LAKESIDE UNION SCHOOL DISTRICT
COUNTY OF SAN DIEGO
LAKESIDE, CALIFORNIA

AUDIT REPORT

JUNE 30, 2018

Introductory Section

Lakeside Union School District
Audit Report
For The Year Ended June 30, 2018

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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, the business-type 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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Emphasis of Matter

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018 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
December 13, 2018

Lakeside Union School District
Management Discussion and Analysis
June 30, 2018
(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, 2018. 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.

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 all that the District owns (assets) and owes (liabilities) in addition to reporting deferred outflows of resources and deferred inflows of resources. The book value of all District capital assets, including buildings, land, and equipment as well as related accumulated depreciation are included in this financial statement in addition to District long-term and other long-term obligations.

The following table summarizes the value of District net position for the year ended June 30, 2018:

Beginning Net Position- As Restated (See Note Q)	$	(45,406,507)
Change in Net Position		(4,978,128)
Ending Net Position	$	(50,384,635)

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 and the recognition of total OPEB liability required by GASB Statement Number 75.

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

	June 30, 2018	June 30, 2017
Other Assets	$ 17,648,974	$ 18,241,409
Capital Assets	38,420,908	40,217,033
Total Assets	**$ 56,069,882**	**$ 58,458,442**
Deferred Outflows of Resources	$ 23,431,587	$ 14,342,441
Current and Other Liabilities	$ 4,263,483	$ 4,422,914
Long-term Liabilities	118,013,457	102,367,547
Total Liabilities	**$ 122,276,940**	**$ 106,790,461**
Deferred Inflows of Resources	$ 7,609,164	$ 1,821,868
Net Investment in Capital Assets	$ (9,244,793)	$ (4,048,025)
Restricted Net Assets	6,409,694	7,010,275
Unrestricted Net Assets	(47,549,536)	(38,773,696)
Total Net Position	**$ (50,384,635)**	**$ (35,811,446)**

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:

	June 30, 2018	June 30, 2017
Revenues		
Program Revenues:		
Charges for Services	$ 983,484	$ 1,103,885
Operating Grants and Contributions	11,515,932	13,374,814
General Revenues:		
Taxes Levied for General Purposes	10,433,528	9,819,582
Taxes Levied for Debt Service	2,665,673	2,649,850
Taxes Levied for Other Specific Purposes	209,054	196,926
Federal and State Aid, Not Restricted	32,724,989	32,197,101
Interest and Investment Earnings	173,097	122,048
Interagency Revenues	968,338	942,016
Miscellaneous	1,089,218	910,428
Special and Extraordinary Items	36,000	8,650
Total Revenues	**$ 60,799,313**	**$ 61,325,300**
Expenses		
Government Activities:		
Instruction	$ 40,870,052	$ 42,853,550
Instruction-Related Services	4,422,803	4,949,687
Pupil Services	6,829,076	4,509,592
General Administration	5,264,054	5,765,624
Plant Services	4,417,339	4,415,216
Community Services	1,489,670	1,596,535
Interest on Long Term Debt	2,484,447	1,857,508
Other Outgo	0	345,966
Total Government Activities	65,777,441	66,293,678
Business Type Activities:		
Pupil Services	0	2,328,248
General Administration	0	113,349
Plant Services	0	0
Total Business Type Activities	0	2,441,597
Total Expenses	**$ 65,777,441**	**$ 68,735,275**
Total Increase (Decrease) in Net Position	**$ (4,978,128)**	**$ (7,409,965)**

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, 2018:

	Adopted Budget	Year-End Budget	Actual
Total Revenues	52,489,449	54,993,795	54,233,752
Total Expenditures	53,191,666	55,528,731	54,443,845
Total Other Sources/(Uses)	0	36,000	36,000

The actual net increase to the total revenue budget of $1,866,181 was due to several reasons. The District was declining in enrollment in 2016-17 and budgeted conservatively in 2017-18 adopted budget using prior year ADA. However, District enrollment increased and actual ADA went up 110.79. This increased LCFF revenues $897,929. Federal revenues did go down $290,549, due to Special Education funding appropriated mid-year, in addition to Impact Aid and other categorical funding being reduced. Other State revenue went up $491,898 for several reasons. Additional funding for current and prior year Lottery and California Clean Energy Jobs Act were received. Other local revenues increased $766,903, due to an overall increase but primarily because of one-time income received for return of iPads, 25% MITI implementation fees returned, sale of six portables, and other miscellaneous items.

The actual net increase to the total expenditure budget of $1,374,057 was a result of several factors. After budget adoption, salary increases were negotiated for Non-Management Certificated Staff and was given an increase of 2.5% on 2016-17 salary schedule paid retro in 2017-18. In addition, a .5% increase on 2017-18 salary schedule was given to all groups, Non-Management Certificated and Classified, and all Management. 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.

The following table summarizes the General Fund operational fund financial statements for the year ended June 30, 2018:

Total Revenues	54,233,752
Total Expenditures	54,443,845
Other Financing Sources & Uses-	36,000
Net Change	(174,093)

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 2018-19 will be another challenging year for the District. Future financial performance is dependent on management's ability to continue to control expenses and maintain revenue levels.

Capital Projects

In 2008-09 the voters passed Proposition V which provided $79.5 million to be spent on facilities and technology improvement for all Lakeside Union School District sites. In May 2009, the District received $21,833,149 in proceeds from the sale of Series A bonds. In October 2010, the District received $12,982,209 in proceeds from the sale of Series B bonds. Implementation of Phase I projects began in 2008-09 and continued in 2017-18. Implementation of Phase 2 projects began in 2010-11 and continued in 2017-18. Please note the expenses continued in 2016-17 and 2017-18 for Series B bonds were minimal, and primarily used for consultant fees.

In 2016-17, the District re-financed bonds and due to GASB accounting requirements, the proceeds from sale of bonds and all other financing sources were captured in revenues for a total of $19,752,882. The same amount was captured in expenses for principal and interest debt service, and consultant fees for a total of $19,752,882. This results in a zero net balance. As of June 30, 2017, $319,164 was expended on various projects in fiscal year 2016-17. Total expenses include GASB accounting for debt re-financing were $20,072,046.

Due to increased enrollment and changing facility needs, the District completed various capital projects, upgrades and repairs. A project to add a new portable classroom began at the end of the 2015-16 fiscal year and was completed in 2016-17. Other projects include the following:

- Restroom facilities added to one campus
- School office remodel to one campus
- Upgrade and remodel, and equipment added to the Network Operations Center
- Replaced lighting on three campuses and HVAC's in portables on two campuses to increase energy efficiency which was recorded as work in progress in 2016-17, and as work continued in 2017-18

In 2017-18, the District expenses for Series B bonds were minimal, and used primarily for consultant fees. As of June 30, 2018, $110,013 was expended, of which $98,200 were paid to consultants, and the remaining expenses were for the bond audit, 10% payroll for bond clerk, and technology materials. Total bond expenditures beginning 2008-09 through 2017-18 are $66,415,918.

Consultants began the process for a new issuance of Measure L Series B funds in the principal amount of $15,000,000 for District to receive in November 2018. The new funds will be used on multiple facility improvement projects throughout the Lakeside Union School District over a period of approximately three years.

Capital Assets

The following table shows the values of capital assets at June 30, 2018 and June 30, 2017:

Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2018 and 2017

	2018	2017	Net Change
Governmental Activities:			
Land	2,600,683	2,600,683	$ -
Work in progress	13,659	1,012,935	(999,276)
Buildings	33,169,772	33,585,861	(416,089)
Improvements	185,239	201,852	(16,613)
Equipment	2,451,555	2,780,008	(328,453)
Total	38,420,908	40,181,339	$ (1,760,431)

	2018	2017	Net Change
Business-type Activities:			
Equipment	-	33,508	$ (33,508)
Total	-	33,508	$ (33,508)

Long Term Debt

The following table shows the comparative schedule of District long term debt at June 30, 2018 and June 30, 2017:

	June 30, 2018	June 30, 2017	Total Change
General Obligation Bonds	$ 48,236,654	$ 48,852,658	$ 616,004
Capital Leases	27,979	64,198	36,219
Early Retirement Incentives	666,646	585,454	(81,192)
Total Long-Term Debt	$ 48,931,279	$ 49,502,310	$ 571,031

Financial Issues and Economic Factors

The District saw a decline in enrollment and average daily attendance from fiscal year 1999-2000 through 2006-07. Beginning in fiscal year 2007-08 the District experienced a minimal increase in enrollment. The District looked into various strategies to increase student enrollment and ADA and began implementation of an ADA Recovery Program in 2007-08. Schools offer a Saturday School available for all students to participate in educational activities and the school is able to claim ADA for students who are eligible to make-up absences. Average daily attendance, as reported in Period-2 of the current fiscal year has steadily increased since 2007-08.

District enrollment has also increased due to programs offered such as foreign language, arts, and dance. Although the District did experience a decline in enrollment by approximately 60 students in 2016-17, enrollment increased in 2017-18 by 116 students. The District is experiencing a decline in enrollment again in 2018-19 by approximately 83 students.

District-wide health care costs have been growing dramatically at an average rate of 4-10% 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 2014-15 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, 2018. 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 Local Control Funding Formula (LCFF). The District continues to analyze the impact of the LCFF on funding for our program offerings and services. The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups including those that are low income, English language learners, foster and homeless youth. For 2018-19, the governor proposed to fully close the LCFF funding gap, two years ahead of the intended 2020-21 implementation date. All school districts will have reached the statewide targeted base funding levels in 2018-19.

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 Sherrie Egeskog, Director of Finance at Lakeside Union School District, 12335 Woodside Avenue, Lakeside, CA 92040, or email to segeskog@lsusd.net.

Basic Financial Statements

EXHIBIT A-1

LAKESIDE UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash	$ 14,834,457	$ -	$ 14,834,457
Accounts Receivable	2,677,035	-	2,677,035
Stores Inventories	129,563	-	129,563
Prepaid Expenses	7,919	-	7,919
Capital Assets:			
Land	2,600,683	-	2,600,683
Land Improvements	927,614	-	927,614
Buildings	51,461,175	-	51,461,175
Equipment	7,885,996	-	7,885,996
Work in Progress	13,659	-	13,659
Less Accumulated Depreciation	(24,468,219)	-	(24,468,219)
Total Assets	56,069,882	-	56,069,882
DEFERRED OUTFLOWS OF RESOURCES	23,431,587	-	23,431,587
LIABILITIES:			
Accounts Payable	2,020,501	-	2,020,501
Unearned Revenue	15,929	-	15,929
Long-TermLiabilities:			
Due within one year	2,227,053	-	2,227,053
Due in more than one year	118,013,457	-	118,013,457
Total Liabilities	122,276,940	-	122,276,940
DEFERRED INFLOWS OF RESOURCES	7,609,164	-	7,609,164
NET POSITION:			
Net Investment in Capital Assets	(9,244,793)	-	(9,244,793)
Restricted For:			
Capital Projects	1,173,279	-	1,173,279
Debt Service	2,417,824	-	2,417,824
Educational Programs	388,849	-	388,849
Other Purposes (expendable)	2,207,160	-	2,207,160
Other Purposes (nonexpendable)	222,582	-	222,582
Unrestricted	(47,549,536)	-	(47,549,536)
Total Net Position	$ (50,384,635)	$ -	$ (50,384,635)

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Instruction	$ 40,870,052	$ 227,129	$ 7,487,656	$ -
Instruction-Related Services:				
Instructional Supervision and Administration	470,001	-	79,537	-
Instructional Library, Media and Technology	158,173	-	-	-
School Site Administration	3,794,629	22,635	219,911	-
Pupil Services:				
Home-to-School Transportation	1,571,666	373	1,848	-
Food Services	2,292,656	357,922	1,575,853	-
All Other Pupil Services	2,964,754	-	156,825	-
General Administration:				
Centralized Data Processing	717,028	2,175	8,301	-
All Other General Administration	4,547,026	24,104	493,032	-
Plant Services	4,417,339	38,854	355,207	-
Community Services	1,489,670	310,292	1,137,762	-
Interest on Long-Term Debt	2,484,447	-	-	-
Total Expenses	$ 65,777,441	$ 983,484	$ 11,515,932	$ -

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
Special and Extraordinary Items
Interfund Transfers
Total General Revenues

Change in Net Position

Net Position Beginning - As Restated (Note Q)
Net Position Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (33,155,267)	$ -	$ (33,155,267)
(390,464)	-	(390,464)
(158,173)	-	(158,173)
(3,552,083)	-	(3,552,083)
(1,569,445)	-	(1,569,445)
(358,881)	-	(358,881)
(2,807,929)	-	(2,807,929)
(706,552)	-	(706,552)
(4,029,890)	-	(4,029,890)
(4,023,278)	-	(4,023,278)
(41,616)	-	(41,616)
(2,484,447)	-	(2,484,447)
$ (53,278,025)	$ -	$ (53,278,025)
10,433,528	-	10,433,528
2,665,673	-	2,665,673
209,054	-	209,054
32,724,989	-	32,724,989
173,097	-	173,097
968,338	-	968,338
1,089,218	-	1,089,218
36,000	-	36,000
1,354,226	(1,354,226)	-
$ 49,654,123	$ (1,354,226)	$ 48,299,897
(3,623,902)	(1,354,226)	(4,978,128)
(46,760,733)	1,354,226	(45,406,507)
$ (50,384,635)	$ -	$ (50,384,635)

LAKESIDE UNION SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Child Development Fund
ASSETS:		
Cash in County Treasury	$ 8,142,544	$ 1,400,591
Cash on Hand and in Banks	-	11,848
Cash in Revolving Fund	85,000	-
Accounts Receivable	2,509,175	28,872
Due from Other Funds	397,891	2,590
Stores Inventories	-	-
Prepaid Expenditures	7,869	50
Total Assets	11,142,479	1,443,951
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 1,425,005	$ 68,322
Due to Other Funds	12,919	265,200
Unearned Revenue	15,929	-
Total Liabilities	1,453,853	333,522
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	85,000	-
Stores Inventories	-	-
Prepaid Items	7,870	50
Restricted Fund Balances	639,528	1,106,570
Assigned Fund Balances	755,395	3,809
Unassigned:		
Reserve for Economic Uncertainty	1,636,972	-
Other Unassigned	6,563,861	-
Total Fund Balance	9,688,626	1,110,429
Total Liabilities and Fund Balances	$ 11,142,479	$ 1,443,951

The accompanying notes are an integral part of this statement.

Cafeteria Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
$ 928,356	$ 2,417,824	$ 1,814,784	$ 14,704,099
33,408	-	-	45,256
100	-	-	85,100
130,614	-	8,373	2,677,034
10,330	-	-	410,811
129,563	-	-	129,563
-	-	-	7,919
1,232,371	2,417,824	1,823,157	18,059,782
$ 122,696	$ -	$ 71	$ 1,616,094
130,101	-	2,591	410,811
-	-	-	15,929
252,797	-	2,662	2,042,834
100	-	-	85,100
129,563	-	-	129,563
-	-	-	7,920
849,911	-	1,772,211	4,368,220
-	2,417,824	48,284	3,225,312
-	-	-	1,636,972
-	-	-	6,563,861
979,574	2,417,824	1,820,495	16,016,948
$ 1,232,371	$ 2,417,824	$ 1,823,157	$ 18,059,782

LAKESIDE UNION SCHOOL DISTRICT

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

Total fund balances, governmental funds:		$ 16,016,948
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:	62,889,127	
Accumulated depreciation:	(24,468,219)	
Net:		38,420,908
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(404,404)
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		19,036,380
Deferred inflows of resources relating to pensions		(7,524,782)
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		-
Deferred inflows of resources relating to OPEB		(84,382)
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:		4,395,207
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liaibilities, are reported. Long-term liabilities relating to governmental activities consist of:		
General Obligation Bonds Payable	48,236,654	
Net Pension Liability	57,363,142	
Capital Leases Payable	27,979	
Net OPEB Liability	13,599,563	
Compensated Absences Payable	346,526	
Other General Long-Term Debt	666,646	
Total:		(120,240,510)
Net position of governmental activities - Statement of Net Position		$ (50,384,635)

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, 2018

	General Fund	Child Development Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	$ 26,076,988	$ -
Education Protection Account Funds	6,501,829	-
Local Sources	8,742,355	-
Federal Revenue	2,268,689	-
Other State Revenue	4,854,649	246,039
Other Local Revenue	5,790,107	2,042,193
Total Revenues	54,234,617	2,288,232
Expenditures:		
Current:		
Instruction	37,344,919	519,454
Instruction - Related Services	4,110,187	125,919
Pupil Services	4,150,090	-
Community Services	21,322	1,415,418
General Administration	4,536,796	22,248
Plant Services	4,158,565	14,669
Capital Outlay	121,966	39,999
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	54,443,845	2,137,707
Excess (Deficiency) of Revenues Over (Under) Expenditures	(209,228)	150,525
Other Financing Sources (Uses):		
Transfers In	-	-
Other Sources	36,000	-
Total Other Financing Sources (Uses)	36,000	-
Net Change in Fund Balance	(173,228)	150,525
Fund Balance, July 1	9,861,854	959,904
Fund Balance, June 30	$ 9,688,626	$ 1,110,429

The accompanying notes are an integral part of this statement.

Cafeteria Fund	Bond Interest & Redemption Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 26,076,988
-	-	-	6,501,829
-	-	-	8,742,355
1,742,778	-	-	4,011,467
100,318	32,769	-	5,233,775
395,362	2,652,972	78,038	10,958,672
2,238,458	2,685,741	78,038	61,525,086
-	-	-	37,864,373
-	-	-	4,236,106
2,418,479	-	-	6,568,569
-	-	-	1,436,740
118,316	-	-	4,677,360
21,559	-	143,881	4,338,674
54,756	-	7,850	224,571
-	1,864,000	-	1,864,000
-	996,269	-	996,269
2,613,110	2,860,269	151,731	62,206,662
(374,652)	(174,528)	(73,693)	(681,576)
1,354,226	-	-	1,354,226
-	-	-	36,000
1,354,226	-	-	1,390,226
979,574	(174,528)	(73,693)	708,650
-	2,592,352	1,894,188	15,308,298
$ 979,574	$ 2,417,824	$ 1,820,495	$ 16,016,948

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, 2018

Total change in fund balances, governmental funds:		$ 708,650
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	224,571	
Depreciation Expense	(2,018,510)	
Net		(1,793,939)
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:		1,864,000
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that 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:		(1,281,623)
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:		(2,829,379)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:		1,057
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:		(41,139)
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:		(44,973)
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:		(206,556)
Change in net position of governmental activities - Statement of Activities		$ (3,623,902)

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2018

	Nonmajor Enterprise Fund
	Cafeteria Fund
ASSETS:	
Total Assets	$ -
LIABILITIES:	
Total Liabilities	-
NET POSITION:	
Total Net Position	$ -

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Nonmajor Enterprise Fund
	Cafeteria Fund
Income (Loss) before Contributions and Transfers	$ -
Interfund Transfers Out	(1,354,226)
Change in Net Position	(1,354,226)
Total Net Position - Beginning	1,354,226
Total Net Position - Ending	$ -

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Fund
	Cafeteria Fund
Cash Flows from Operating Activities:	
Transfer Cash to District	$ (1,001,134)
Net Cash Provided (Used) by Operating Activities	(1,001,134)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,001,134)
Cash and Cash Equivalents at Beginning of Year	1,001,134
Cash and Cash Equivalents at End of Year	$ -
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	$ (1,354,226)
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	364,778
Decrease (Increase) in Inventories	161,018
Decrease (Increase) in Equipment	33,508
Decrease (Increase) in Deferred Outflows of Resources	392,325
Increase (Decrease) in Accounts Payable	(33,954)
Increase (Decrease) in Compensated Absences	(23,513)
Increase (Decrease) in Due to Other Funds	(138,750)
Increase (Decrease) in Net OPEB Obligation	(95,335)
Increase (Decrease) in Net Pension Liability	(194,442)
Increase (Decrease) in Deferred Inflows of Resources	(112,543)
Total Adjustments	353,092
Net Cash Provided (Used) by Operating Activities	$ (1,001,134)

The accompanying notes are an integral part of this statement.

LAKESIDE UNION SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	OPEB Trust Fund	Agency Fund
	Retiree Benefit Fund	Student Body Fund
ASSETS:		
Cash on Hand and in Banks	$ -	$ 44,971
Investments	500,000	-
Total Assets	500,000	44,971
LIABILITIES:		
Due to Student Groups	$ -	$ 44,971
Total Liabilities	-	44,971
NET POSITION:		
Held in Trust for OPEB Benefit	500,000	-
Total Net Position	$ 500,000	$ -

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, 2018

	OPEB Trust Fund
	Retiree Benefit Fund
Additions:	
Contributions:	
Employer Contributions Direct	$ 500,000
Total Additions	500,000
Deductions:	
Administrative Expenses	-
Total Deductions	-
Change in Net Position	500,000
Net Position-Beginning of the Year	-
Net Position-End of the Year	$ 500,000

The accompanying notes are an integral part of this statement.

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 Statement 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. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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.

Child Development Fund. This fund is used to account separately for federal, state, and local revenues to operate child development programs.

Cafeteria Special Revenue Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program (Education Code Sections 38090-38093).

Bond Interest and Redemption Fund. This fund is used for the repayment of bonds issued for an LEA (Education Code Sections 15125–15262).

In addition, the District reports the following fund types:

Special Revenue Funds. Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities.

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

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. 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. Budgets and Budgetary Accounting

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

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

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

6. Assets, Liabilities, and Equity

a. Deposits and Investments

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

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the San Diego County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

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

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

b. Stores Inventories and Prepaid Expenditures

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

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

c. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

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

f. 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.

g. 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.

h. 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.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

i. Minimum Fund Balance

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce the service levels because of temporary revenue shortfalls or unpredicted expenses. The District minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts equal to 3% of general fund operating expenses and other financing uses. If the fund balance drops below 3%, it shall be recovered at a rate of 1% minimally, each year.

7. 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.

8. 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.

9. Pensions

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

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

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

10. Use of Estimates

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

11. Fair Value Measurements

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

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

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

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

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

12. Change in Accounting Policies

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

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

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

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

GASB 81 - Irrevocable Split-Interest Agreements

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

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

GASB 85 - Omnibus 2017

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

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

GASB 86 - Certain Debt Extinguishment Issues

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

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation	Action Taken
None reported	Not applicable

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

Following are funds having deficit fund balances or fund net 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. 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 ($14,704,099 as of June 30, 2018). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $14,704,099**.** Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

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

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

Cash balances on hand and in banks ($90,227 as of June 30, 2018) 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. Investments

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 District reports these 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 following table presents investments measured at fair value on a recurring basis at June 30, 2018:

Investment	Total	Level 1	Level 2	Level 3
OPEB investments:				
Beneficial interests in investments held by CERBT Trust	$ 500,000	$ -	$ -	$ 500,000

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, 2018:

	Beneficial Interests in Investments Held by CERBT Trust
Balance at June 30, 2017	$ -
Purchases/contributions of investments	1,329,004
Distributions	(829,004)
Balance at June 30, 2018	$ 500,000

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

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

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

5. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. CalPERS invests in assets with credit ratings ranging from B1 to AAA as established by either S&P, Moody's, or Fitch. Information on the credit ratings can be found in the CalPERS Comprehensive Annual Financial Report (CAFR).

b. Custodial Credit Risk

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

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

As of June 30, 2018, the District's bank balances (including revolving cash) of $3,833,791 was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

c. Concentration of Credit Risk

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

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

6. Investment Accounting Policy

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

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

D. Accounts Receivable

Accounts receivable at June 30, 2018 consisted of intergovernmental grants, entitlements, interest and other local sources as follows:

	Major Governmental Funds				
	General Fund	Child Development Fund	Cafeteria Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:					
Federal Programs	$ 1,058,192	$ -	$ 119,129	$ -	$ 1,177,321
State Government:					
Lottery	213,600	-	-	-	213,600
Special Education	254,897	-	-	-	254,897
Other State Programs	-	23,087	7,647	-	30,734
Local Sources:					
Interest	44,226	5,592	3,808	8,373	61,999
Charter School Oversight	714,086	-	-	-	714,086
After School Program	55,370	-	-	-	55,370
Other Local Sources	168,804	193	30	-	169,027
Total	$ 2,509,175	$ 28,872	$ 130,614	$ 8,373	$ 2,677,034

All accounts receivable are considered to be collectible in full and as such no allowance for doubtful accounts has been established.

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,600,683	$ -	$ -	$ 2,600,683
Work in progress	1,012,935	13,659	1,012,935	13,659
Total capital assets not being depreciated	3,613,618	13,659	1,012,935	2,614,342
Capital assets being depreciated:				
Buildings	50,361,175	1,100,000	-	51,461,175
Improvements	927,614	-	-	927,614
Equipment	7,762,149	123,847	-	7,885,996
Total capital assets being depreciated	59,050,938	1,223,847	-	60,274,785
Less accumulated depreciation for:				
Buildings	(16,775,314)	(1,516,089)	-	(18,291,403)
Improvements	(725,762)	(16,613)	-	(742,375)
Equipment	(4,948,633)	(485,808)	-	(5,434,441)
Total accumulated depreciation	(22,449,709)	(2,018,510)	-	(24,468,219)
Total capital assets being depreciated, net	36,601,229	(794,663)	-	35,806,566
Governmental activities capital assets, net	$ 40,214,847	$ (781,004)	$ 1,012,935	$ 38,420,908

Depreciation was charged to functions as follows:

	Governmental Activities
Instruction	$ 1,557,388
Pupil Services	255,323
Community Services	3,741
General Administration	111,364
Plant Services	90,694
	$ 2,018,510

F. Interfund Balances and Activities

1. Due To and From Other Funds

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

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Child Development Fund	$ 265,200	Child care costs and indirect
General Fund	Nonmajor Govt. Funds	1,499	Developer fees
General Fund	Nonmajor Govt. Funds	1,092	Indirect costs
General Fund	Cafeteria Fund	130,100	OPEB and food service
Child Development Fund	General Fund	2,590	Preschool expense correction
Cafeteria Fund	General Fund	10,330	Reimburse costs
	Total	$ 410,811	

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
Cafeteria Enterprise Fund	Cafeteria Special Revenue Fund	$ 1,354,226	Close enterprise fund
	Total	$ 1,354,226	

G. Short-Term Debt Activity

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

H. Accounts Payable

Accounts payable at June 30, 2018 consisted of:

	Major Governmental Funds				
	General Fund	Child Development Fund	Cafeteria Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	$ 503,576	$ 14,773	$ 86,696	$ 71	$ 605,116
Pension related liabilities	437,895	8,679	8,169	-	454,743
Payroll and related benefits	220,456	39,243	27,831	-	287,530
Other	263,078	5,627	-	-	268,705
Total	$ 1,425,005	$ 68,322	$ 122,696	$ 71	$ 1,616,094

I. Unearned Revenue

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

	General Fund
Federal Government:	
Indian Education	$ 15,929

J. Long-Term Obligations

1. Long-Term Obligation Activity

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 48,852,658	$ 1,298,031	$ 1,914,035	$ 48,236,654	$ 1,664,354
Capital leases	64,198	-	36,219	27,979	21,496
Early retirement Incentive	585,454	224,156	142,964	666,646	194,677
Total OPEB liability	13,642,806	-	43,243	13,599,563	-
Compensated absences *	347,583	-	1,057	346,526	346,526
Net pension liability	50,890,940	6,472,202	-	57,363,142	-
Total governmental activities	$ 114,383,639	$ 7,994,389	$ 2,137,518	$ 120,240,510	$ 2,227,053

* 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

2. Capital Leases

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

Year Ending June 30,	Principal	Interest	Total
2019	$ 21,496	$ -	$ 21,496
2020	6,483	-	6,483
Totals	$ 27,979	$ -	$ 27,979

3. General Obligation Bonds

General obligation bonds at June 30, 2018 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
Total GO Bonds				$ 61,715,358

	Beginning Balance	Increases	Decreases	Ending Balance
2008 Election Series A	$ 3,338,149	$ -	$ 420,000	$ 2,918,149
2008-A Bond Premium	96,761	-	12,174	84,587
2008-A Accreted Interest	1,418,547	262,699	-	1,681,246
2008 Election Series B	10,690,031	-	-	10,690,031
2008-B Bond Premium	278,929	-	-	278,929
2008-B Accreted Interest	5,221,871	1,035,332	-	6,257,203
2014 Election Series A	2,015,000	-	984,000	1,031,000
2015 Refunding Bonds	6,120,000	-	100,000	6,020,000
2015 Discount	(79,512)	-	(1,299)	(78,213)
2016 Refunding Bonds	17,815,000	-	360,000	17,455,000
2016 Premium	1,937,882	-	39,160	1,898,722
Total GO Bonds	$ 48,852,658	$ 1,298,031	$ 1,914,035	$ 48,236,654

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

Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2019	$ 1,651,000	$ -	$ 951,716	$ 2,602,716
2020	685,000	-	919,456	1,604,456
2021	550,000	-	895,306	1,445,306
2022	660,000	-	869,556	1,529,556
2023	775,000	-	836,031	1,611,031
2024-2028	3,413,149	3,936,851	3,820,980	11,170,980
2029-2033	14,795,000	-	2,285,648	17,080,648
2034-2038	8,381,025	12,848,975	137,031	21,367,031
2039-2043	2,987,143	17,421,455	-	20,408,598
2044-2048	2,333,520	19,349,534	-	21,683,054
2049-2053	1,883,343	20,619,946	-	22,503,289
Totals	$ 38,114,180	$ 74,176,761	$ 10,715,724	$ 123,006,665

Accreted interest represented in the table is inclusive of amounts that have accrued as of June 30, 2018. Accreted interest represented in the repayment schedule is inclusive of all amounts that will be repaid.

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	23,082,928	78,734,885	3,408,572	6,779,454
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%

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.

On June 20, 2015, 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 $69,015 to be paid over three years in annual installments of approximately $23,005 annually.

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	$ 33,618	$ -	$ 11,206	$ 22,412
2015 STRS Option III 2 Yrs	573,762	430,322	-	71,720	358,602
2015 Option II 40% Salary 3 Yrs	69,015	23,005	-	23,005	-
2016 Option II 40% Salary 3 Yrs	37,764	25,175	-	12,588	12,587
2017 Option II 40% Salary 3 Yrs	73,334	73,334	-	24,445	48,889
FBC 40% Salary 3 YRS	224,156	-	224,156	-	224,156
Total	$ 1,067,679	$ 585,454	$ 224,156	$ 142,964	$ 666,646

Future repayments on early retirement incentives are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 194,677	$ 28,846	$ 223,523
2020	182,089	22,356	204,445
2021	146,438	16,137	162,575
2022	71,720	8,069	79,789
2023	71,722	8,069	79,791
Totals	$ 666,646	$ 83,477	$ 750,123

4. Compensated Absences

Total District's governmental funds unpaid employee compensated absences as of June 30, 2018 amounted to $346,526. 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 $50,890,940 and increased by $6,472,202 during the year ended June 30, 2018. The ending net pension liability for the governmental funds at June 30, 2018 was $57,363,142. See Note N for additional information regarding the net pension liability.

6. Total OPEB Liability

The District's governmental funds beginning total OPEB liability was $13,642,806 and decreased during the year ended June 30, 2018 by $43,243. The ending total OPEB liability for the governmental funds at June 30, 2018 was $13,599,563. See Note O for additional information regarding the total OPEB liability.

K. Deferred Outflows of Resources

On June 9, 2015 the District issued refunding bonds which partially refunded the 2008 Series B Bonds. The bond issuance resulted in a refunding loss of $3,041,488 which is recorded as a deferred outflow of resources and amortized over the life of the bond.

On November 2, 2016 the District issued refunding bonds which partially refunded the 2008 Series A Bonds. The bond issuance resulted in a refunding loss of $1,899,966 which is recorded as a deferred outflow of resources and amortized over the life of the bond.

In accordance with GASB Statement No. 68 & 71, payments made subsequent to the net pension liability measurement date, difference between expected and actual earnings, and net difference between projected and actual earnings are recorded as deferred outflows of resources.

A summary of the deferred outflows of resources as of June 30, 2018 are as follows:

Description	Amortization Term	Balance July 1, 2017	Additions	Current Year Amortization	Balance June 30, 2018
2015 Series B Refunding Loss	21 Years	$ 2,751,832	$ -	$ 144,833	$ 2,606,999
2016 Series A Refunding Loss	17 Years	1,899,966	-	111,758	1,788,208
Pension Related	Varies	9,686,177	17,503,532	8,153,329	19,036,380
Total Deferred Outflows of Resources		$ 14,337,975	$ 17,503,532	$ 8,409,920	$ 23,431,587

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Refunding Loss	Pension Related	Total
2019	$ 256,596	$ 8,859,478	$ 9,116,074
2020	256,596	4,200,292	4,456,888
2021	256,596	3,407,743	3,664,339
2022	256,596	2,568,867	2,825,463
2023	256,596	-	256,596
2024-2028	1,282,980	-	1,282,980
2029-2033	1,282,980	-	1,282,980
2034-2038	546,267	-	546,267
Total	$ 4,395,207	$ 19,036,380	$ 23,431,587

L. Deferred Inflows of Resources

In accordance with GASB Statement No. 68 & 71, certain items related to pensions as identified in the GASB statement are recorded as deferred inflows of resources.

In accordance with GASB Statement No. 75 certain items related to OPEB as identified in the GASB statement are recorded as deferred inflows of resources.

A summary of the deferred inflows of resources as of June 30, 2018 is as follows:

Description	Amortization Term	Balance July 1, 2017	Additions	Current Year Amortization	Balance June 30, 2018
Pension Related	Varies	$ 1,817,402	$ 8,135,371	$ 2,427,991	$ 7,524,782
OPEB - Changes of Assumptions	6 Years	-	98,446	14,064	84,382
Total Deferred Inflows of Resources		$ 1,817,402	$ 8,233,817	$ 2,442,055	$ 7,609,164

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related	OPEB Related	Total
2019	$ 2,427,989	$ 14,064	$ 2,442,053
2020	1,815,536	14,064	1,829,600
2021	1,654,185	14,064	1,668,249
2022	1,627,072	14,064	1,641,136
2023	-	14,064	14,064
2024	-	14,062	14,062
Total	$ 7,524,782	$ 84,382	$ 7,609,164

M. 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. Combined condensed unaudited financial information of the District's share of the JPAs for the year ended June 30, 2018 is as follows:

	Workers Compensation Fund	Property & Liability Fund	Miscellaneous Property Fund	Total SDCSRM
Total Assets and Deferred Outflows of Resources	$ 1,964,671	$ 131,323	$ 59,007	$ 2,155,001
Total Liabilities and Deferred Inflows of Resources	359,391	310,040	3,533	672,964
Total Net Position	$ 1,605,280	$ (178,717)	$ 55,474	$ 1,482,037
Total Cash Receipts	$ 505,352	$ 322,389	$ 7,665	$ 835,406
Total Cash Disbursements	361,814	416,463	10,334	788,611
Net Change in Net Position	$ 143,538	$ (94,074)	$ (2,669)	$ 46,795

The District had a deficit in their property & liability fund with the JPA as of year end. The District is currently negotiating an arrangement with the JPA to repay the deficit. As of June 30, 2018 terms of the repayment have not yet been agreed upon.

	Dental Fund	Health & Welfare Fund	Vision Fund	Total FBC
Total Assets and Deferred Outflows of Resources	$ 315,938	$ N/A	$ N/A	$ 315,938
Total Liabilities and Deferred Inflows of Resources	116,895	N/A	N/A	116,895
Total Net Position	$ 199,043	$ N/A	$ N/A	$ 199,043
Total Cash Receipts	$ 379,234	$ N/A	$ N/A	$ 379,234
Total Cash Disbursements	433,975	N/A	N/A	433,975
Net Change in Net Position	$ (54,741)	$ N/A	$ N/A	$ (54,741)

N/A- The District does not participate in the health & welfare and vision programs of the JPA.

N. 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 Provided

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

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

	CalSTRS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly Benefits as a % of Eligible Compensation	1.1-2.4%	1.0-2.4%*
Required Employee Contribution Rates (at June 30, 2018)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2018)	14.430%	14.430%
Required State Contribution Rates (at June 30, 2018)	7.726%	7.726%

*Amounts are limited to 120% of Social Security Wage Base.
**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1-2.5%	1.1-2.5%*
Required Employee Contribution Rates (at June 30, 2018)	7.000%	6.500%
Required Employer Contribution Rates (at June 30, 2018)	15.531%	15.531%

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

c. Contributions

CalSTRS

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

CalPERS

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

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2017 (measurement date) the State contributed 7.726% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contributions reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	4.210%	$ 985,472
2017	6.040%	1,435,863
2018	7.726%	1,775,673

d. Contributions Recognized

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

	CalSTRS	CalPERS	Total
Contributions - Employer (Measurement Period)	$ 2,990,158	$ 1,179,710	$ 4,169,868
Contributions - State On Behalf Payments (Fiscal Year)	1,775,673		1,775,673
Total Contributions	$ 4,765,831	$ 1,179,710	$ 5,945,541

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

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

	Proportionate Share of Net Pension Liability
CalSTRS	$ 41,574,495
CalPERS	15,788,647
Total Net Pension Liability	$ 57,363,142

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

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

	CalSTRS			
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	CalPERS
Proportion June 30, 2017	0.0471%	0.0269%	0.0740%	0.0649%
Proportion June 30, 2018	0.0450%	0.0267%	0.0717%	0.0661%
Change in Proportion	-0.0021%	-0.0002%	-0.0023%	0.0012%

a. Pension Expense

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

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	$ 3,492,944	$ 2,979,259	$ 6,472,203
State On Behalf Pension Expense	1,079,019	1,342,874	2,421,893
Employer Contributions to Pension Expense	3,316,309	-	3,316,309
(Increase)/Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(521,610)	(184,538)	(706,148)
Difference Between Actual & Expected Experience	(143,496)	(80,488)	(223,984)
Change in Assumptions	(7,188,484)	(2,459,926)	(9,648,410)
Change in Proportionate Shares	440,448	(131,904)	308,544
Net Difference Between Projected & Actual Earnings	3,000	916,795	919,795
Increase/(Decrease) in Deferred Inflows of Resources			-
Difference Between Actual & Expected Experience	(2,657)	-	(2,657)
Change in Assumptions	-	(160,208)	(160,208)
Change in Proportionate Shares	1,377,125	(26,854)	1,350,271
Net Difference Between Projected & Actual Earnings	3,934,822	585,152	4,519,974
Total Pension Expense	$ 5,787,420	$ 2,780,162	$ 8,567,582

b. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	$ 3,316,309	$ 1,342,874	$ 4,659,183
Differences between actual and expected experience	143,496	735,142	878,638
Changes in assumptions	7,188,484	2,459,926	9,648,410
Change in employer's proportion share	1,147,597	342,695	1,490,292
Net difference between projected and actual earnings	7,520	2,352,337	2,359,857
Total Deferred Outflows of Resources	$ 11,803,406	$ 7,232,974	$ 19,036,380

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	$ (4,312)	$ -	$ (4,312)
Changes in assumptions	-	(320,416)	(320,416)
Change in employer's proportionate share	(1,377,125)	(80,560)	(1,457,685)
Net difference between projected and actual earnings	(3,934,822)	(1,807,547)	(5,742,369)
Total Deferred Inflows of Resouces	$ (5,316,259)	$ (2,208,523)	$ (7,524,782)

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, 2019. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect
June 30	CalSTRS	CalPERS	CalSTRS	CalPERS	on Expenses
2019	$ 5,592,751	$ 3,266,727	$ (1,330,643)	$ (1,097,346)	$ 6,431,489
2020	2,276,441	1,923,851	(1,329,387)	(486,149)	2,384,756
2021	2,101,219	1,306,524	(1,328,243)	(325,942)	1,753,558
2022	1,832,995	735,872	(1,327,986)	(299,086)	941,795
Total	$ 11,803,406	$ 7,232,974	$ (5,316,259)	$ (2,208,523)	$ 11,511,598

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

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

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

d. Discount Rate

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

The CalPERS discount rate was increased from 7.50% for measurement date June 30, 2015 to correct for an adjustment to exclude administrative expenses. The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

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

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

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

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

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

CalSTRS

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

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

CalPERS

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

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

e. <u>Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate</u>

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

	CalSTRS	CalPERS
1% Decrease	6.10%	6.15%
Net Pension Liability	$ 61,044,557	$ 23,230,159
Current Discount Rate	7.10%	7.15%
Net Pension Liability	$ 41,574,495	$ 15,788,647
1% Increase	8.10%	8.15%
Net Pension Liability	$ 25,773,220	$ 9,615,289

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

CalSTRS

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2017 (Previously Reported)	$ 199,842,818	$ 139,976,724	$ 59,866,094	$ 21,784,543	$ 38,081,551
Changes for the year:					
Change in Proportionate share	(6,388,923)	(4,475,019)	(1,913,904)	(192,497)	(1,721,407)
Service Cost	4,344,917	-	4,344,917	1,618,845	2,726,072
Interest	14,492,848	-	14,492,848	5,399,800	9,093,048
Differences between expected and actual experience	285,887	-	285,887	106,517	179,370
Change in assumptions	14,321,602	-	14,321,602	5,335,996	8,985,606
Contributions:					
Employer	-	2,990,164	(2,990,164)	(1,114,087)	(1,876,077)
Employee	-	2,465,427	(2,465,427)	(918,578)	(1,546,849)
State On Behalf Payments	-	1,775,676	(1,775,676)	(661,588)	(1,114,088)
Net Investment Income	-	18,031,103	(18,031,103)	(6,718,096)	(11,313,007)
Other Income	-	51,592	(51,592)	(19,222)	(32,370)
Benefit Payments, including refunds of employee contributions	(9,961,312)	(9,961,312)	-	-	-
Administrative expenses	-	(130,668)	130,668	48,685	81,983
Borrowing Costs	-	(41,527)	41,527	15,472	26,055
Other Expenses	-	(7,345)	7,345	2,737	4,608
Net Changes	17,095,019	10,698,091	6,396,928	2,903,984	3,492,944
Balance at June 30, 2018	$ 216,937,837	$ 150,674,815	$ 66,263,022	$ 24,688,527	$ 41,574,495

CalPERS

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	$ 49,073,117	$ 36,263,729	$ 12,809,388
Changes for the year:			
Adjustment for Change in Proportionate Share	968,138	715,428	252,710
Service Cost	1,343,847	-	1,343,847
Interest	3,782,927	-	3,782,927
Differences between expected and actual experience	351,757	-	351,757
Changes in Assumptions	3,074,907	-	3,074,907
Contributions - Employer	-	1,179,710	(1,179,710)
Contributions - Employee	-	593,539	(593,539)
Net Plan to Plan Resource Movement	-	(90)	90
Net Investment Income	-	4,108,286	(4,108,286)
Benefit Payments, including refunds of employee contributions	(2,463,543)	(2,463,543)	-
Administrative expenses	-	(54,556)	54,556
Net Changes	7,058,033	4,078,774	2,979,259
Balance at June 30, 2018	$ 56,131,150	$ 40,342,503	$ 15,788,647

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

O. 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 elibility 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.

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:

Description	Plan
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, 2018, 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	550

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:

Asset Class	Target Allocation*	Target Range	Benchmark
Global Equity	57%	+ or - 2%	MSCI All Country World Indix IMI (net)
Fixed Income	27%	+ or - 2%	Bloomberg Barclays Long Liability Index
Treasury Invlation-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.

Rate of Return

For the year ended June 30, 2017, 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, 2017, the money-weighted rate of return, net of investment expense, was 10.0%.

3. Total OPEB Liability

The District's total OPEB liability of $13,599,563 was measured as of June 30, 2018, 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, 2018
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

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:

CalPERS				
	Actives		Retirees	
Age	Males	Females	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.

CalSTRS				
	Actives		Retirees*	
Age	Males	Females	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.

Retirement Rates:

	Percent Retiring*	
Age	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%

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%	

<u>Discount rate</u>

The Discount rate used to measure the total OPEB liability was 3.50% (an increase from 4.52% used in the June 30, 2017 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.

Changes in the Total OPEB Liaibility

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017	$ 13,642,806	$ -	$ 13,642,806
Changes for the year:			
Service cost	903,718	-	903,718
Interest	480,489	-	480,489
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions	(98,446)	-	(98,446)
Contributions - Employer	-	1,329,004	(1,329,004)
Benefit payments, including refunds of employee contributions	(829,004)	(829,004)	-
Net Changes	456,757	500,000	(43,243)
Balance at June 30, 2018	$ 14,099,563	$ 500,000	$ 13,599,563

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than the current discount rate:

	1% Decrease (2.50%)	Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB Liability	$ 14,615,999	$ 13,599,563	$ 12,653,907

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	Healthcare Cost Trend Rate	1% Increase
	5.50% decreasing to 4.00%	6.50% decreasing to 5.00%	7.50% decreasing to 6.00%
Total OPEB Liability	$ 12,244,124	$ 13,599,563	$ 15,189,107

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

For the year ended June 30, 2018 the District recognized OPEB expense of $1,370,143. At June 30, 2018 the District reported deferred inflows of resources related to the following sources:

	Deferred Inflows of Resources
Changes in assumptions	$ 84,382

At June 30, 2018 the District did not report any deferred outflows of resources relating to OPEB.

Amounts reported as deferred inflows 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, 2018, the District did not have any payables to the OPEB plan outstanding.

P. Components of Ending Fund Balance

As of June 30, 2018 ending fund balance consisted of the following:

	Major Governmental Funds				
	General Fund	Child Development Fund	Cafeteria Fund	Bond Interest & Redemption Fund	Nonmajor Governmental Funds
Nonspendable Fund Balances					
Revolving Cash	$ 85,000	$ -	$ 100	$ -	$ -
Stores Inventory	-	-	129,563	-	-
Prepaid Expense	7,869	50	-	-	-
Total Nonspendable	92,869	50	129,663	-	-
Restricted Fund Balances					
Capital Projects	-	-	-	-	1,772,211
Medi-Cal	204,708	-	-	-	-
Educational Programs	388,849	-	-	-	-
Mental Health Services	-	-	-	-	-
Child Development Program	-	1,106,570	-	-	-
Cafeteria Child Nutrition	-	-	849,911	-	-
Other Restricted	45,971	-	-	-	-
Total Restricted	639,528	1,106,570	849,911	-	1,772,211
Assigned Fund Balances					
Maintenance Trucks	75,000	-	-	-	-
Child Development Program	-	3,809	-	-	-
Debt Service	-	-	-	2,417,824	-
Pupil Transportation	-	-	-	-	31,895
OPEB Obligation	57,579	-	-	-	-
Site/Department Carryovers	622,584	-	-	-	-
Other Assignments	232	-	-	-	16,389
Total Assigned	755,395	3,809	-	2,417,824	48,284
Unassigned Fund Balances					
For Economic Uncertainty	1,636,972	-	-	-	-
Other Unassigned	6,563,862	-	-	-	-
Total Unassigned	8,200,834	-	-	-	-
Total Fund Balance	$ 9,688,626	$ 1,110,429	$ 979,574	$ 2,417,824	$ 1,820,495

Q. Adjustments to Beginning Net Position

During the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Implementation of GASB Statement No. 75 resulted in a change in calculations of total OPEB liability as well as deferred outflows and deferred inflows of resources associated with OPEB. In addition, the District determined that OPEB would fully be accounted for in the government-wide financial statements. In addition to the change in accounting policies, the District made corrections to the early retirement incentive liability that were discovered during the current fiscal year. The combination of changes due to accounting policies and correction of errors resulted in adjustment to the beginning net position. Beginning net position was adjusted as follows:

	Government Wide Financial Statements
Beginning Net Position - Originally Stated	$ (36,462,111)
Adjustments for Accounting Policy Change:	
Total OPEB Liability	(10,115,730)
Deferred Inflows of Resources - OPEB	(84,382)
Adjustments for Early Retirement Incentive	(98,510)
Total Adjustments	(10,298,622)
Beginning Net Position - As Restated	$ (46,760,733)

R. 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 review 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.

S. Construction Commitments

As of June 30, 2018 the District had the following commitments with respect to unfinished capital projects:

	Commitment	*Expected Date of Final Completion
Construction in Process:		
Playground Equipment-Eucalyptus Hills Elementary School	$ 5,809	August 2018
Restrooms ESS Program-Lakeside Farms Elementary School	7,850	December 2018

*Expected date of final completion subject to change

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.

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, 2019. Those newly implemented pronouncements are as follows:

GASB 83 - Certain Asset Retirement Obligations

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

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

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

Required Supplementary Information

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

LAKESIDE UNION SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 26,843,552	$ 26,839,724	$ 26,076,988	$ (762,736)
Education Protection Account Funds	5,817,544	5,901,409	6,501,829	600,420
Local Sources	7,762,146	8,663,179	8,742,355	79,176
Federal Revenue	2,559,238	2,634,484	2,268,689	(365,795)
Other State Revenue	4,484,629	5,037,289	4,854,649	(182,640)
Other Local Revenue	5,022,340	5,917,710	5,789,242	(128,468)
Total Revenues	52,489,449	54,993,795	54,233,752	(760,043)
Expenditures:				
Current:				
Certificated Salaries	22,331,362	23,774,390	23,736,026	38,364
Classified Salaries	8,383,274	8,175,844	8,081,917	93,927
Employee Benefits	15,464,333	15,393,190	15,511,420	(118,230)
Books And Supplies	2,023,704	1,854,348	1,403,809	450,539
Services And Other Operating Expenditures	5,124,613	6,375,394	5,729,271	646,123
Direct Support/Indirect Costs	(135,620)	(160,592)	(140,564)	(20,028)
Capital Outlay	-	116,157	121,966	(5,809)
Total Expenditures	53,191,666	55,528,731	54,443,845	1,084,886
Excess (Deficiency) of Revenues Over (Under) Expenditures	(702,217)	(534,936)	(210,093)	324,843
Other Financing Sources (Uses):				
Other Sources	-	36,000	36,000	-
Total Other Financing Sources (Uses)	-	36,000	36,000	-
Net Change in Fund Balance	(702,217)	(498,936)	(174,093)	324,843
Fund Balance, July 1	9,804,908	9,804,908	9,804,908	-
Fund Balance, June 30	$ 9,102,691	$ 9,305,972	$ 9,630,815	$ 324,843

LAKESIDE UNION SCHOOL DISTRICT **EXHIBIT B-2**

CHILD DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Other State Revenue	$ 231,126	$ 242,630	$ 246,039	$ 3,409
Other Local Revenue	1,907,465	1,924,994	2,042,193	117,199
Total Revenues	2,138,591	2,167,624	2,288,232	120,608
Expenditures:				
Current:				
Certificated Salaries	115,545	133,339	123,643	9,696
Classified Salaries	993,222	1,061,725	1,094,259	(32,534)
Employee Benefits	404,035	428,045	428,988	(943)
Books And Supplies	118,562	91,268	80,908	10,360
Services And Other Operating Expenditures	225,425	296,678	347,662	(50,984)
Direct Support/Indirect Costs	-	22,298	22,248	50
Capital Outlay	-	39,999	39,999	-
Total Expenditures	1,856,789	2,073,352	2,137,707	(64,355)
Excess (Deficiency) of Revenues Over (Under) Expenditures	281,802	94,272	150,525	56,253
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	281,802	94,272	150,525	56,253
Fund Balance, July 1	959,904	959,904	959,904	-
Fund Balance, June 30	$ 1,241,706	$ 1,054,176	$ 1,110,429	$ 56,253

LAKESIDE UNION SCHOOL DISTRICT

EXHIBIT B-3

CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Federal Revenue	$ 1,537,000	$ 1,591,700	$ 1,742,778	$ 151,078
Other State Revenue	94,000	96,000	100,318	4,318
Other Local Revenue	677,243	606,790	395,362	(211,428)
Total Revenues	2,308,243	2,294,490	2,238,458	(56,032)
Expenditures:				
Current:				
Classified Salaries	865,375	846,144	853,106	(6,962)
Employee Benefits	393,284	356,420	353,918	2,502
Books And Supplies	1,377,505	1,177,491	1,168,858	8,633
Services And Other Operating Expenditures	141,056	83,186	64,156	19,030
Direct Support/Indirect Costs	135,620	138,294	118,316	19,978
Capital Outlay	-	46,162	54,756	(8,594)
Total Expenditures	2,912,840	2,647,697	2,613,110	34,587
Excess (Deficiency) of Revenues Over (Under) Expenditures	(604,597)	(353,207)	(374,652)	(21,445)
Other Financing Sources (Uses):				
Transfers In	927,326	1,354,231	1,354,226	(5)
Total Other Financing Sources (Uses)	927,326	1,354,231	1,354,226	(5)
Net Change in Fund Balance	322,729	1,001,024	979,574	(21,450)
Fund Balance, July 1	-	-	-	-
Fund Balance, June 30	$ 322,729	$ 1,001,024	$ 979,574	$ (21,450)

EXHIBIT B-4

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
2018's proportion of the net pension liability (asset)	0.0449%	0.0471%	0.0451%	0.0436%	N/A	N/A	N/A	N/A	N/A	N/A
2018's proportionate share of the net pension liability (asset)	$ 41,574,495	$ 38,081,551	$ 30,364,814	$ 25,487,786	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the 2018	24,688,493	20,867,350	16,696,330	16,011,691	N/A	N/A	N/A	N/A	N/A	N/A
Total	$ 66,262,988	$ 58,948,901	$ 47,061,144	$ 41,499,477	N/A	N/A	N/A	N/A	N/A	N/A
2018's covered-employee payroll	$ 23,769,141	$ 22,215,413	$ 23,392,665	$ 20,842,725	N/A	N/A	N/A	N/A	N/A	N/A
2018's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	174.91%	171.42%	129.80%	122.29%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-5

LAKESIDE UNION SCHOOL DISTRICT

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 3,316,309	$ 2,794,699	2,510,033	1,850,834	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(3,316,309)	(2,794,699)	(2,510,033)	(1,850,834)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	$ -	-	-	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 22,982,044	$ 22,215,413	23,392,665	20,842,725	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	14.430%	12.580%	10.730%	8.880%	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-6

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 *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0661%	0.0603%	0.0613%	0.0586%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 15,788,647	$ 11,911,296	$ 9,029,628	6,651,738	N/A	N/A	N/A	N/A	N/A	$ N/A
District's covered-employee payroll	$ 8,494,456	$ 7,720,687	$ 7,303,360	6,812,395	N/A	N/A	N/A	N/A	N/A	$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	185.87%	154.28%	123.64%	97.64%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-7

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 1,342,874	$ 1,072,249	$ 865,229	801,887	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(1,342,874)	(1,072,249)	(865,229)	(801,887)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	$ -	$ -	-	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 8,646,410	$ 7,720,687	$ 7,303,360	6,812,395	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information.

EXHIBIT B-8

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 2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability:										
Service cost	$ 903,718	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Interest	480,489	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	(98,446)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(829,004)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	456,757	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	13,642,806	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending (a)	$ 14,099,563	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Plan fiduciary net position:										
Contributions - employer	$ 1,329,004	$ N/A	$ 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	N/A
Net investment income	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments, including refunds of employee contributions	(829,004)	N/A	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	N/A
Other	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	500,000	N/A	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	N/A
Plan fiduciary net position - ending (b)	$ 500,000	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
District's net OPEB liability - ending (a) - (b)	$ 13,599,563	$ N/A	$ 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	3.55%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	$ 30,064,000	$ N/A	$ 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	45.24%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-9

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	$ 842,259	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions in relation to the actuarially determined contribution	(1,329,004)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ (486,745)	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Covered-employee payroll	$ 30,064,000	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Contributions as a percentage of covered-employee payroll	4.42%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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*

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
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.

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	$	9,688,626
Less: Fund 17 Fund Balance		(232)
Less: Fund 20 Fund Balance		(57,579)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	$	9,630,815
General Fund - Fund Financial Statements Net Change in Fund Balance	$	(173,228)
Change in Fund Balance attributed to Fund 17		(3)
Change in Fund Balance attributed to Fund 20		(862)
General Fund - Budgetary Comparison Schedule Change in Fund Balance	$	(174,093)

Excess of Expenditures Over Appropriations

As of June 30, 2018, expenditures exceeded appropriations in individual budgeted funds as follows:

Appropriations Category		Excess Expenditures	Reason for Excess Expenditures
General Fund:			
Employee Benefits	$	118,230	The District underestimated costs of benefit increases
Capital Outlay		5,809	The District underestimated costs of capital outlay
Child Development Fund:			
Classified Salaries		32,534	The District underestimated costs of salary increases
Employee Benefits		943	The District underestimated costs of benefit increases
Services and Other		50,984	The District underestimated costs of services and other
Cafeteria Fund			
Classified Salaries		6,962	The District underestimated costs of salary increases
Capital Outlay		8,594	The District underestimated costs of capital outlay

Amounts in excess of appropriations were not considered a violation of any laws, regulations, contracts or grant agreements and did not have a direct or material effect on the financial statements.

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

1) Benefit Changes: In 2015, 2016, 2017 & 2018 there were no changes to benefits

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

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

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

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

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

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

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

1) Benefit Changes: In 2015, 2016, 2017 & 2018 there were no changes to benefits

2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65%. In 2018 the discount rate was changed from 7.65% to 7.15%.

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

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, & 2016 and rolling forward the total pension liabilities to June 30, 2014, 2015, 2016 & 2017 (measurement dates). The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, June 30, 2016 and June 30, 2017 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

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

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

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the April 2014 experience study report (based on demographic data from 1997 to 2011) available on CalPERS website.

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

1) Benefit Changes: In 2018 there were no changes to benefits.

2) Changes in Assumptions: In 2018 there were no changes in assumptions.

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

Year	Discount Rate
2018	3.35%

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, 2018

	Special Revenue Fund: Pupil Transportation Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Cash in County Treasury	$ 31,750	$ 1,783,034	$ 1,814,784
Accounts Receivable	145	8,228	8,373
Total Assets	31,895	1,791,262	1,823,157
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ -	$ 71	$ 71
Due to Other Funds	-	2,591	2,591
Total Liabilities	-	2,662	2,662
Fund Balance:			
Restricted Fund Balances	-	1,772,211	1,772,211
Assigned Fund Balances	31,895	16,389	48,284
Total Fund Balance	31,895	1,788,600	1,820,495
Total Liabilities and Fund Balances	$ 31,895	$ 1,791,262	$ 1,823,157

LAKESIDE UNION SCHOOL DISTRICT

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

	Special Revenue Fund Pupil Transportation Fund	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:			
Other Local Revenue	$ 478	$ 77,560	$ 78,038
Total Revenues	478	77,560	78,038
Expenditures:			
Current:			
Plant Services	-	143,881	143,881
Capital Outlay	-	7,850	7,850
Total Expenditures	-	151,731	151,731
Excess (Deficiency) of Revenues Over (Under) Expenditures	478	(74,171)	(73,693)
Net Change in Fund Balance	478	(74,171)	(73,693)
Fund Balance, July 1	31,417	1,862,771	1,894,188
Fund Balance, June 30	$ 31,895	$ 1,788,600	$ 1,820,495

LAKESIDE UNION SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2018

	Building Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:				
Cash in County Treasury	$ 597,282	$ 1,169,438	$ 16,314	$ 1,783,034
Accounts Receivable	2,812	5,341	75	8,228
Total Assets	600,094	1,174,779	16,389	1,791,262
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 71	$ -	$ -	$ 71
Due to Other Funds	1,092	1,499	-	2,591
Total Liabilities	1,163	1,499	-	2,662
Fund Balance:				
Restricted Fund Balances	598,931	1,173,280	-	1,772,211
Assigned Fund Balances	-	-	16,389	16,389
Total Fund Balance	598,931	1,173,280	16,389	1,788,600
Total Liabilities and Fund Balances	$ 600,094	$ 1,174,779	$ 16,389	$ 1,791,262

LAKESIDE UNION SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Building Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Other Local Revenue	$ 9,925	$ 67,390	$ 245	$ 77,560
Total Revenues	9,925	67,390	245	77,560
Expenditures:				
Current:				
Plant Services	110,013	33,868	-	143,881
Capital Outlay	-	7,850	-	7,850
Total Expenditures	110,013	41,718	-	151,731
Excess (Deficiency) of Revenues Over (Under) Expenditures	(100,088)	25,672	245	(74,171)
Net Change in Fund Balance	(100,088)	25,672	245	(74,171)
Fund Balance, July 1	699,019	1,147,608	16,144	1,862,771
Fund Balance, June 30	$ 598,931	$ 1,173,280	$ 16,389	$ 1,788,600

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, 2018

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.

On March 13, 2008 the district authorized a charter for the National University Academy dedicated to creating K-12 learning opportunities beginning in the 2008-09 school year.

Governing Board

Name	Office	Term and Term Expiration
Gelia G. Cook	President	Four Year Term Expires November 2018
Rhonda Taylor	Vice President	Four Year Term Expires November 2020
Bonnie LaChappa	Clerk	Four Year Term Expires November 2018
John Butz	Member	Four Year Term Expires November 2020
Holly Ferrante	Member	Four Year Term Expires November 2018

Administration

Andy Johnsen, Ed.D.
Superintendent

Erin Garcia
Assistant Superintendent
Business Services

Kim Reed, Ed.D.
Assistant Superintendent
Educational Services

Sherrie Egeskog
Director of Finance

LAKESIDE UNION SCHOOL DISTRICT

TABLE D-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	2,362.65	N/A	2,368.50	N/A
Extended Year Special Education	3.88	N/A	3.88	N/A
Special Education, Nonpublic	2.12	N/A	2.91	N/A
Extended Year - Nonpublic	0.25	N/A	0.25	N/A
TK/K-3 Totals	2,368.90	N/A	2,375.54	N/A
Grades 4-6:				
Regular ADA	1,611.45	N/A	1,600.30	N/A
Extended Year Special Education	3.31	N/A	3.31	N/A
Special Education, Nonpublic	1.91	N/A	1.91	N/A
Extended Year - Nonpublic	0.31	N/A	0.31	N/A
Grades 4-6 Totals	1,616.98	N/A	1,605.83	N/A
Grades 7-8:				
Regular ADA	973.64	N/A	962.61	N/A
Extended Year Special Education	1.74	N/A	1.74	N/A
Special Education, Nonpublic	1.29	N/A	1.49	N/A
Extended Year - Nonpublic	0.06	N/A	0.06	N/A
Grades 7-8 Totals	976.73	N/A	965.90	N/A
ADA totals	4,962.61	N/A	4,947.27	N/A

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

TABLE D-2

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018

Grade Level	Ed Code 46207 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	45,100	180	-	Complied
Kindergarten	36,000	51,840	180	-	Complied
Grade 1	50,400	53,620	180	-	Complied
Grade 2	50,400	54,320	180	-	Complied
Grade 3	50,400	54,320	180	-	Complied
Grade 4	54,000	54,320	180	-	Complied
Grade 5	54,000	54,320	180	-	Complied
Grade 6	54,000	57,882	180	-	Complied
Grade 7	54,000	57,882	180	-	Complied
Grade 8	54,000	57,882	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 neither met nor exceeded its target funding.

LAKESIDE UNION SCHOOL DISTRICT

TABLE D-3

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2018

General Fund	Budget 2019 (See Note 1)	2018	2017	2016
Revenues and other financial sources	$ 57,313,255	$ 54,391,630	$ 54,038,061	$ 56,490,960
Expenditures, other uses and transfers out	56,868,786	54,565,723	53,504,525	51,034,443
Change in fund balance (deficit)	444,469	(174,093)	533,536	5,456,517
Ending fund balance	$ 10,075,284	$ 9,630,815	$ 9,804,908	$ 9,271,372
Available reserves (See Note 2)	$ 9,472,865	$ 8,898,418	$ 8,810,072	$ 7,904,338
Available reserves as a percentage of total outgo	16.7%	16.8%	16.5%	15.9%
Total long-term debt	$ 47,050,752	$ 48,931,279	$ 49,403,801	$ 47,782,099
Average daily attendance at P-2	4,964	4,963	4,853	4,890

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 $5,815,960 over the past two years. The fiscal year 2018-19 budget projects an increase of $444,469. 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 $1,149,180 over the past two years.

Average daily attendance has increased by 73 over the past two years.

Notes:
1. Budget 2019 is included for analytical purposes only and has not been subjected to audit.
2. Available reserves consist of all assigned fund balances, all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
3. On behalf payments of $1,653,794, $1,768,244, and $1,367,106, have been excluded from the calculation of available reserves as a percentage of total outgo for the fiscal years ending June 30, 2018, 2017, and 2016.
4. As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other Than Capital Outlay (Fund 17) 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

TABLE D-4

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

	General Fund	Special Reserve Fund Other Than Capital Outlay (Fund 17)	Special Reserve Fund for Other Postemployment Benefits (Fund 20)
June 30, 2018, annual financial and budget report fund balances	$ 9,630,815	$ 232	$ 57,579
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
Inclusion of funds for reporting purposes only, in accordance with GASB Statement No. 54	57,811	(232)	(57,579)
Net adjustments and reclassifications	57,811	(232)	(57,579)
June 30, 2018, audited financial statement fund balances	$ 9,688,626	$ -	$ -

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.

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

Charter Schools	Charter Number	Included In Audit?
River Valley Charter High School	0120	No
Barona Indian Charter School	0469	No
National University Academy	0991	No

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. S. Department of Agriculture				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13525	$ -	$ 281,315
National School Lunch Program - Noncash Commodities	10.555	13396	-	153,898
National School Lunch Program - Section 11	10.555	13396	-	836,292
National School Lunch Program - Section 4	10.555	13523	-	164,905
Total Passed Through State Department of Education			-	1,436,410
Total U. S. Department of Agriculture			-	1,436,410
Total Child Nutrition Cluster			-	1,436,410
MEDICAID CLUSTER:				
U. S. Department of Health and Human Services				
Passed Through State Department of Education:				
Medi-Cal	93.778	10013	-	163,007
Total U. S. Department of Health and Human Services			-	163,007
Total Medicaid Cluster			-	163,007
SPECIAL EDUCATION (IDEA) CLUSTER:				
U. S. Department of Education				
Passed Through State Department of Education:				
Special Education - IDEA Basic Local Assistance	84.027	13379	-	1,032,101
Special Education - IDEA Preschool Local Assistance	84.027	13682	-	153,836
Special Education - IDEA Mental Health	84.027	14468	-	72,245
Special Education - IDEA Preschool Grants	84.173	13430	-	58,339
Special Education - IDEA Preschool Staff Development	84.173	13431	-	436
Total Passed Through State Department of Education			-	1,316,957
Total U. S. Department of Education			-	1,316,957
Total Special Education (IDEA) Cluster			-	1,316,957
OTHER PROGRAMS:				
U. S. Department of Education				
Passed Through State Department of Education:				
Title I	84.010	14329	-	439,246
Impact Aid - P.L. 81.874	84.041	10015	-	106,318
Indian Education	84.060	10011	-	39,815
Early Intervention	84.181	23761	-	25,348
Title III	84.365	14346	-	37,297
Title II - Math & Science	84.366	14512	-	121,057
Title II - Supporting Effective Instruction	84.367	14341	-	107,238
Total Passed Through State Department of Education			-	876,319
Total U. S. Department of Education			-	876,319

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U. S. Department of Agriculture				
Passed Through State Department of Education:				
Child and Adult Care Food Program	10.558	13666	-	306,369
Total U. S. Department of Agriculture			-	306,369
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 4,099,062

The accompanying notes are an integral part of this schedule.

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of 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 9.67% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

Program	CFDA #	Indirect Cost Rate
Title II - Math and Science	84.366	4.50%
Title III	84.365	2.00%
Child Nutrition Cluster	10.553, 10.555	5.25%
Child Nutrition, Child & Adult Care Food	10.558	5.25%

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 it's schoolwide program:

Program	CFDA #	Amount Expended
Title I	84.010	$439,246

Other Independent Auditor's Reports

WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Mark Bomediano, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Lakeside Union School District, as of and for the year ended June 30, 2018, 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 December 13, 2018.

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(s) 2018-001 and 2018-002.

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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
December 13 2018

WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

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

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

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

Board of Trustees
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, 2018. 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, 2018.

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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
December 13, 2018

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

WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

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

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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2018.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810**.** We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing* Standards issued by the Comptroller General of the United States; and the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Compliance Requirements	Procedures in Audit Guide Performed?
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	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: elated and Supplemental Instruction	N/A
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	Yes
Before School	Yes
General Requirements	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002.

Lakeside Union School District's Response to Findings

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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 13, 2018

Findings and Recommendations Section

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?	X	Yes		None Reported
Noncompliance material to financial statements noted?		Yes	X	No

2. Federal Awards

Internal control over major programs:				
One or more material weaknesses identified?		Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?		Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?		Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	Yes		No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting? X Yes ____ No

Type of auditor's report issued on compliance for state programs: Unmodified

B. Financial Statement Findings

Finding Number:	2018-001
Repeat Finding:	No
Audit Area:	Associated Student Body Funds
Type of Finding:	Internal Control - Significant Deficiency (30000)

Criteria or Specific Requirement
Determine if internal controls are in place over the student body funds that will ensure all student body cash tally sheets, receipts, and deposits are properly calculated and reconcile to supporting deposits to ensure the safeguard of assets of the student body accounts.

Condition
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 dcoumentation 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.

Questioned Costs
None

Context
In order to detect errors and deter fraud, proper internal controls must be established over the deposits, receipts, and cash funds of the Lakeside Middle School student body account.

Effect
The student body deposits, receipts, and cash funds of the student body account for Lakeside Middle School are exposed to significant risk of error and fraud as the proper internal controls are not in place to detect errors and deter fraud.

Cause
Insufficient proper training administered to site clerks and principals with limited account monitoring and oversight by District personnel caused inadequate internal controls over the deposits and receipts of the Lakeside Middle School student body account.

Recommendation
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 verifed and signed by a second individual prior to deposit.

Views of Responsible Officials
See Corrective Action Plan

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

Finding Number:	2018-002
Repeat Finding:	No
Program Name:	Instructional Materials
Questioned Costs:	None
Type of Finding:	State Compliance (70000)

Criteria or Specific Requirement
Verify that the District held a public hearing to determine the sufficiency of instructional materials and that the District provided a ten-day notice of the public hearing and included the time, place, and purpose of of the hearing as stated under Education Code 60119.

Condition
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.

Questioned Costs
None. Funding is no longer affected with this compliance requirement.

Context
California Education Code Section 60119 requires that the ten-day notice of the required public hearing include the actual time the hearing will be held.

Effect
The District was not in compliance with Education Code 60119 as the time of the public hearing was not disclosed on the public notice.

Cause
District management did not review the ten-day notice before it was posted to ensure all the required elements are included on the public notice, including the time of the hearing.

Recommendation

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.

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

December 11, 2018

To Whom It May Concern,

The accompanying Corrective Action Plan has been prepared as required by the 2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting published by the Education Audit Appeals Panel. The name of the contact person responsible for corrective action, the planned corrective and the anticipated completion date for each finding 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 in the prior year's audit.

Sincerely,

Erin Garcia
Assistant Superintendent, Business Services

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LAKESIDE UNION SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018

Findings and Questioned Costs Related to Financial Statements

Finding Number: 2018-001
Program Name: Associated Student Body Funds
Contact Person: Sherrie Egeskog, Director of Finance
Anticipated Completion Date: June 30, 2018
Planned Corrective Action:
All school site staff have been trained to have a second individual verify all deposits and sign they have done so on the reconciliation form. Internal staff in the Business Services Department have been trained to ensure all deposit slips are accurate and have the second verification signature.

Findings and Questioned Costs Related to State Awards

Finding Number: 2018-002
Program Name: Instructional Materials
Contact Person: Lisa DeRosier
Anticipated Completion Date: September 28, 2018
Planned Corrective Action:
Staff responsible for creating public notice has been trained to include the time of the public hearing on the public notice. Assistant Superintendent, Business Services is responsible for reviewing public notices prior to posting and will check to ensure that the time, place, and purpose of the public hearing is properly disclosed on the ten-day notice.

LAKESIDE UNION SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented

There were no audit findings for the year ended June 30, 2017