Inventories	106,113	-	-	106,113
Prepaid Expenditures	4,814	-	-	4,814
Total Assets	<u>879,043</u>	<u>3,066,340</u>	<u>1,278,439</u>	<u>5,223,822</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 51,187	\$ -	\$ -	\$ 51,187
Due to Other Funds	143,858	-	6,924	150,782
Unearned Revenue	29,289	-	-	29,289
Total Liabilities	<u>224,334</u>	<u>-</u>	<u>6,924</u>	<u>231,258</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	100	-	-	100
Stores Inventories	106,113	-	-	106,113
Prepaid Items	4,814	-	-	4,814
Restricted Fund Balances	511,072	3,066,340	1,254,758	4,832,170
Assigned Fund Balances	32,610	-	16,757	49,367
Total Fund Balance	<u>654,709</u>	<u>3,066,340</u>	<u>1,271,515</u>	<u>4,992,564</u>
Total Liabilities and Fund Balances	<u>\$ 879,043</u>	<u>\$ 3,066,340</u>	<u>\$ 1,278,439</u>	<u>\$ 5,223,822</u>

LAKESIDE UNION SCHOOL DISTRICT

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

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	\$ 1,579,217	\$ -	\$ -	\$ 1,579,217
Other State Revenue	91,852	31,560	-	123,412
Other Local Revenue	457,487	2,691,184	257,145	3,405,816
Total Revenues	<u>2,128,556</u>	<u>2,722,744</u>	<u>257,145</u>	<u>5,108,445</u>
Expenditures:				
Current:				
Pupil Services	2,338,206	-	-	2,338,206
General Administration	127,396	-	-	127,396
Plant Services	16,676	-	31,328	48,004
Capital Outlay	10,000	-	143,971	153,971
Debt Service:				
Principal	-	1,651,000	-	1,651,000
Interest	-	1,109,529	-	1,109,529
Total Expenditures	<u>2,492,278</u>	<u>2,760,529</u>	<u>175,299</u>	<u>5,428,106</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(363,722)</u>	<u>(37,785)</u>	<u>81,846</u>	<u>(319,661)</u>
Other Financing Sources (Uses):				
Transfers In	6,962	-	-	6,962
Other Sources	-	686,301	-	686,301
Total Other Financing Sources (Uses)	<u>6,962</u>	<u>686,301</u>	<u>-</u>	<u>693,263</u>
Net Change in Fund Balance	(356,760)	648,516	81,846	373,602
Fund Balance, July 1	1,011,469	2,417,824	1,189,669	4,618,962
Fund Balance, June 30	<u>\$ 654,709</u>	<u>\$ 3,066,340</u>	<u>\$ 1,271,515</u>	<u>\$ 4,992,564</u>

LAKESIDE UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2019

	Cafeteria Fund	Pupil Transportation Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 429,135	\$ 32,257	\$ 461,392
Cash on Hand and in Banks	21,897	-	21,897
Cash in Revolving Fund	100	-	100
Accounts Receivable	275,287	353	275,640
Due from Other Funds	9,087	-	9,087
Stores Inventories	106,113	-	106,113
Prepaid Expenditures	4,814	-	4,814
Total Assets	<u>846,433</u>	<u>32,610</u>	<u>879,043</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 51,187	\$ -	\$ 51,187
Due to Other Funds	143,858	-	143,858
Unearned Revenue	29,289	-	29,289
Total Liabilities	<u>224,334</u>	<u>-</u>	<u>224,334</u>
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	100	-	100
Stores Inventories	106,113	-	106,113
Prepaid Items	4,814	-	4,814
Restricted Fund Balances	511,072	-	511,072
Assigned Fund Balances	-	32,610	32,610
Total Fund Balance	<u>622,099</u>	<u>32,610</u>	<u>654,709</u>
Total Liabilities and Fund Balances	<u>\$ 846,433</u>	<u>\$ 32,610</u>	<u>\$ 879,043</u>

LAKESIDE UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Cafeteria Fund	Pupil Transportation Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	\$ 1,579,217	\$ -	\$ 1,579,217
Other State Revenue	91,852	-	91,852
Other Local Revenue	456,772	715	457,487
Total Revenues	<u>2,127,841</u>	<u>715</u>	<u>2,128,556</u>
Expenditures:			
Current:			
Pupil Services	2,338,206	-	2,338,206
General Administration	127,396	-	127,396
Plant Services	16,676	-	16,676
Capital Outlay	10,000	-	10,000
Total Expenditures	<u>2,492,278</u>	<u>-</u>	<u>2,492,278</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(364,437)</u>	<u>715</u>	<u>(363,722)</u>
Other Financing Sources (Uses):			
Transfers In	6,962	-	6,962
Total Other Financing Sources (Uses)	<u>6,962</u>	<u>-</u>	<u>6,962</u>
Net Change in Fund Balance	(357,475)	715	(356,760)
Fund Balance, July 1	979,574	31,895	1,011,469
Fund Balance, June 30	<u>\$ 622,099</u>	<u>\$ 32,610</u>	<u>\$ 654,709</u>

LAKESIDE UNION SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2019

	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	\$ 1,249,115	\$ 16,576	\$ 1,265,691
Accounts Receivable	12,567	181	12,748
Total Assets	<u>1,261,682</u>	<u>16,757</u>	<u>1,278,439</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Due to Other Funds	\$ 6,924	\$ -	\$ 6,924
Total Liabilities	<u>6,924</u>	<u>-</u>	<u>6,924</u>
Fund Balance:			
Restricted Fund Balances	1,254,758	-	1,254,758
Assigned Fund Balances	-	16,757	16,757
Total Fund Balance	<u>1,254,758</u>	<u>16,757</u>	<u>1,271,515</u>
Total Liabilities and Fund Balances	<u>\$ 1,261,682</u>	<u>\$ 16,757</u>	<u>\$ 1,278,439</u>

LAKESIDE UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Other Local Revenue	\$ 256,777	\$ 368	\$ 257,145
Total Revenues	<u>256,777</u>	<u>368</u>	<u>257,145</u>
Expenditures:			
Current:			
Plant Services	31,328	-	31,328
Capital Outlay	143,971	-	143,971
Total Expenditures	<u>175,299</u>	<u>-</u>	<u>175,299</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>81,478</u>	<u>368</u>	<u>81,846</u>
Net Change in Fund Balance	81,478	368	81,846
Fund Balance, July 1	1,173,280	16,389	1,189,669
Fund Balance, June 30	<u>\$ 1,254,758</u>	<u>\$ 16,757</u>	<u>\$ 1,271,515</u>

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

LAKESIDE UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2019

The Lakeside Union School District was established in 1890, and is comprised of an area of approximately 75 square miles in San Diego County. There were no changes in the boundaries of the district during the current year. The district is currently operating six elementary; two middle schools; a special education high school; and is the authorizer of three charter schools.

On July 1, 1997 the district authorized River Valley Charter High School and Canyon Oaks Junior High School, which provides education to students in grades 7-12.

On April 18, 2002 the district authorized the Barona Indian Charter School which provides education to students in grades K-8.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Holly Ferrante	President	Four Year Term Expires November 2022
Bonnie LaChappa	Vice President	Four Year Term Expires November 2022
Andrew Hayes	Clerk	Four Year Term Expires November 2022
John Butz	Member	Four Year Term Expires November 2020
Rhonda Taylor	Member	Four Year Term Expires November 2020

Administration

Andy Johnsen, Ed.D.
Superintendent

Erin Garcia
Assistant Superintendent
Business Services

Kim Reed, Ed.D.
Assistant Superintendent
Educational Services

Miranda Durning
Director of Finance

LAKESIDE UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

YEAR ENDED JUNE 30, 2019

TABLE D-1

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	2,285.19	N/A	2,289.17	N/A
Extended Year Special Education	4.83	N/A	4.83	N/A
Special Education, Nonpublic	0.84	N/A	-	N/A
TK/K-3 Totals	<u>2,290.86</u>	<u>N/A</u>	<u>2,294.00</u>	<u>N/A</u>
Grades 4-6:				
Regular ADA	1,570.11	N/A	1,565.14	N/A
Extended Year Special Education	2.14	N/A	2.14	N/A
Special Education, Nonpublic	2.50	N/A	3.80	N/A
Extended Year - Nonpublic	0.52	N/A	0.52	N/A
Grades 4-6 Totals	<u>1,575.27</u>	<u>N/A</u>	<u>1,571.60</u>	<u>N/A</u>
Grades 7-8:				
Regular ADA	998.70	N/A	993.57	N/A
Extended Year Special Education	1.05	N/A	1.05	N/A
Special Education, Nonpublic	1.14	N/A	1.41	N/A
Grades 7-8 Totals	<u>1,000.89</u>	<u>N/A</u>	<u>996.03</u>	<u>N/A</u>
ADA totals	<u>4,867.02</u>	<u>N/A</u>	<u>4,861.63</u>	<u>N/A</u>

N/A-There were no revisions to the P2 and Annual ADA as reported due to an audit finding.

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.

LAKESIDE UNION SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2019

TABLE D-2

Grade Level	Ed Code 46207 Minutes Requirement	2018-19 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	38,540	180	-	Complied
Kindergarten	36,000	48,655	180	-	Complied
Grade 1	50,400	53,535	180	-	Complied
Grade 2	50,400	53,930	180	-	Complied
Grade 3	50,400	53,930	180	-	Complied
Grade 4	54,000	54,035	180	-	Complied
Grade 5	54,000	54,035	180	-	Complied
Grade 6	54,000	57,085	180	-	Complied
Grade 7	54,000	57,085	180	-	Complied
Grade 8	54,000	57,085	180	-	Complied

Districts, including basic aid districts, and charter schools must maintain their instructional minutes as required by 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 met or exceeded its target funding.

LAKESIDE UNION SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2019

TABLE D-3

General Fund	Budget 2020 (See Note 1)	2019	2018	2017
Revenues and other financial sources	\$ 57,365,908	\$ 60,409,651	\$ 54,391,630	\$ 54,038,061
Expenditures, other uses and transfers out	59,301,746	58,817,791	54,565,723	53,504,525
Change in fund balance (deficit)	(1,935,838)	1,591,860	(174,093)	533,536
Ending fund balance	\$ 9,286,837	\$ 11,222,675	\$ 9,630,815	\$ 9,804,908
Available reserves (See Note 2)	\$ 8,926,785	\$ 10,235,904	\$ 8,898,418	\$ 8,810,072
Available reserves as a percentage of total outgo	15.1%	17.4%	16.8%	16.5%
Total long-term debt	\$ 62,514,750	\$ 64,451,757	\$ 48,931,279	\$ 49,403,801
Average daily attendance at P-2	4,879	4,867	4,963	4,853

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.

The general fund balance has increased by \$1,417,767 over the past two years. The fiscal year 2019-20 budget projects a decrease of \$1,935,838. For a district of this size, the State recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$15,147,956+ over the past two years.

Average daily attendance has increased by 14 over the past two years.

Notes:

1. Budget 2020 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 \$4,179,811, \$1,653,794, and \$1,768,244, have been excluded from the calculation of available reserves as a percentage of total outgo for the fiscal years ending June 30, 2019, 2018, and 2017.
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) and Special Reserve Fund for Postemployment Benefits (Fund 20) were included with the general fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the general fund.

LAKESIDE UNION SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

TABLE D-4

	General Fund	Special Reserve Fund Other Than Capital Outlay (Fund 17)	Special Reserve Fund for Other Postemployment Benefits (Fund 20)
	<u> </u>	<u> </u>	<u> </u>
June 30, 2019, annual financial and budget report fund balances	\$ 11,222,675	\$ 238	\$ 58,871
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
Inclusion of funds for reporting purposes only, in accordance with GASB Statement No. 54	<u>59,109</u>	<u>(238)</u>	<u>(58,871)</u>
Net adjustments and reclassifications	<u>59,109</u>	<u>(238)</u>	<u>(58,871)</u>
June 30, 2019, audited financial statement fund balances	<u>\$ 11,281,784</u>	<u>\$ -</u>	<u>\$ -</u>

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.

LAKESIDE UNION SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2019

TABLE D-5

The following charter schools are chartered by Lakeside Union School District.

<u>Charter Schools</u>	<u>Charter Number</u>	<u>Included In Audit?</u>
River Valley Charter High School	0120	No
Barona Indian Charter School	0469	No

LAKESIDE UNION SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019

TABLE D-6

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	\$ -	\$ 279,272
National School Lunch Program - Noncash Commodities	10.555	13396	-	125,801
National School Lunch Program - Section 4	10.555	13523	-	948,633
Total Passed Through State Department of Education			-	1,353,706
Total U. S. Department of Agriculture			-	1,353,706
Total Child Nutrition Cluster			-	1,353,706
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
Special Education - IDEA Basic Local Assistance	84.027	13379	-	1,280,673
Special Education - IDEA Early Intervention Grants	84.027	13693	-	26,629
Special Education - IDEA Mental Health	84.027	14468	-	73,218
Special Education - IDEA Preschool Grants	84.173	13430	-	57,840
Special Education - IDEA Preschool Staff Development	84.173	13431	-	438
Total Passed Through State Department of Education			-	1,438,798
Total U. S. Department of Education			-	1,438,798
Total Special Education (IDEA) Cluster			-	1,438,798
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Direct Program:				
Impact Aid - P.L. 81.874	84.041			444,254
Passed Through State Department of Education:				
Title I	84.010	14329	-	639,898
Indian Education	84.060	10011	-	17,647
Title III - English Learner Student Program	84.365	14346	-	38,562
Title III - Immigrant Education	84.365	15146	-	5,409
Title II - Supporting Effective Instruction	84.367	14341	-	114,542
Title IV - Student Support & Academic Enrichment	84.424	15396	-	27,334
Total Passed Through State Department of Education			-	843,392
Total U. S. Department of Education			-	1,287,646
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
Child and Adult Care Food Program	10.558	13666	-	226,001
Total U. S. Department of Agriculture			-	226,001
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 4,306,151

The accompanying notes are an integral part of this schedule.

LAKESIDE UNION SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Lakeside Union 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.

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.

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 8.71% 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:

<u>Program</u>	<u>CFDA #</u>	<u>Indirect Cost Rate</u>
Title III - English Learner Student Program	84.365	2.00%
Title III - Immigrant Education & LEP	84.365	2.00%
Child Nutrition Cluster	10.553, 10.555	5.41%
Child Nutrition, Child & Adult Care Food	10.558	5.41%

Schoolwide Program

The District operates "schoolwide programs" at all 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 its schoolwide program:

<u>Program</u>	<u>CFDA #</u>	<u>Amount Expended</u>
Title I	84.010	\$639,898

Other Independent Auditor's Reports



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

Aubrey W. Mann, 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
Lakeside Union School District
Lakeside, California

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, each major fund, and the aggregate remaining fund information of Lakeside Union School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Lakeside Union School District's basic financial statements and have issued our report thereon dated January 31, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lakeside Union School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lakeside Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lakeside Union School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lakeside Union School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2019-001.

Lakeside Union School District's Response to Findings

Lakeside Union School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lakeside Union 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 31, 2020



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

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

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

Board of Trustees
Lakeside Union School District
Lakeside, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Lakeside Union School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Lakeside Union School District's major federal programs for the year ended June 30, 2019. Lakeside Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we 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 31, 2020

Independent Auditor's Report on State Compliance

Board of Trustees
Lakeside Union School District
Lakeside, California

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 *2018-19 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, 2019.

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, *2018-19 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, *2018-19 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.

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:

<u>Compliance Requirements</u>	<u>Procedures in Audit Guide Performed?</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	N/A
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
Comprehensive School Safety Plan	Yes
District of Choice	N/A
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
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.

We did not perform testing for Independent Study. The procedure was not required to be performed since the ADA was below that which requires testing.

Opinion on State Compliance

In our opinion, Lakeside Union 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 the year ended June 30, 2019.

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, *2018-19 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 item 2019-001.

Lakeside Union School District's Response to Finding

Lakeside Union School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Lakeside Union 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 *2018-19 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 31, 2020

Findings and Recommendations Section

LAKESIDE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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

Version of compliance supplement used in audit: August 2019

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 10.558	Child Nutrition Cluster Child & Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

LAKESIDE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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: Unmodified

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

Finding Number: 2019-001
Repeat Finding: No
Program Name: Comprehensive School Safety Plan
Questioned Costs: None
Type of Finding: State Compliance (40000)

Criteria or Specific Requirement

Verify that each school has adopted its comprehensive school safety plan as described in Education Code Section 32282 and reviewed and updated its plan by March 1. If a school did not have a comprehensive school safety plan, verify that the District notified the State Department of Education by October 15.

Condition

In our review of comprehensive school safety plans we noted that the District has not adopted a comprehensive school safety plan as described in Education Code Section 32282. As required, the District notified the State Department of Education that they do not have an adopted comprehensive school safety plan for any school sites by October 15.

Context

California Education Code Section 32282 requires that the school safety plans be approved, reviewed, and updated by March 1.

Effect

Without a comprehensive school safety plan, the District and all school sites are at risk of failing to protect students and employees in the event of an emergency. The District is not in compliance with Education Code Section 32282.

Cause

The District has not established a comprehensive school safety plan.

LAKESIDE UNION SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Recommendation

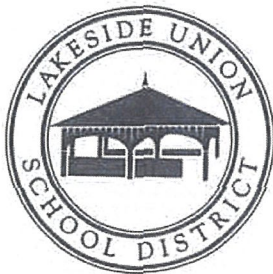
Establish a comprehensive school safety plan as described in Education Code Section 32282. Include law enforcement, fire departments, and other safety officials in the development and adoption of a plan.

Views of Responsible Officials

See Corrective Action Plan

Administration:

ANDREW S. JOHNSEN, Ed.D.
Superintendent
KIM REED, Ed.D.
Assistant Superintendent
ERIN GARCIA
Assistant Superintendent



Board of Trustees:

JOHN V. BUTZ
HOLLY FERRANTE
ANDREW HAYES
BONNIE LACHAPPA
RHONDA TAYLOR, Ed.D.

January 31, 2020

To Whom It May Concern,

The accompanying Corrective Action Plan has been prepared as required by the 2018-19 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 action, and the anticipated completion date for each finding included 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,

A handwritten signature in black ink, appearing to read "Erin Garcia".

Erin Garcia
Assistant Superintendent
Lakeside Union School District

LAKESIDE UNION SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019

State Compliance Finding

Finding Number: 2019-001
Program Name: Comprehensive School Safety Plan
Contact Person: Natalie Winspear, Executive Director, Pupil Services
Anticipated Completion Date: February 2020

Planned Corrective Action:

The CSSP for each school site is currently being developed and will be approved by the Board at its February 2020 meeting to meet the March 1 deadline. Dr. Natalie Winspear, Executive Director, Pupil Services has facilitated CSSP training for all school Principals during the 2019/20 school year and is responsible to monitor the annual timelines to ensure all of the school site CSSP's are timely updated.

LAKESIDE UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>Finding Number: 2018-001 Associated Student Body Funds</p> <p>In our review of the receipts and deposits in the student body account for Lakeside Middle School, we noted two out of five deposits tested did not have proper signed and verified cash tally sheets as documentation support for the funds collected. The cash tally sheets were completed and signed by the preparer; however, a verification signature and date as proof of the double count of cash on the tally sheets was not evident.</p> <p>Provide inservice training to the school site individuals involved in daily student body account operations, including principals, clerks, and advisors. Ensure cash tally sheets are properly completed, dated, mathematically accurate, and completed by the preparer at the origin of sales then subsequently verified and signed by a second individual prior to deposit.</p>	Implemented	
<p>Finding Number: 2018-002 Instructional Materials</p> <p>The District provided a ten-day notice of the public hearing; however, it was noted the time of the hearing was not listed on the notice.</p> <p>Establish procedures to ensure the ten-day notice of the public hearing to determine the sufficiency of instructional materials includes all the required elements in order to be compliant. Review the public notice prior to posting to ensure that the time, place, and purpose of the public hearing is properly disclosed on the ten-day notice.</p>	Implemented	