



Lakeside Union School District

County of San Diego
Lakeside, California

Audit Report

June 30, 2020



WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS



Lakeside Union School District

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June 30, 2020

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lakeside Union School District (District), as of and for the year ended June 30, 2020, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lakeside Union School District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information identified in the table of contents, as required by the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations, Section 19810* is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021, 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 the District's internal control over financial reporting and compliance.

Wilkinson Hadley King & Co LLP

El Cajon, California
March 25, 2021

Lakeside Union School District
Management Discussion and Analysis
June 30, 2020
(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, 2020. 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). It includes two charter schools that report under the same financial system as the District. The book value of all District assets, including buildings, land, and equipment as well as related depreciation are included in this financial statement. The following table summarizes the value of District net position for the year ended June 30, 2020:

| | |
|----------------------------|-------------------------------|
| Beginning Net Position | \$ (53,402,287) |
| Change | <u>(4,956,974)</u> |
| Ending Net Position | <u>\$ (58,359,261)</u> |

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

| | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|----------------------------------|-------------------------------|-------------------------------|
| Current and Other Assets | \$ 32,599,574 | \$ 34,460,454 |
| Capital Assets | <u>38,717,836</u> | <u>37,987,990</u> |
| Total Assets | <u>\$ 71,317,410</u> | <u>\$ 72,448,444</u> |
| Deferred Outflows of Resources | <u>\$ 18,535,458</u> | <u>\$ 21,304,864</u> |
| Current and Other Liabilities | \$ 5,063,764 | \$ 5,220,164 |
| Long-term Liabilities | <u>135,159,136</u> | <u>132,629,569</u> |
| Total Liabilities | <u>\$ 140,222,900</u> | <u>\$ 137,849,733</u> |
| Deferred Inflows of Resources | <u>\$ 7,989,229</u> | <u>\$ 9,305,862</u> |
| Net Investment in Capital Assets | \$ (24,934,743) | \$ (25,931,293) |
| Restricted Net Assets | 17,767,060 | 21,842,672 |
| Unrestricted Net Assets | <u>(51,191,578)</u> | <u>(49,313,666)</u> |
| Total Net Position | <u>\$ (58,359,261)</u> | <u>\$ (53,402,287)</u> |

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

| | <u>June 30, 2020</u> | <u>June 30, 2019</u> |
|--|------------------------------|------------------------------|
| Revenues | | |
| Program Revenues | | |
| Charges for Services | \$ 1,109,501 | \$ 1,203,200 |
| Operating Grants and Contributions | 12,029,399 | 10,619,097 |
| General Revenues | | |
| Taxes Levied for General Purposes | 11,371,391 | 10,926,469 |
| Taxes Levied for Debt Service | 2,350,443 | 2,696,545 |
| Taxes Levied for Other Specific Purposes | 242,864 | 222,429 |
| Federal and State Aid, Not Restricted | 35,442,251 | 35,532,979 |
| Interest and Investment Earnings | 258,158 | 266,476 |
| Interagency Revenues | 464,976 | 529,369 |
| Miscellaneous | 688,048 | 1,247,109 |
| Total Revenues | <u>\$ 63,957,031</u> | <u>\$ 63,243,673</u> |
| Expenses | | |
| Government Activities: | | |
| Instruction | \$ 42,391,761 | \$ 40,806,519 |
| Instruction-Related Services | 4,901,595 | 4,839,352 |
| Pupil Services | 7,041,737 | 6,978,426 |
| General Administration | 5,264,724 | 4,441,051 |
| Plant Services | 4,517,901 | 4,295,824 |
| Community Services | 1,559,803 | 1,619,710 |
| Interest on Long Term Debt | 3,233,401 | 3,020,372 |
| Other Outgo | 3,083 | 260,072 |
| Total Expenses | <u>\$ 68,914,005</u> | <u>\$ 66,261,326</u> |
| Total Increase (Decrease) in Net Position | <u>\$ (4,956,974)</u> | <u>\$ (3,017,653)</u> |

General Fund Financial and Budgetary Highlights

The General Fund accounts for the primary operations of the District. The District's initial budget is adopted by July 1 each year. Over the course of the year, the District's budget is revised several times to account for changes in categorical funding and to update budgets for prior-year carryover amounts. The budget is also revised to reflect mid-year changes to the State Budget which affects District funding. The following table summarizes the General Fund budget to actual information for the year ended June 30, 2020:

| | Adopted Budget | Year-End Budget | Actual |
|----------------------------|----------------|-----------------|------------|
| Total Revenues | 56,543,145 | 59,184,913 | 59,123,719 |
| Total Expenditures | 59,097,607 | 60,547,005 | 59,265,126 |
| Total Other Sources/(Uses) | - | - | (3,986) |

The actual net increase to the total revenue budget of \$2,580,574 was due to several reasons. One factor for the change of revenue budget was due to the additional \$794,898 of STRS On-Behalf revenue, which is the required recognition of the District's share of employee pension expense paid by the State. With the one-time contribution of \$1.1 billion by the State to the STRS pension fund per SB90, the District had to recognize our additional share of the cost. There was an additional one-time Special Education Early Intervention Preschool Grant from the State of \$846,983 this year which was unknown at the time of adopted budget. In addition, there was a \$400,776 increase in Special Education Mental Health Services

The actual net increase to the total expenditure budget of \$167,518 was a result of several factors. The largest factor was due to the impacts of the COVID-19 pandemic and the school closure. The school closure resulted in a halt to many of the District's programs and operations resulting in unspent funds in the materials and supplies budgets, travel and conference, and all other professional and operating expenditure budgets across sites and departments. The school closure also resulted in less certificated extra pay and substitutes. Another factor was the increase in expense recognizing the additional STRS On-Behalf payment by the State per SB90 of \$794,898. Budget revisions are made annually as needed to account for changes in categorical funds received.

The following table summarizes the General Fund operational fund financial statements for the year ended June 30, 2020:

| | |
|--------------------------------|------------|
| Total Revenues | 59,124,917 |
| Total Expenditures | 59,265,126 |
| Other Finance Sources & (Uses) | (3,986) |
| Net Change in Fund Balance | (144,195) |

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 2020-21 will be an especially challenging year, as the District navigates through the COVID-19 pandemic to offer hybrid and distance learning, while operating under a zero COLA environment and managing rapidly changing reopening guidance. Future financial performance is dependent on management's ability to continue to control expenses and maintain revenue levels in an environment of declining enrollment and the unique challenges brought forth by COVID-19.

Capital Projects

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

The District completed a Long Range Master Facility Plan in 2018 and prioritized multiple projects to be completed with the Series B bond funds. The following projects continued and/or began planning and construction phases in the 2019-20 fiscal year:

- Fire alarm replacement and shade structures – Eucalyptus Hills and Winter Gardens
- Roof replacement – Lakeside Middle School
- Flooring replacement, modernization project and vacant lot improvements – Lakeside Farms
- HVAC Replacement and MPR improvement– Lindo Park
- Walkway maintenance – Lemon Crest
- Gym Modernization – Tierra Del Sol Middle
- Central Kitchen renovation
- Video surveillance system upgrade and parking lot improvements – Districtwide

The Work In Progress total of \$1,096,773 on June 30, 2020 are all related to the bond projects listed above.

Capital Assets

The following tables show the values of capital assets at June 30, 2020 and June 30, 2019:

Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> | <u>Net Change</u> |
|--------------------------|----------------------|----------------------|-------------------|
| Governmental Activities: | | | |
| Land | \$ 2,600,683 | \$ 2,600,683 | \$ - |
| Work in progress | 1,096,773 | 1,096,773 | - |
| Buildings | 31,201,298 | 31,850,800 | (649,502) |
| Improvements | 991,643 | 172,113 | 819,530 |
| Equipment | <u>2,827,439</u> | <u>2,267,621</u> | <u>559,818</u> |
| Total | <u>\$ 38,717,836</u> | <u>\$ 37,987,990</u> | <u>\$ 729,846</u> |

Long Term Liabilities

The following table shows the long term liabilities at June 30, 2020 and June 30, 2019:

| | Comparative Schedule of Outstanding Debt June 30, 2020 and 2019 | | |
|-----------------------------|--|-----------------------|--------------------|
| | <u>2020</u> | <u>2019</u> | <u>Net Change</u> |
| Governmental Activities: | | | |
| General Obligation Bonds | \$ 63,652,579 | \$ 63,919,283 | \$ (266,704) |
| Capital leases | - | - | - |
| Early retirement incentives | 350,992 | 532,474 | (181,482) |
| Net OPEB obligation | 16,439,493 | 14,196,360 | 2,243,133 |
| Compensated absences | 335,827 | 331,266 | 4,561 |
| Net pension liability | <u>54,360,245</u> | <u>55,918,459</u> | <u>(1,558,214)</u> |
| Total | <u>\$ 135,139,136</u> | <u>\$ 134,897,842</u> | <u>\$ 241,294</u> |

Financial Issues and Economic Factors

The District's average daily attendance, as reported in Period-2 annually, steadily increased from 2007-08 through 2015-16. More recently, the District experienced a decline in enrollment of approximately 60 students in 2016-17, an increase in 2017-18 of 125 students, followed by another decrease in 2018-19 of 92 students and a decrease in 2019-20 of 86 students. The District is projecting a significant decline in enrollment for the 2020-21 year of approximately 309 students, partially due to the impacts of the COVID-19 pandemic. Demographic projections by the State Department of Finance indicate statewide declining enrollment as far out as the projection goes, 2027-28, by an average annual rate of 0.4%. Declining enrollment will have a negative impact on the District's largest source of revenue, the Local Control Funding Formula (LCFF).

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

GASB 68, Accounting and Financial Reporting for Pensions, was effective in the 2014-2015 fiscal year. The new standard requires the reporting of annual pension cost using an actuarially determined method and a net pension liability is expected to increase as a result. The District participates in state employee pension plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2020. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans have raised the amount that employers must contribute to the plans each year and those increased costs will be significant.

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

Contacting the District's Financial Management

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

Basic Financial Statements

Lakeside Union School District

Statement of Net Position

June 30, 2020

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash | \$ 23,242,211 |
| Accounts Receivable | 9,254,724 |
| Inventory | 99,362 |
| Prepaid Expenses | 3,277 |
| Capital Assets: | |
| Land | 2,600,683 |
| Land Improvements | 1,781,620 |
| Buildings & Improvements | 52,621,606 |
| Equipment | 9,200,859 |
| Work in Progress | 1,096,773 |
| Less Accumulated Depreciation | <u>(28,583,705)</u> |
| Total Assets | <u>71,317,410</u> |
| Deferred Outflows of Resources | <u>18,535,458</u> |
| Liabilities | |
| Accounts Payable and Other Current Liabilities | 4,911,665 |
| Unearned Revenue | 152,099 |
| Long-Term Liabilities: | |
| Due Within One Year | 1,654,426 |
| Due In More Than One Year | <u>133,504,710</u> |
| Total Liabilities | <u>140,222,900</u> |
| Deferred Inflows of Resources | <u>7,989,229</u> |
| Net Position | |
| Net Investment in Capital Assets | (24,934,743) |
| Restricted For: | |
| Capital Projects | 13,456,421 |
| Debt Service | 2,189,032 |
| Educational Programs | 523,493 |
| Other Purposes (Expendable) | 1,410,375 |
| Other Purposes (Nonexpendable) | 187,739 |
| Unrestricted | <u>(51,191,578)</u> |
| Total Net Position | <u>\$ (58,359,261)</u> |

The accompanying notes to the financial statements are an integral part of this statement.

Lakeside Union School District

Statement of Activities

For the Year Ended June 30, 2020

| Functions | Expenses | Program Revenues | | | Net (Expense) |
|--|----------------------|----------------------|------------------------------------|----------------------------------|-------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
| Governmental Activities | | | | | Governmental Activities |
| Instruction | \$ 42,391,761 | \$ 149,962 | \$ 7,518,979 | \$ - | \$ (34,722,820) |
| Instruction-Related Services: | | | | | |
| Instructional Supervision and Administration | 947,082 | 420 | 105,276 | - | (841,386) |
| Instructional Library, Media and Technology | 217,340 | - | 3,701 | - | (213,639) |
| School Site Administration | 3,737,173 | 14,519 | 189,222 | - | (3,533,432) |
| Pupil Services: | | | | | |
| Home-to-School Transportation | 1,724,718 | - | 12,862 | - | (1,711,856) |
| Food Services | 2,170,972 | 303,365 | 1,638,101 | - | (229,506) |
| All Other Pupil Services | 3,146,047 | - | 207,250 | - | (2,938,797) |
| General Administration: | | | | | |
| Centralized Data Processing | 763,036 | 111 | 300 | - | (762,625) |
| All Other General Administration | 4,501,688 | 20,144 | 675,817 | - | (3,805,727) |
| Plant Services | 4,517,901 | 410,342 | 1,108,812 | - | (2,998,747) |
| Ancillary Services | - | - | - | - | - |
| Community Services | 1,559,803 | 210,638 | 569,079 | - | (780,086) |
| Enterprise Activities | - | - | - | - | - |
| Interest on Long-Term Debt | 3,233,401 | - | - | - | (3,233,401) |
| Debt Issuance Costs | - | - | - | - | - |
| Transfers Between Agencies | 3,083 | - | - | - | (3,083) |
| Total Governmental Activities | <u>\$ 68,914,005</u> | <u>\$ 1,109,501</u> | <u>\$ 12,029,399</u> | <u>\$ -</u> | <u>(55,775,105)</u> |
| General Revenues | | | | | |
| Taxes and Subventions: | | | | | |
| | | | | | \$ 11,371,391 |
| | | | | | 2,350,443 |
| | | | | | 242,864 |
| | | | | | 35,442,251 |
| | | | | | 258,158 |
| | | | | | 464,976 |
| | | | | | 688,048 |
| | | | | | <u>50,818,131</u> |
| | | | | | (4,956,974) |
| | | | | | (53,402,287) |
| | | | | | <u>\$ (58,359,261)</u> |

The accompanying notes to the financial statements are an integral part of this statement.

Lakeside Union School District

Balance Sheet – Governmental Funds

June 30, 2020

| | General Fund | Building Fund | Nonmajor Governmental Funds | Total |
|--|----------------------|----------------------|-----------------------------------|----------------------|
| Assets | | | | |
| Cash in County Treasury | \$ 6,138,193 | \$ 12,119,467 | \$ 4,848,331 | \$ 23,105,991 |
| Cash on Hand and in Banks | - | - | 51,120 | 51,120 |
| Cash in Revolving Fund | 85,000 | - | 100 | 85,100 |
| Accounts Receivable | 8,925,586 | 51,736 | 277,402 | 9,254,724 |
| Due from Other Funds | 238,515 | - | 141,611 | 380,126 |
| Stores Inventories | - | - | 99,362 | 99,362 |
| Prepaid Expenditures | 3,277 | - | - | 3,277 |
| Total Assets | \$ 15,390,571 | \$ 12,171,203 | \$ 5,417,926 | \$ 32,979,700 |
| Liabilities and Fund Balance: | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 4,019,886 | \$ 183,512 | \$ 60,755 | \$ 4,264,153 |
| Due to Other Funds | 141,611 | 276 | 238,239 | 380,126 |
| Unearned Revenue | 91,485 | - | 60,613 | 152,098 |
| Total Liabilities | 4,252,982 | 183,788 | 359,607 | 4,796,377 |
| Fund Balance: | | | | |
| Nonspendable | 88,277 | - | 99,462 | 187,739 |
| Restricted | 657,032 | 11,987,415 | 4,934,874 | 17,579,321 |
| Committed | - | - | - | - |
| Assigned | 824,041 | - | 23,983 | 848,024 |
| Unassigned | 9,568,239 | - | - | 9,568,239 |
| Total Fund Balance | 11,137,589 | 11,987,415 | 5,058,319 | 28,183,323 |
| Total Liabilities and Fund Balances | \$ 15,390,571 | \$ 12,171,203 | \$ 5,417,926 | \$ 32,979,700 |

The accompanying notes to the financial statements are an integral part of this statement.

Lakeside Union School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Total fund balances governmental funds: \$ 28,183,323

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

| | | |
|--|--------------|------------|
| Capital assets relating to governmental activities, at historical cost | 67,301,541 | |
| Accumulated depreciation | (28,583,705) | |
| | Net | 38,717,836 |

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was: (647,513)

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

| | | |
|-------------------------------------|------------|---------------|
| General obligation bonds payable | 63,652,579 | |
| Early retirement incentives payable | 350,992 | |
| Net pension liability | 54,360,245 | |
| Net OPEB liability | 16,439,493 | |
| Compensated absences | 355,827 | |
| | Total | (135,159,136) |

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 a 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: 3,882,015

The accompanying notes to the financial statements are an integral part of this statement.

Lakeside Union School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position, Continued
June 30, 2020

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 | 12,902,784 | |
| Deferred inflows of resources relating to pensions | <u>(7,932,975)</u> | |
| Net | | 4,969,809 |

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

| | | |
|---|-----------------|------------------|
| Deferred outflows of resources relating to OPEB | 1,750,659 | |
| Deferred inflows of resources relating to OPEB | <u>(56,254)</u> | |
| Net | | <u>1,694,405</u> |

Total net position governmental activities: \$ (58,359,261)

The accompanying notes to the financial statements 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, 2020

| | General Fund | Building Fund | Nonmajor Governmental Funds | Total |
|--|----------------------|----------------------|-----------------------------------|----------------------|
| Revenues | | | | |
| State Apportionment | \$ 30,151,478 | \$ - | \$ - | \$ 30,151,478 |
| Education Protection Account Funds | 3,963,946 | - | - | 3,963,946 |
| Property Taxes | 10,542,819 | - | 2,323,227 | 12,866,046 |
| Federal Revenue | 2,818,005 | - | 1,592,565 | 4,410,570 |
| Other State Revenue | 6,641,524 | - | 385,210 | 7,026,734 |
| Interest | 206,909 | 268,741 | 109,990 | 585,640 |
| Other Local Revenue | 4,800,236 | - | 2,225,331 | 7,025,567 |
| Total Revenues | <u>\$ 59,124,917</u> | <u>\$ 268,741</u> | <u>\$ 6,636,323</u> | <u>\$ 66,029,981</u> |
| Expenditures | | | | |
| Current Expenditures: | | | | |
| Instruction | 40,471,475 | - | 516,854 | 40,988,329 |
| Instruction - Related Services | 4,785,731 | - | 144,224 | 4,929,955 |
| Pupil Services | 4,664,083 | - | 2,140,471 | 6,804,554 |
| Community Services | 59,665 | - | 1,502,740 | 1,562,405 |
| General Administration | 5,093,260 | - | 135,896 | 5,229,156 |
| Plant Services | 4,090,437 | 22,547 | 36,853 | 4,149,837 |
| Transfers Between Agencies | 3,083 | - | - | 3,083 |
| Capital Outlay | 97,392 | 2,945,514 | 49,000 | 3,091,906 |
| Debt Service: | | | | |
| Principal | - | - | 1,675,000 | 1,675,000 |
| Interest | - | - | 1,603,394 | 1,603,394 |
| Total Expenditures | <u>59,265,126</u> | <u>2,968,061</u> | <u>7,804,432</u> | <u>70,037,619</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(140,209)</u> | <u>(2,699,320)</u> | <u>(1,168,109)</u> | <u>(4,007,638)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | - | - | 3,986 | 3,986 |
| Transfers Out | (3,986) | - | - | (3,986) |
| Total Other Financing Sources (Uses) | <u>(3,986)</u> | <u>-</u> | <u>3,986</u> | <u>-</u> |
| Net Change in Fund Balance | (144,195) | (2,699,320) | (1,164,123) | (4,007,638) |
| Fund Balance, Beginning of Year | 11,281,784 | 14,686,735 | 6,222,442 | 32,190,961 |
| Fund Balance, End of Year | <u>\$ 11,137,589</u> | <u>\$ 11,987,415</u> | <u>\$ 5,058,319</u> | <u>\$ 28,183,323</u> |

The accompanying notes to the financial statements are an integral part of this statement.

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, 2020

Total change in fund balances governmental funds: \$ (4,007,638)

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 | 2,822,544 | |
| Depreciation expense | <u>(2,092,698)</u> | |
| | Net | 729,846 |

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: 1,675,000

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: (1,453,936)

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: (24,561)

Pensions: In governmental 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: (1,094,749)

The accompanying notes to the financial statements are an integral part of this statement.

Lakeside Union School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities, Continued
For the Year Ended June 30, 2020

Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year the difference between OPEB expenses and actual employer OPEB contributions was: (786,347)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding for the period is: (176,071)

Other liabilities not normally liquidated with current financial resources: In 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 over time, and structured legal settlements. This year, expenses incurred for such obligations were: 181,482

Change in net position of governmental activities: \$ (4,956,974)

The accompanying notes to the financial statements are an integral part of this statement.

Lakeside Union School District

Statement of Net Position – Fiduciary Funds

June 30, 2020

| | OPEB Trust Fund | Agency Fund |
|--------------------------------|--------------------------|----------------------|
| | Retiree Benefits Fund | Student Body Fund |
| Assets | | |
| Cash in Bank | \$ - | \$ 47,878 |
| Investments | 657,320 | - |
| Total Assets | <u>\$ 657,320</u> | <u>\$ 47,878</u> |
| Liabilities | | |
| Due to Student Groups | \$ - | \$ 47,878 |
| Total Liabilities | <u>-</u> | <u>47,878</u> |
| Net Position | | |
| Held in Trust for OPEB Benefit | 657,320 | - |
| | <u>\$ 657,320</u> | <u>\$ -</u> |

The accompanying notes to the financial statements are an integral part of this statement.

Lakeside Union School District

Statement of Changes in Net Position – Fiduciary Funds

June 30, 2020

| | <u>OPEB</u> <u>Trust Fund</u> <u>Retiree</u> <u>Benefits Fund</u> |
|---|--|
| Additions | |
| Contributions: | |
| Employer Contributions Direct | \$ - |
| Employer Contributions Outside of Trust | 869,731 |
| Net Investment Income | <u>22,702</u> |
| Total Additions | <u><u>\$ 892,433</u></u> |
| Deductions | |
| OPEB Reimbursements from Trust | \$ - |
| OPEB Reimbursements Outside of Trust | 869,731 |
| Administrative Expenses | <u>547</u> |
| Total Deductions | <u><u>870,278</u></u> |
| Change in Net Position | \$ 22,155 |
| Net Position - Beginning of Year | <u>635,165</u> |
| Net Position - End of Year | <u><u>\$ 657,320</u></u> |

The accompanying notes to the financial statements are an integral part of this statement.

Lakeside Union School District

Notes to the Financial Statements

For the Year Ended June 30, 2020

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 California 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 of Education form of government and provides educational services to grades K-8 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, special revenue funds, capital facilities funds, debt service funds, and OPEB trust fund, 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.

3. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue 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. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from general revenues of the District.

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

The District reports the following major governmental funds:

General Fund: The general fund is the primary operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund.

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

Non-Major Governmental Funds

The District reports the following non-major governmental funds categorized by the fund type:

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following nonmajor special revenue funds:

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 §38091 through §38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code §38091 and §38100*).

Pupil Transportation Equipment Fund: This fund is used to account separately for state and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (*Education Code §41852[b]*).

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

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

Capital Facilities Fund: The Capital Facilities Fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code §17620 through §17626*). The authority for these levies may be county or city ordinances (*Government Code §65970 through §65981*) or private agreements between the District and the developer. All funds, including interest earned, are restricted to the purposes specified in *Government Code §65970 through §65981* or *Government Code §65995*, or items specified in agreements with the developer (*Government Code §66006*).

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code §42840*). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to other capital projects funds. Other authorized resources that may be deposited into this fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code §17462*) and rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code §41003*).

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

Bond Interest and Redemption Fund: The bond interest and redemption fund is used for the repayment of bonds issued for the District (*Education Code §15125 through §15262*). The County of San Diego Auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the County Treasurer from taxes levied by the County Auditor-Controller.

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District maintains the following agency fund:

OPEB Trust Fund (Retiree Benefit Fund): This fund exists to account separately for amounts held in trust from salary reduction agreements, or other irrevocable contributions for employees' retirement benefit payments, or both.

Student Body Fund: The student body fund is an agency fund, and therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code §48930 through §48938*).

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

4. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements. The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary 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 are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

5. 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 or at year end, whichever is sooner.

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

6. 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 1st. A public hearing must be conducted to receive comments prior to adoption. The District's governing board has 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.

7. Revenues and Expenses

a. Revenues – Exchange and Non-Exchange

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

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

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

b. Expenses/Expenditures

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

8. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation (FDIC). 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 §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 §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 using the first-in/first-out (FIFO) method and consist of expendable supplies held for consumption. Reported inventories are equally offset by a non-spendable fund balance designation, 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 expenditures during the benefiting period.

c. Capital Assets

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

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

| <u>Asset Class</u> | <u>Estimated Useful Life</u> |
|--------------------------|------------------------------|
| Buildings & Improvements | 20 - 50 Years |
| Land Improvements | 10 - 25 Years |
| Equipment | 5 - 15 Years |

d. Compensated Absences

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

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

e. Unearned Revenue

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

f. Interfund Activity

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

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

g. 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 items) or legally required to remain intact (such as revolving cash accounts or principal of a permanent fund).

Restricted Fund Balance represents amounts that are subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations, or may be imposed by law through 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 or resolution. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

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

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

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

h. Minimum Fund Balance Policy

The District maintains a minimum reserve for economic uncertainties of 3% of the District’s general fund annual operating expenditures. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. If the reserve for economic uncertainties drops below 3%, it shall be recovered as soon as fiscally possible. In the event of unanticipated changes in revenues or expenditures, it is the responsibility of the Superintendent/Designee to report the projections to the Board when they become known. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject varying constraints in use, the Reserve for Economic Uncertainties consists of balances that are otherwise unassigned.

i. GASB 54 Fund Presentation

GASB Statement No. 54 defines a special revenue fund as a fund that has a special revenue source that is either restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. The Special Reserve Fund for Other than Capital Outlay (Fund 17) and Special Reserve Fund for Other Postemployment Benefits (Fund 20) do not have continuing revenue sources that are either restricted or committed in nature. As such these funds do not meet the definition of special revenue funds under the provisions of GASB Statement No. 54. The funds have been combined with the general fund for reporting purposes.

j. 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.

k. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources relating to pension, deferred inflows of resources relating to pension, and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan), and additions to/deductions from the CalPERS Plan and CalSTRS Plan 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.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain timeframes. For this report, the following time frames are used:

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2018 |
| Measurement Date | June 30, 2019 |
| Measurement Period | July 1, 2018 to June 30, 2019 |

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

1. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report the following timeframes are used:

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| Measurement Period | July 1, 2019 to June 30, 2020 |

9. Property Taxes

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

10. Use of Estimates

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

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 to an asset or liability. |

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

12. New Accounting Pronouncements

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2020. Those newly implemented pronouncements are as follows:

GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update – 2018
- Implementation Guide No. 2019-1, Implementation Guidance Update – 2019
- Implementation Guide No. 2019-2, Fiduciary Activities

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases

There have been no adjustments to the financial statements or note disclosures as a result of adoption of the accounting policies.

Lakeside Union School District
Notes to the Financial Statements, Continued
June 30, 2020

B. Compliance and Accountability

1. Finance Related Legal and Contractual Provisions

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

| <u>Violation</u> | <u>Action Taken</u> |
|------------------|---------------------|
| None Reported | Not Applicable |

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

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

| <u>Fund Name</u> | <u>Deficit Amount</u> | <u>Remarks</u> |
|------------------|-----------------------|----------------|
| None | Not Applicable | Not Applicable |

C. Fair Value Measurements

The District’s investments at June 30, 2020, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

| | <u>Amount</u> | <u>Fair Value Measurement Using</u> | | |
|--|---------------|---|--|--|
| | | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| External investment pools measured at fair value | | | | |
| San Diego County Treasury | \$ 23,105,991 | \$ - | \$ 23,105,991 | \$ - |
| Total investments by fair value level | \$ 23,105,991 | \$ - | \$ 23,105,991 | \$ - |
| Investments by fair value level | | | | |
| Beneficial interests in investments held by CERBT trust fund | \$ 657,320 | \$ - | \$ - | \$ 657,320 |
| Total investments by fair value level | \$ 657,320 | \$ - | \$ - | \$ 657,320 |

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 §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.

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

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

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

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

The following is a reconciliation of the beginning and ending balance of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2020:

| | <u>Beneficial Interests in Investments Held by CERBT Trust</u> |
|--|--|
| Balance at June 30, 2019 | \$ 635,165 |
| Purchases/contributions of investments | - |
| Investment return, net | 22,702 |
| Distributions | - |
| Administrative expenses | (547) |
| Balance at June 30, 2020 | <u>\$ 657,320</u> |

D. Cash and Investments

1. Cash in County Treasury

In accordance with Education Code §41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$23,105,991 as of June 30, 2020). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$23,105,991. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

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

Cash balances on hand and in banks (\$98,998 as of June 30, 2020) and in revolving fund (\$85,100 as of June 30, 2020) are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

3. Investments

The District's investments at June 30, 2020 are shown below:

| <u>Description</u> | <u>Maturity</u> | <u>Amount Reported</u> | <u>Fair Value</u> |
|-----------------------------|-----------------|----------------------------|-------------------|
| CERBT Investment Strategy 1 | <30 Days | \$ 657,320 | \$ 657,320 |

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

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

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

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

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 treasury is restricted by Government Code §53635 pursuant to §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 risk.

At June 30, 2020, credit risk for the District's investments was as follows:

| <u>Investment Type</u> | <u>Rating</u> | <u>Rating Agency</u> | <u>Amount</u> |
|------------------------------------|---------------|----------------------|---------------|
| County Treasurer's Investment Pool | Unrated | Not Applicable | \$ 23,105,991 |
| CERBT Investment Strategy 1 | Unrated | Not Applicable | 657,320 |

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.

At June 30, 2020, the District's bank balances did not exceed FDIC limitations and were therefore not exposed to custodial credit risk.

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

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 maintains pooled investments with the San Diego County Treasury with a fair value of \$23,105,991. The average weighted maturity for this pool was 516 days at June 30, 2020.

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 a 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.

Lakeside Union School District
Notes to the Financial Statements, Continued
June 30, 2020

E. Accounts Receivable

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2020 consisted of:

| | Major Governmental Funds | | Nonmajor Governmental Funds | Total |
|----------------------------------|--------------------------|------------------|-----------------------------------|---------------------|
| | General Fund | Building Fund | | |
| Federal Government: | | | | |
| Special Education | \$ 1,419,716 | \$ - | \$ - | \$ 1,419,716 |
| Child Nutrition Program | - | - | 174,357 | 174,357 |
| School Improvement | 84,126 | - | - | 84,126 |
| Other Federal Programs | 9,927 | - | - | 9,927 |
| State Government: | | | | |
| LCFF State Aid | 6,130,662 | - | - | 6,130,662 |
| Lottery | 252,275 | - | - | 252,275 |
| Child Nutrition Program | - | - | 14,958 | 14,958 |
| Special Education | 280,026 | - | - | 280,026 |
| CSESAP | 126,278 | - | - | 126,278 |
| Local Sources | | | | |
| Interest | 42,878 | 51,736 | 12,055 | 106,669 |
| Special Education | 291,726 | - | - | 291,726 |
| Charter School Oversight | 163,238 | - | - | 163,238 |
| After School Program | 58,241 | - | - | 58,241 |
| SD Grantmakers | - | - | 75,000 | 75,000 |
| Other Local Sources | 66,493 | - | 1,032 | 67,525 |
| Total Accounts Receivable | \$ 8,925,586 | \$ 51,736 | \$ 277,402 | \$ 9,254,724 |

F. Prepaid Expenditures

As of June 30, 2020 prepaid expenditures consisted of:

| | General Fund |
|---------------------------|--------------|
| Prepaid service agreement | \$ 3,277 |

Lakeside Union School District
Notes to the Financial Statements, Continued
June 30, 2020

G. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

| Governmental activities: | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|--------------------|-------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 2,600,683 | \$ - | \$ - | \$ 2,600,683 |
| Work in progress | 1,096,773 | - | - | 1,096,773 |
| Total capital assets not being depreciated | <u>3,697,456</u> | <u>-</u> | <u>-</u> | <u>3,697,456</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 927,614 | 854,006 | - | 1,781,620 |
| Buildings and improvements | 51,691,553 | 930,053 | - | 52,621,606 |
| Equipment | 8,162,374 | 1,038,485 | - | 9,200,859 |
| Total capital assets being depreciated | <u>60,781,541</u> | <u>2,822,544</u> | <u>-</u> | <u>63,604,085</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (755,501) | (34,476) | - | (789,977) |
| Buildings and improvements | (19,840,753) | (1,579,555) | - | (21,420,308) |
| Equipment | (5,894,753) | (478,667) | - | (6,373,420) |
| Total accumulated depreciation | <u>(26,491,007)</u> | <u>(2,092,698)</u> | <u>-</u> | <u>(28,583,705)</u> |
| Total capital assets being depreciated, net | <u>34,290,534</u> | <u>729,846</u> | <u>-</u> | <u>35,020,380</u> |
| Governmental activities capital assets, net | <u>\$ 37,987,990</u> | <u>\$ 729,846</u> | <u>\$ -</u> | <u>\$ 38,717,836</u> |

Depreciation was charged to functions as follows:

| | |
|------------------------|---------------------|
| Instruction | \$ 1,700,365 |
| Instruction Related | 4,725 |
| Pupil Services | 241,109 |
| Community Services | 5,967 |
| General Administration | 39,931 |
| Plant Services | 100,601 |
| | <u>\$ 2,092,698</u> |

Lakeside Union School District
Notes to the Financial Statements, Continued
June 30, 2020

H. Interfund Balances & Activities

1. Due to and From Other Funds

Balances due to and due from other funds at June 30, 2020 consisted of the following:

| Interfund Receivable (Due From Other Funds) | Interfund Payable (Due To Other Funds) | Amount | Purpose |
|--|---|-------------------|----------------------------------|
| General Fund | Building Fund | \$ 276 | OPEB allocations |
| General Fund | Nonmajor Governmental Funds | 25,877 | OPEB allocations |
| General Fund | Nonmajor Governmental Funds | 12,199 | Indirect cost allocations |
| General Fund | Nonmajor Governmental Funds | 127,009 | ESS & LEAPP 8% revenue |
| General Fund | Nonmajor Governmental Funds | 6,269 | Developer fees |
| General Fund | Nonmajor Governmental Funds | 25,194 | ASES year end revenue adjustment |
| General Fund | Nonmajor Governmental Funds | 41,691 | Reimbursement of expenses |
| Nonmajor Governmental Funds | General Fund | 25,194 | ASES year end revenue adjustment |
| Nonmajor Governmental Funds | General Fund | 23,032 | Indirect cost corrections |
| Nonmajor Governmental Funds | General Fund | 13,544 | Food service meals |
| Nonmajor Governmental Funds | General Fund | 78,820 | Expense grants |
| Nonmajor Governmental Funds | General Fund | 1,021 | Reimbursement of expenses |
| | Total | <u>\$ 380,126</u> | |

2. Transfers to and From Other Funds

Transfers to and from other funds at June 30, 2020, consisted of the following:

| Transfers In | Transfers Out | Amount | Purpose |
|-----------------------------|---------------|-----------------|----------------------|
| Nonmajor Governmental Funds | General Fund | \$ 3,896 | Program contribution |
| | Total | <u>\$ 3,896</u> | |

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

I. Accounts Payable

Accounts payable balances as of June 30, 2020 consisted of:

| | Major Governmental Funds | | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------|--------------------------|-------------------|-----------------------------------|--------------------------------|
| | General Fund | Building Fund | | |
| Vendors Payable | \$ 1,376,715 | \$ 183,277 | \$ 46,517 | \$ 1,606,509 |
| Payroll and Benefits | 250,376 | 235 | 13,164 | 263,775 |
| LCFF Repayment | 335,993 | - | - | 335,993 |
| EPA Repayment | 1,908,096 | - | - | 1,908,096 |
| Other Current Liabilities | 148,706 | - | 1,074 | 149,780 |
| Total Accounts Payable | <u>\$ 4,019,886</u> | <u>\$ 183,512</u> | <u>\$ 60,755</u> | <u>\$ 4,264,153</u> |

J. Unearned Revenue

Unearned revenue balances as of June 30, 2020 consisted of:

| | Major Governmental Funds | | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------------|--------------------------|------------------|-----------------------------------|--------------------------------|
| | General Fund | Building Fund | | |
| Federal Programs | | | | |
| Title I | \$ 64,762 | \$ - | \$ - | \$ 64,762 |
| Title IV | 10,794 | - | - | 10,794 |
| Indian Education | 15,929 | - | - | 15,929 |
| State Programs | | | | |
| Child Development | - | - | 18,128 | 18,128 |
| Local Sources | | | | |
| School Lunch Balances | - | - | 42,485 | 42,485 |
| Total Unearned Revenue | <u>\$ 91,485</u> | <u>\$ -</u> | <u>\$ 60,613</u> | <u>\$ 152,098</u> |

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

K. Fund Balance Classifications of the Governmental Funds

Ending fund balance classifications of the governmental funds for the year ended June 30, 2020 consisted of:

| | Major Governmental Funds | | Nonmajor Governmental Funds | Total Governmental Funds |
|--|--------------------------|----------------------|-----------------------------------|--------------------------------|
| | General Fund | Building Fund | | |
| Nonspendable Fund Balance | | | | |
| Revolving Cash | \$ 85,000 | \$ - | \$ 100 | \$ 85,100 |
| Inventory | - | - | 99,362 | 99,362 |
| Prepaid Expenditures | 3,277 | - | - | 3,277 |
| Total Nonspendable Fund Balance | 88,277 | - | 99,462 | 187,739 |
| Restricted Fund Balance | | | | |
| Child Nutrition Program | - | - | 378,050 | 378,050 |
| Child Development Program | - | - | 898,786 | 898,786 |
| Capital Projects | - | 11,987,415 | 1,469,006 | 13,456,421 |
| Educational Programs | 477,271 | - | - | 477,271 |
| Debt Service | - | - | 2,189,032 | 2,189,032 |
| Other Purposes | 179,761 | - | - | 179,761 |
| Total Restricted Fund Balance | 657,032 | 11,987,415 | 4,934,874 | 17,579,321 |
| Assigned Fund Balance | | | | |
| Deferred Maintenance | 300,000 | - | - | 300,000 |
| Educational Programs | 463,735 | - | - | 463,735 |
| OPEB | 60,063 | - | - | 60,063 |
| Other Purposes | 243 | - | 23,983 | 24,226 |
| Total Committed Fund Balance | 824,041 | - | 23,983 | 848,024 |
| Unassigned Fund Balance | | | | |
| For Economic Uncertainties | 1,778,073 | - | - | 1,778,073 |
| Other Unassigned | 7,790,166 | - | - | 7,790,166 |
| Total Unassigned Fund Balance | 9,568,239 | - | - | 9,568,239 |
| Total Fund Balance | \$ 11,137,589 | \$ 11,987,415 | \$ 5,058,319 | \$ 28,183,323 |

L. 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 financing sources. During the year ended June 30, 2020, the District did not enter into any short-term debt agreements.

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

M. Long Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2020, are as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---------------------------------|----------------------|---------------------|---------------------|----------------------|------------------------|
| <u>Governmental Activities:</u> | | | | | |
| General Obligation Bonds | \$ 63,919,283 | \$ 1,488,821 | \$ 1,755,525 | \$ 63,652,579 | \$ 1,140,971 |
| Early Retirement Incentive | 532,474 | - | 181,482 | 350,992 | 157,628 |
| Net Pension Liability* | 55,918,459 | - | 1,558,214 | 54,360,245 | - |
| Net OPEB Obligation* | 14,196,360 | 2,243,133 | - | 16,439,493 | - |
| Compensated Absences* | 331,266 | 24,561 | - | 355,827 | 355,827 |
| Total Governmental Activities | <u>\$134,897,842</u> | <u>\$ 3,756,515</u> | <u>\$ 3,495,221</u> | <u>\$135,159,136</u> | <u>\$ 1,654,426</u> |

*Other long-term liabilities

- Payments for general obligation bonds are made from the bond interest and redemption fund.
- Payments for early retirement incentives are made from the general fund.
- Payments for pension contributions are made from the general fund, child development fund and cafeteria fund.
- Payments for OPEB contributions are made from the general fund, child development fund and cafeteria fund.
- Payments for compensated absences are made from the general fund, child development fund and the cafeteria fund.

2. General Obligation Bonds

The District's bonded debt consists of various issues of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds pay primarily for acquiring or constructing capital facilities. The District repays general obligation bonds from voter-approved property taxes.

November 4, 2008, registered voters authorized the issuance of \$79,550,000 principal amount of general obligation bonds.

November 4, 2014, registered voters reauthorized the issuance of \$31,000,000 principal amount of general obligation bonds.

Of amounts authorized by registered voters, \$13,100,000 remains unissued.

Lakeside Union School District
Notes to the Financial Statements, Continued
June 30, 2020

General obligation bonds at June 30, 2020 consisted of the following:

| | <u>Date of Issue</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Amount of Original Issue</u> |
|-------------------------|----------------------|----------------------|----------------------|---------------------------------|
| 2008 Election, Series A | 04/23/09 | 3.00 - 6.03% | 08/01/33 | \$ 21,833,149 |
| 2008 Election, Series B | 10/07/10 | 6.14 - 6.49% | 08/01/50 | 12,982,209 |
| 2015 Refunding Bonds | 06/09/15 | 2.00 - 4.00% | 08/01/35 | 6,185,000 |
| 2016 Refunding Bonds | 11/02/16 | 2.00 - 4.00% | 08/01/33 | 17,815,000 |
| 2014 Election, Series B | 11/15/18 | 4.00 - 5.75% | 08/01/45 | 15,000,000 |
| Total | | | | <u>\$ 73,815,358</u> |

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|-------------------------|--------------------------|---------------------|---------------------|-----------------------|----------------------------|
| 2008 Election, Series A | | | | | |
| Principal | \$ 2,408,149 | \$ - | \$ 625,000 | \$ 1,783,149 | \$ - |
| Premium | 69,804 | - | 18,117 | 51,687 | - |
| Accreted Interest | 1,968,349 | 314,019 | - | 2,282,368 | - |
| 2008 Election, Series B | | | | | |
| Principal | 10,690,031 | - | - | 10,690,031 | - |
| Premium | 278,929 | - | - | 278,929 | - |
| Accreted Interest | 7,359,707 | 1,174,802 | - | 8,534,509 | - |
| 2015 Refunding Bonds | | | | | |
| Principal | 5,910,000 | - | 60,000 | 5,850,000 | 50,000 |
| Discount | (76,784) | - | (779) | (76,005) | (650) |
| 2016 Refunding Bonds | | | | | |
| Principal | 17,455,000 | - | - | 17,455,000 | 500,000 |
| Premium | 1,898,722 | - | - | 1,898,722 | 54,389 |
| 2014 Election, Series B | | | | | |
| Principal | 15,000,000 | - | 990,000 | 14,010,000 | 505,000 |
| Premium | 957,376 | - | 63,187 | 894,189 | 32,232 |
| Total | <u>\$ 63,919,283</u> | <u>\$ 1,488,821</u> | <u>\$ 1,755,525</u> | <u>\$ 63,652,579</u> | <u>\$ 1,140,971</u> |

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

The annual requirements to amortize the bonds outstanding at June 30, 2020 are as follows:

| Year Ended June 30, | Principal | Interest | Accreted Interest | Total |
|------------------------|----------------------|----------------------|----------------------|-----------------------|
| 2021 | \$ 1,055,000 | \$ 1,528,762 | \$ - | \$ 2,583,762 |
| 2022 | 1,150,000 | 1,474,406 | - | 2,624,406 |
| 2023 | 775,000 | 1,426,794 | - | 2,201,794 |
| 2024 | 1,005,000 | 1,383,494 | - | 2,388,494 |
| 2025 | 860,152 | 1,352,744 | 819,848 | 3,032,744 |
| 2026-2030 | 7,612,997 | 6,327,418 | 3,117,003 | 17,057,418 |
| 2031-2035 | 17,158,545 | 3,560,736 | 2,766,455 | 23,485,736 |
| 2036-2040 | 8,119,152 | 1,768,975 | 18,155,848 | 28,043,975 |
| 2041-2045 | 7,243,797 | 821,800 | 14,412,771 | 22,478,368 |
| 2046-2050 | 4,181,542 | 26,300 | 27,556,831 | 31,764,673 |
| 2051-2055 | 626,995 | - | 7,348,005 | 7,975,000 |
| Total | <u>\$ 49,788,180</u> | <u>\$ 19,671,427</u> | <u>\$ 74,176,761</u> | <u>\$ 143,636,368</u> |

Amounts represented in the repayment schedule for accreted interest are reflective of 100% of amounts to be repaid. Amounts represented as accreted interest in the debt summary are reflective of amounts that have accrued as of June 30, 2020.

Accreted interest is the process of systematically increasing the carrying amount of capital appreciation bonds to their estimated value at the maturity date of the bond. The District imputes the effective interest rate, using the present value, the face value, and the period of the bond and multiplies the effective interest rate by the book value of the debt at the end of the period.

Premium

Bond premium arises when the market rate of interest is higher than the stated interest rate on 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) require that the premium increase the face value of the bond and the discount decrease the face value of the bond and then amortize the premium or discount over the life of the bond.

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

| | 2008 Election Series A | 2008 Election Series B | 2015 Refunding | 2016 Refunding | 2014 Election Series B |
|-------------------------|---------------------------|---------------------------|-------------------|-------------------|---------------------------|
| Total Interest Payments | \$ 23,929,697 | \$ 79,073,622 | \$ 3,328,219 | \$ 8,717,336 | \$ 11,652,125 |
| Bond Premium/Discount | (846,769) | (338,737) | 80,353 | (1,937,882) | (957,376) |
| Net Interest Payments | <u>23,082,928</u> | <u>78,734,885</u> | <u>3,408,572</u> | <u>6,779,454</u> | <u>10,694,749</u> |
| PAR Amount of Bonds | 21,833,149 | 12,982,209 | 6,185,000 | 17,815,000 | 15,000,000 |
| Periods | 21 | 38 | 20 | 15 | 26 |
| Effective Interest Rate | 5.03% | 15.96% | 2.76% | 2.54% | 2.74% |

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

3. Early Retirement Incentive

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 principle incurred for the service credits was \$573,762.

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 \$24,445.

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.

Early retirement incentive activity for the year ended June 30, 2020 consisted of:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|----------------------|----------------------|-------------|-------------------|-------------------|------------------------|
| 2015 STRS Option III | \$ 359,184 | \$ - | \$ 82,910 | \$ 276,274 | \$ 82,910 |
| 2016 STRS Option II | 23,853 | - | 23,853 | - | - |
| 2018 FBC Classified | 149,437 | - | 74,719 | 74,718 | 74,718 |
| Total | <u>\$ 532,474</u> | <u>\$ -</u> | <u>\$ 181,482</u> | <u>\$ 350,992</u> | <u>\$ 157,628</u> |

Future repayments on early retirement incentives are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|------------------------|-------------------|------------------|-------------------|
| 2021 | \$ 157,628 | \$ 21,448 | \$ 179,076 |
| 2022 | 82,910 | 15,012 | 97,922 |
| 2023 | 110,454 | 10,712 | 121,166 |
| Total | <u>\$ 350,992</u> | <u>\$ 47,172</u> | <u>\$ 398,164</u> |

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

4. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2020 amounted to \$355,827. This amount is included as part of long-term liabilities in the government-wide financial statements.

5. Net Pension Liability

The District's beginning net pension liability was \$55,918,459 and decreased by \$1,558,214 during the year ended June 30, 2020 for a ending net pension liability of \$54,360,245. See Note N for additional information regarding the net pension liability.

6. Net OPEB Liability

The District's beginning net OPEB liability was \$14,196,360 and increased by \$2,243,133 during the year ended June 30, 2020 for a ending net OPEB liability of \$16,439,493. See Note O for additional information regarding the net OPEB liability.

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

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 Paid

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

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

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

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

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

Lakeside Union School District
Notes to the Financial Statements, Continued
June 30, 2020

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

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

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

c. Contributions

CalSTRS

For the fiscal year ended June 30, 2020 (measurement date June 30, 2019), California Education Code §22950 requires members to contribute monthly to the system 10.205% (if hired on or after January 1, 2013) or 10.25% (if hired before January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS board have been established at 17.10% of creditable compensation for the fiscal year ended June 30, 2020. Rates are defined in Education Code §22950.5 through the fiscal year ending June 30, 2021. Beginning in the fiscal year ending on June 30, 2022 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary.

CalPERS

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

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

On Behalf Payments

Consistent with California Education Code §22955.1, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the fiscal year ended June 30, 2020 (measurement date June 30, 2019) the State contributed 10.328% of salaries creditable to CalSTRS. Consistent with the requirements of generally accepted accounting principles, the District has recorded these contributions as revenue and expense in the fund financial statements (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). Contributions reported for on behalf payments are based on the District's proportionate share of the States contribution for the fiscal year. Contributions made by the state on behalf of the District and the State's pension expense associated with District employees for the past three fiscal years are as follows:

| CalSTRS | | | |
|------------|--------------|--------------|------------|
| Year Ended | On Behalf | On Behalf | On Behalf |
| June 30, | Contribution | Contribution | Pension |
| | Rate | Amount | Expense |
| 2018 | 8.292% | \$ 1,865,999 | \$ 850,852 |
| 2019 | 16.443% | 3,574,436 | (679,068) |
| 2020 | 10.328% | 2,418,803 | 764,610 |

| CalPERS | | | |
|------------|--------------|--------------|-----------|
| Year Ended | On Behalf | On Behalf | On Behalf |
| June 30, | Contribution | Contribution | Pension |
| | Rate | Amount | Expense |
| 2019 | 8.086% | \$ 692,389 | \$ - |

The contributions made by the State during the fiscal year ended June 30, 2019 included amounts resulting from Senate Bill (SB) 90 settlement in which the State contributed an additional \$2.2 Billion to CalSTRS and \$904 Million to CalPERS during the 2018-19 fiscal year in order to reduce employer contribution rates in 2019-20 and 2020-21. In addition, the State contributed an additional \$1.1 Billion to CalSTRS during the 2019-20 fiscal year as a continuing settlement associated with SB90. As a result, on behalf contributions for the years ended June 30, 2019 and June 30, 2020 are not comparable to the year June 30, 2018 as presented.

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

d. Contributions Recognized

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

| | Fund Financial Statements (Current Financial Resources Measurement Focus) | | |
|--|--|---------------------|---------------------|
| | <u>CalSTRS</u> | <u>CalPERS</u> | <u>Total</u> |
| Contributions - Employer | \$ 4,004,796 | \$ 1,862,866 | \$ 5,867,662 |
| Contributions - State On Behalf Payments | 2,418,803 | - | 2,418,803 |
| Total Contributions | <u>\$ 6,423,599</u> | <u>\$ 1,862,866</u> | <u>\$ 8,286,465</u> |

| | Government-Wide Financial Statements (Economic Resources Measurement Focus) | | |
|--|--|---------------------|---------------------|
| | <u>CalSTRS</u> | <u>CalPERS</u> | <u>Total</u> |
| Contributions - Employer | \$ 3,247,138 | \$ 1,318,445 | \$ 4,565,583 |
| Contributions - State On Behalf Payments | 2,418,803 | - | 2,418,803 |
| Total Contributions | <u>\$ 5,665,941</u> | <u>\$ 1,318,445</u> | <u>\$ 6,984,386</u> |

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

As of June 30, 2019 (measurement date) the District reported net pension liabilities for its proportionate share of the net pension liability of each plan as follows:

| | <u>Proportionate Share of the Net Pension Liability</u> |
|---------|---|
| CalSTRS | \$ 36,528,043 |
| CalPERS | <u>17,832,202</u> |
| Total | <u>\$ 54,360,245</u> |

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

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

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

| | CalSTRS | | | CalPERS |
|--------------------------|--------------------------------------|------------------------------------|------------------------------------|--------------------------------------|
| | District's Proportionate Share | State's Proportionate Share* | Total For District Employees | District's Proportionate Share |
| Proportion June 30, 2019 | 0.0424% | 0.0221% | 0.0644% | 0.0637% |
| Proportion June 30, 2020 | 0.0404% | 0.0237% | 0.0642% | 0.0612% |
| Change in Proportion | <u>-0.0019%</u> | <u>0.0017%</u> | <u>-0.0003%</u> | <u>-0.0025%</u> |

*Represents State's Proportionate Share on behalf of District employees.

a. Pension Expense

| | CalSTRS | CalPERS | Total |
|---|---------------------|---------------------|---------------------|
| Change in Net Pension Liability (Asset) | \$ (2,414,789) | \$ 856,575 | \$ (1,558,214) |
| State On Behalf Pension Expense | 764,610 | - | 764,610 |
| Employer Contributions to Pension Expense | 4,004,796 | 1,862,866 | 5,867,662 |
| (Increase) Decrease in Deferred Outflows of Resources | 2,193,723 | 321,747 | 2,515,470 |
| Increase (Decrease) in Deferred Inflows of Resources | (416,739) | 554,232 | 137,493 |
| Total Pension Expense | <u>\$ 4,131,601</u> | <u>\$ 3,595,420</u> | <u>\$ 7,727,021</u> |

Lakeside Union School District
Notes to the Financial Statements, Continued
June 30, 2020

b. Deferred Outflows and Inflows of Resources

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

| | Deferred Outflows of Resources | | |
|--|--------------------------------|---------------------|----------------------|
| | CalSTRS | CalPERS | Total |
| Pension contributions subsequent to measurement date | \$ 4,004,796 | \$ 1,862,866 | \$ 5,867,662 |
| Differences between actual and expected experience | 86,098 | 1,585,108 | 1,671,206 |
| Changes in assumptions | 3,594,242 | 1,401,888 | 4,996,130 |
| Changes in employer's proportionate share | 266,702 | 101,084 | 367,786 |
| Total Deferred Outflows of Resources | <u>\$ 7,951,838</u> | <u>\$ 4,950,946</u> | <u>\$ 12,902,784</u> |

| | Deferred Inflows of Resources | | |
|--|-------------------------------|-----------------------|-----------------------|
| | CalSTRS | CalPERS | Total |
| Differences between actual and expected experience | \$ (667,987) | \$ - | \$ (667,987) |
| Changes in employer's proportionate share | (3,539,396) | (909,855) | (4,449,251) |
| Net difference between projected and actual earnings | <u>(2,623,212)</u> | <u>(192,525)</u> | <u>(2,815,737)</u> |
| Total Deferred Inflows of Resources | <u>\$ (6,830,595)</u> | <u>\$ (1,102,380)</u> | <u>\$ (7,932,975)</u> |

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

| Year Ended June 30, | Deferred Outflows of Resources | | Deferred Inflows of Resources | | Net Effect on Expenses |
|------------------------|-----------------------------------|---------------------|----------------------------------|-----------------------|---------------------------|
| | CalSTRS | CalPERS | CalSTRS | CalPERS | |
| 2021 | \$ 6,090,144 | \$ 3,115,060 | \$ (2,539,533) | \$ (110,751) | \$ 6,554,920 |
| 2022 | 1,818,646 | 1,200,293 | (2,541,050) | (602,644) | (124,755) |
| 2023 | 21,525 | 464,421 | (1,212,684) | (303,557) | (1,030,295) |
| 2024 | 21,523 | 171,172 | (403,960) | (85,428) | (296,693) |
| 2025 | - | - | (133,366) | - | (133,366) |
| Thereafter | - | - | (2) | - | (2) |
| Total | <u>\$ 7,951,838</u> | <u>\$ 4,950,946</u> | <u>\$ (6,830,595)</u> | <u>\$ (1,102,380)</u> | <u>\$ 4,969,809</u> |

Lakeside Union School District
Notes to the Financial Statements, Continued
June 30, 2020

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2020 were based on actuarial valuations determined using the following actuarial assumptions:

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

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

d. Discount Rate

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

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

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

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

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

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

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

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

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

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

CalSTRS

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

*20 year average

CalPERS

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

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

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

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

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

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

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

| | <u>CalSTRS</u> | <u>CalPERS</u> |
|-----------------------|----------------|----------------|
| 1% Decrease | 6.10% | 6.15% |
| Net Pension Liability | \$ 54,450,969 | \$ 24,715,701 |
| Current Discount Rate | 7.10% | 7.15% |
| Net Pension Liability | \$ 36,528,043 | \$ 17,832,202 |
| 1% Increase | 8.10% | 8.15% |
| Net Pension Liability | \$ 22,843,987 | \$ 10,554,127 |

Lakeside Union School District
Notes to the Financial Statements, Continued
June 30, 2020

3. 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, 2019 | | | | | |
| (Previously Reported) | \$ 211,360,250 | \$ 150,038,064 | \$ 61,322,186 | \$ 22,379,354 | \$ 38,942,832 |
| Changes for the year: | | | | | |
| CalSTRS Auditor Adjustment | - | (1,167) | 1,167 | 432 | 735 |
| Change in prop. share | (807,783) | (573,420) | (234,363) | 1,537,604 | (1,771,967) |
| Service cost | 4,528,040 | - | 4,528,040 | 1,674,716 | 2,853,324 |
| Interest | 14,413,994 | - | 14,413,994 | 5,331,080 | 9,082,914 |
| Difference between expected and actual experience | (1,185,442) | - | (1,185,442) | (438,441) | (747,001) |
| Change in benefits | 20,538 | - | 20,538 | 7,596 | 12,942 |
| Contributions: | | | | | |
| Employer | - | 3,622,735 | (3,622,735) | (1,339,885) | (2,282,850) |
| Employee | - | 2,341,359 | (2,341,359) | (865,962) | (1,475,397) |
| State On Behalf | - | 3,424,020 | (3,424,020) | (1,266,389) | (2,157,631) |
| Net investment income | - | 9,561,727 | (9,561,727) | (3,536,448) | (6,025,279) |
| Other income | - | 81,898 | (81,898) | (30,290) | (51,608) |
| Benefit payments, including refunds of employee contributions | (9,817,266) | (9,817,266) | - | - | - |
| Administrative expenses | - | (162,992) | 162,992 | 60,283 | 102,709 |
| Borrowing costs | - | (67,587) | 67,587 | 24,998 | 42,589 |
| Other expenses | - | (2,746) | 2,746 | 1,015 | 1,731 |
| Net changes | 7,152,081 | 8,406,561 | (1,254,480) | 1,160,309 | (2,414,789) |
| Balance at June 30, 2020 | \$ 218,512,331 | \$ 158,444,625 | \$ 60,067,706 | \$ 23,539,663 | \$ 36,528,043 |

Lakeside Union School District
Notes to the Financial Statements, Continued
June 30, 2020

CalPERS

| | Increase (Decrease) | | |
|---|--------------------------------------|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance at June 30, 2019 | | | |
| (Previously Reported) | \$ 58,229,383 | \$ 41,253,756 | \$ 16,975,627 |
| Changes for the year: | | | |
| Change in prop. share | (2,269,105) | (1,607,592) | (661,513) |
| Service cost | 1,362,488 | - | 1,362,488 |
| Interest | 4,015,968 | - | 4,015,968 |
| Difference between expected and actual experience | 855,867 | - | 855,867 |
| Change in assumptions | - | - | - |
| Contributions: | | | |
| Employer | - | 1,546,614 | (1,546,614) |
| Employee | - | 620,469 | (620,469) |
| Plan to plan res. movement | - | 186 | (186) |
| Net investment income | - | 2,577,118 | (2,577,118) |
| Benefit payments, including refunds of employee contributions | (2,660,016) | (2,660,016) | - |
| Administrative expenses | - | (28,243) | 28,243 |
| Other expenses | - | 91 | (91) |
| Net changes | <u>1,305,202</u> | <u>448,627</u> | <u>856,575</u> |
| Balance at June 30, 2020 | <u>\$ 59,534,585</u> | <u>\$ 41,702,383</u> | <u>\$ 17,832,202</u> |

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

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

O. Postemployment Benefits Other than Pension Benefits (OPEB)

A. Plan Description

The California Public Employees Retirement System (CalPERS) administers the Lakeside Union School District Retiree Benefits Plan (Plan) through the California Employers' Retiree Benefit Trust (CERBT). The plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for employee groups as follows:

The District provides the ability to enroll in retiree health benefits (including medical, dental and vision) to eligible retirees and their dependents. The District's financial obligation is to pay for retiree medical for the retiree only coverage to age 65 subject to an annual maximum benefit allotment. The retiree pays for any amounts above the annual maximum and for the cost of covering dependents. Retirees can elect dental and vision coverage on a self-pay basis. The District does not contribute any retiree health benefits beyond the retiree's attainment of age 65. The current applicable maximum benefit allotments and eligibility for coverage are 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 for eligible employees who retired before January 1, 2018 is an amount equal to the premium for retiree only subject to a maximum, which is equivalent to the cost of the employee only health coverage under the most expensive HMO health plan offered by the District annually. The District's contribution for eligible employees who retire on or after January 1, 2018 is an amount equal to the premium for retiree only subject to a maximum, which is equivalent to the cost of the employee only health coverage under the UHC Network 1 health plan offered by the District annually. 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. 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 to eligible retirees and their eligible dependents to the retirees' attainment of age 65. For employees hired before September 11, 2014, 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. For employees hired on or after September 11, 2014, eligibility for retiree medical benefits requires retirement under PERS on or after age 55 with at least 15 years of District eligible service.

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

The District's contribution for eligible employees who retire on or before December 31, 2019 is an amount equal to the retiree only premium up to the most expensive HMO that is available to bargaining unit members. The District's contribution for eligible employees who retire on or after January 1, 2020 is an amount equal to the premium for retiree only subject to a maximum, which is \$7,740 in 2018. If the District's Kaiser and/or UHC Network 1 health care plans exceeds the specific maximum contribution paid by the District, the District will pay 50% of the increased cost and the employee will pay 50% of the increased cost. The District does not provide any financial contribution for coverage beyond age 65. Retirees can elect dependent medical and dental coverage on a selfpaid basis, except for 4 Classified retirees who are grandfathered in for District-paid dental coverage. 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 (age 55 for STRS and age 50 for PERS) 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 for retirees without lifetime coverage. Retirees can elect dependent medical and dental coverage on a self-paid basis, except for 3 Management retirees who are grandfathered in for District-paid dental coverage. Spouse coverage ceases upon the death of the retiree.

Employees Covered by Benefit Terms

At measurement date, June 30, 2020, Plan membership consisted of the following:

| | |
|---|------------|
| Inactive plan members or beneficiaries currently receiving benefits | 84 |
| Inactive plan members entitled to but not yet receiving benefits | 0 |
| Active plan members | 488 |
| | <u>572</u> |

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.

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

B. 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 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 Plans portfolio over the long term while bonds are intended to help provide income and stability of principal. Also, strategies invested in a higher percentage of equities seek higher investment returns (but assume more risk) compared with strategies invested in a higher percentage of bonds.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Target Range</u> | <u>Benchmark</u> |
|--|--------------------------|---------------------|--|
| Global Equity | 59% | + or - 5% | MSCI All Country World Index IMI (net) |
| Fixed Income | 25% | + or - 5% | Bloomberg Barclays Long Liability Index |
| Treasury Inflation Protected Securities (TIPS) | 5% | + or - 3% | Bloomberg Barclays U.S. TIPS Index, Series L |
| Real Estate Investment Trusts | 8% | + or - 5% | FTSE EPRA/NAREIT Developed Liquid Index |
| Commodities | 3% | + or - 3% | S&P GSCI Total Return Index |
| Cash | 0% | + 2% | 91 Day Treasury Bill |

Target Allocations were approved by the CalPERS Board at the October 2018 Investment Committee Meeting.

Concentrations

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

Lakeside Union School District
Notes to the Financial Statements, Continued
June 30, 2020

Performance

For the year ended June 30, 2020, the CERBT Strategy 1 performed as follows:

| | 1 Month | 3 Months | Fiscal YTD | 1 Year | 3 Years* | 5 Years* | 10 Years* | Since Inception* (June 1, 2007) |
|---------------------------------|---------|----------|------------|--------|----------|----------|-----------|------------------------------------|
| Gross Return ^{1,3} | 3.54% | 10.72% | 7.95% | 11.61% | 7.70% | 8.33% | 8.59% | 5.36% |
| Net Return ^{2,3} | 3.53% | 10.69% | 7.93% | 11.51% | 7.61% | 8.23% | 8.49% | 5.29% |
| Benchmark Returns | 3.53% | 10.64% | 7.91% | 11.18% | 7.37% | 7.90% | 8.28% | 4.93% |
| Standard Deviation ⁴ | - | - | - | - | 11.75% | 10.11% | 9.97% | 12.82% |

Performance quoted represents past performance, which is no guarantee of future results that may be achieved by the fund.

*Returns for periods greater than one year are annualized

¹Gross performance figures are provided net of SSGA operating expenses.

²Net performance figures deduct all expenses to the fund, including investment management, administrative and recordkeeping fees.

³See expenses below.

⁴Standard deviation is based on gross returns.

The time-weighted rate of return for CERBT Strategy 1 was 6.5% as of the most recent CalPERS investment report dated June 30, 2019.

Expenses

CERBT is a self-funded trust in which participating employers pay for all administrative and investment expenses. Expenses reduce the gross investment return by the fee amount. The larger the expenses, the greater the reduction in investment return. Currently, CERBT expense ratios are 0.10% which consist of administrative expenses borne by CalPERS to administer and oversee the Trust assets, investment management and administrative fees paid to SSGA to manage all asset classes, and recordkeeping fees paid to Northeast Retirement Services to administer individual employer accounts. The expenses described herein are reflected in the net asset value per unit. The expense ratio is subject to change at any time and without prior notification due to factors such as changes to average fund assets or market conditions. CalPERS reviews the operating expenses annually and changes may be made as appropriate. Even if the portfolio loses money during a period, the expenses will still be charged.

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

C. Net OPEB Liability of the District and the Plan

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability 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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|----------------------------|--|
| Fiscal Year | July 1 st to June 30 th |
| Measurement Date | June 30, 2020 |
| Funding Policy | Pay-as-you-go |
| Asset Return | 7.0% per annum |
| Discount Rate | 2.45% per annum |
| Inflation | 2.75% per annum |
| Salary Increases | 3.0% per annum |
| Pre-retirement Turnover | Utilizes the Crocker-Sarason T-5 Turnover Table |
| Mortality Rates | Utilizes the RPH 2014 mortality table with generational improvements utilizing MP 2018 |
| Retirement Rates | Ranges from 7.5% to 100% based on age with 100% retiring by age 70. |
| Retirement Eligibility Age | 55 for CalSTRS members, 50 for CalPERS members |
| Participant Rates | 85% of future active employees are assumed to elect retiree health coverage at retirement. 75% are assumed to elect Kaiser HMO 10 Plan and the remainder to select HMO Network or the Network 1 HMO. |
| 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 | Based on premiums and fundraising, expected claims are expected to range from \$9,793 to \$12,580 |
| Medical Trend Rates | From 5.0% to 7.0% |

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

Discount Rate

The discount rate of 2.45% is a blended rate between the rate of return and 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, and Fidelity GO AA 20 Year Bond Index.

The discount rate has decreased from the June 30, 2019 discount rate of 3.15%.

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. As required by GASB 75, 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.

Actuarial Value of Assets

Any assets of the plan are valued on a market value basis.

Long-Term Expected Rate of Return

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 class included in the OPEB plan's target asset allocation as of June 30, 2020 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--|--------------------------|---|
| Global Equity | 59% | 5.50% |
| Fixed Income | 25% | 2.35% |
| Treasury Inflation Protected Securities (TIPS) | 5% | 1.50% |
| Real Estate Investment Trusts | 8% | 3.65% |
| Commodities | 3% | 1.75% |
| Cash | 0% | 0.00% |

Long-term expected rate of return is 7.00%.

Lakeside Union School District
Notes to the Financial Statements, Continued
June 30, 2020

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|--|--------------------------------|---------------------------------------|------------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balance at June 30, 2019 | \$ 14,831,525 | \$ 635,165 | \$ 14,196,360 |
| Changes for the year: | | | |
| Service cost | 988,908 | - | 988,908 |
| Interest | 484,645 | - | 484,645 |
| Changes of benefit terms | - | - | - |
| Differences between expected and actual experience | 1,014,721 | | |
| Changes of assumptions | 646,744 | - | 646,744 |
| Contributions - employer | - | 869,731 | (869,731) |
| Net investment income | - | 22,702 | (22,702) |
| Benefit payments, including refunds of member contributions | (869,731) | (869,731) | - |
| Administrative expenses | - | (547) | 547 |
| Other expenses | - | - | - |
| Net change | <u>2,265,287</u> | <u>22,155</u> | <u>2,243,132</u> |
| Balance at June 30, 2020 | <u>\$ 17,096,812</u> | <u>\$ 657,320</u> | <u>\$ 16,439,492</u> |

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

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

| | Valuation | | |
|--------------------|------------------------|--------------------------|------------------------|
| | 1% Decrease (1.45%) | Discount Rate (2.45%) | 1% Increase (3.45%) |
| Net OPEB Liability | \$ 17,724,734 | \$ 16,439,493 | \$ 15,231,808 |

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

Sensitivity of the net OPEB liability to changes in the health care cost trend rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

| | <u>1% Decrease</u> | <u>Healthcare Cost Trends Rate</u> | <u>1% Increase</u> |
|--------------------|--------------------|--|--------------------|
| | 5.50% | 6.50% | 7.50% |
| | Decreasing to | Decreasing to | Decreasing to |
| | <u>3.50%</u> | <u>4.50%</u> | <u>5.50%</u> |
| Net OPEB Liability | \$ 14,608,533 | \$ 16,439,493 | \$ 18,608,763 |

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the fiduciary fund financial statements found in the Basic Financial Statements section of this report.

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,656,077. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between actual and expect experience | \$ 901,974 | \$ - |
| Changes of assumptions | 829,453 | (56,254) |
| Differences between projected and actual earnings | <u>19,232</u> | <u>-</u> |
| Total | <u>\$ 1,750,659</u> | <u>\$ (56,254)</u> |

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

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

| <u>Year Ended June 30,</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Net Effect on OPEB Expense</u> |
|--------------------------------|---|--|---------------------------------------|
| 2021 | \$ 240,483 | \$ (14,064) | \$ 226,419 |
| 2022 | 240,483 | (14,064) | 226,419 |
| 2022 | 240,481 | (14,064) | 226,417 |
| 2023 | 239,869 | (14,062) | 225,807 |
| 2024 | 235,520 | - | 235,520 |
| Thereafter | 553,823 | - | 553,823 |
| Total | <u>\$ 1,750,659</u> | <u>\$ (56,254)</u> | <u>\$ 1,694,405</u> |

Payables to the OPEB Plan

At June 30, 2020, the District did not have any payables to the OPEB plan outstanding.

P. Risk Management

The District is exposed to risk of losses due to:

- Torts,
- Theft of, damage to, or destruction of assets,
- Business interruption,
- Errors or omissions,
- Job related illness or injuries to employees,
- Natural disasters,
- 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, risk transfer to and from an insurer, and risk transfer to a non-insurer.

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.

There have been no significant changes in property and liability or workers compensation coverage during the current fiscal year.

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

Q. Participation in Joint Powers Authorities

The District is a member of two joint powers agreements (JPA) entities, the San Diego County Schools Risk Management (SDCSRM) and the San Diego County Schools Fringe Benefits Consortium (SDCSFBC) for the operation of a common risk management and insurance programs for property and liability coverage, workers compensation, and other employee benefits. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

R. Commitments and Contingencies

1. State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject 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.

2. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District as of June 30, 2020.

3. Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to unfinished capital projects:

| <u>Construction in Process:</u> | <u>Commitment</u> | <u>*Expeceted Date of Final Completion</u> |
|------------------------------------|-------------------|--|
| 745 - DW Video Surveillance | \$ 19,378 | January 2020 |
| 746 - Lakeside Farms Modernization | 268,369 | February 2022 |
| 747 - Lakeside Farms Parking Lot | 79,285 | February 2021 |
| 748 - Lindo Park MPR | 324,109 | February 2022 |
| 749 - TDS Gym Modernization | 1,967,378 | January 2022 |
| 750 - Central Kitchen Remodel | 583,240 | October 2020 |
| 753 - District Wide Parking Lots | 1,155,634 | October 2020 |
| 754 - TDS MPR Modernization | 150,911 | September 2021 |

* Expected Date of final completion subject to change

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

S. Deferred Outflows of Resources

The District issued refunding bonds June 2015 and November 2016, and as a result of the calculated gain or loss, a loss on refunding was recognized as a deferred outflow of resources. The loss on refunding will be amortized over the life of the refunding bonds utilizing the straight line method.

In accordance with GASB Statement No. 68 & 71, payments made subsequent to the pension plan measurement date and other items as outlined in the GASB pronouncement have been recorded as deferred outflows of resources.

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

A summary of the deferred outflows of resources as of June 30, 2020 is as follows:

| Description | Beginning Balance | Increases | Decreases | Ending Balance |
|--------------------------------------|----------------------|---------------------|---------------------|----------------------|
| Refunding Loss - 2015 Bonds | \$ 2,462,166 | \$ - | \$ 144,833 | \$ 2,317,333 |
| Refunding Loss - 2016 Bonds | 1,676,445 | - | 111,763 | 1,564,682 |
| Pension Related | | | | - |
| CalSTRS | 10,145,561 | 4,004,796 | 6,198,519 | 7,951,838 |
| CalPERS | 5,272,693 | 2,718,733 | 3,040,480 | 4,950,946 |
| OPEB Related | 307,937 | 1,683,205 | 240,483 | 1,750,659 |
| Total Deferred Outflows of Resources | <u>\$ 19,864,802</u> | <u>\$ 8,406,734</u> | <u>\$ 9,736,078</u> | <u>\$ 18,535,458</u> |

Future amortization of deferred outflows is as follows:

| Year Ending June 30, | Refunding Losses | Pension Related | OPEB Related | Total |
|-------------------------|---------------------|----------------------|---------------------|----------------------|
| 2021 | \$ 256,596 | \$ 9,205,204 | \$ 240,483 | \$ 9,702,283 |
| 2022 | 256,596 | 3,018,939 | 240,483 | 3,516,018 |
| 2023 | 256,596 | 485,946 | 240,481 | 983,023 |
| 2024 | 256,596 | 192,695 | 239,869 | 689,160 |
| 2025 | 256,596 | - | 235,520 | 492,116 |
| Thereafter | 2,599,035 | - | 553,823 | 3,152,858 |
| Total | <u>\$ 3,882,015</u> | <u>\$ 12,902,784</u> | <u>\$ 1,750,659</u> | <u>\$ 18,535,458</u> |

Lakeside Union School District
Notes to the Financial Statements, Continued
June 30, 2020

T. Deferred Inflows of Resources

In accordance with GASB Statement No. 68 & 71, items as outlined in the GASB statement have been 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, 2020 is as follows:

| Description | Beginning Balance | Increases | Decreases | Ending Balance |
|-------------------------------------|----------------------|--------------|--------------|-------------------|
| Pension Related | | | | |
| CalSTRS | \$ 7,247,334 | \$ 2,099,968 | \$ 2,516,707 | \$ 6,830,595 |
| CalPERS | 548,148 | 427,144 | (127,088) | 1,102,380 |
| OPEB Related | 70,318 | - | 14,064 | 56,254 |
| Total Deferred Inflows of Resources | \$ 7,865,800 | \$ 2,527,112 | \$ 2,403,683 | \$ 7,989,229 |

Future amortization of deferred inflows is as follows:

| Year Ending June 30, | Pension Related | OPEB Related | Total |
|-------------------------|--------------------|-----------------|--------------|
| 2021 | \$ 2,650,284 | \$ 14,064 | \$ 2,664,348 |
| 2022 | 3,143,694 | 14,064 | 3,157,758 |
| 2023 | 1,516,241 | 14,064 | 1,530,305 |
| 2024 | 489,388 | 14,062 | 503,450 |
| 2025 | 133,366 | - | 133,366 |
| Thereafter | 2 | - | 2 |
| Total | \$ 7,932,975 | \$ 56,254 | \$ 7,989,229 |

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

U. Upcoming Accounting Guidance

The Governmental Accounting Standards Board (GASB) issues pronouncements and additional guidance for governmental agencies to establish consistent accounting across all governments in the United States. The following table represents items that have been issued by GASB that will become effective in future periods:

| Description | Date Issued | Fiscal Year Effective |
|--|-------------|-----------------------|
| GASB Statement 84, Fiduciary Activities | 01/2017 | 2020-21 |
| GASB Statement 87, Leases | 06/2017 | 2021-22 |
| GASB Statement 89, Accounting for Interest Cost Incurred before the End of a Construction Period | 06/2018 | 2021-22 |
| GASB Statement 90, Majority Equity Interest – an amendment of GASB Statements 14 and 61 | 08/2018 | 2020-21 |
| GASB Statement 91, Conduit Debt Obligations | 05/2019 | 2022-23 |
| GASB Statement 92, Omnibus 2020 | 01/2020 | 2021-22 |
| GASB Statement 93, Replacement of Interbank Offered Rates | 03/2020 | 2020-21 |
| GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements | 03/2020 | 2022-23 |
| GASB Statement 96, Subscription-Based Information Technology Arrangements | 05/2020 | 2022-23 |
| GASB Statement 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements 14, 84 and supersession of GASB Statement 32 | 06/2020 | 2021-22 |
| GASB Implementation Guide No. 2019-1, Implementation Guidance Update – 2019 | 04/2019 | 2020-21 |
| GASB Implementation Guide No. 2019-2, Fiduciary Activities | 06/2019 | 2020-21 |
| GASB Implementation Guide No. 2019-3, Leases | 08/2019 | 2021-22 |
| GASB Implementation Guide No. 2020-1, Implementation Guidance Update – 2020 | 04/2020 | 2021-22 |

The effects of the upcoming guidance and pronouncements on the District's financial statements has not yet been determined.

Lakeside Union School District

Notes to the Financial Statements, Continued

June 30, 2020

V. COVID-19 Considerations

In March 2020 the World Health Organization declared the outbreak of the novel coronavirus COVID-19 a global pandemic. The nature of the pandemic resulted in a mandatory school property closure affecting the Lakeside Union School District from March 16, 2020 and continuing into the Fall of 2020-21 school year. California Governor Gavin Newsom issued a state-wide executive order mandating that schools remain closed until the county in which the school is located is off the COVID-19 watch list for fourteen consecutive days. The 2020-21 fiscal year opened in a fully distance learning model, subsequently transitioning into a partial re-opening for students.

In addition to school closures, new regulations and safety measures were required to be put in place by all schools in California as part of a re-opening plan. The Lakeside Union School District has established a re-opening plan that they believe will provide a safe environment for the students and teachers.

The federal and state government have established temporary funding to assist in the additional costs that resulted from the COVID-19 pandemic. All California school districts are eligible for these funds. Additionally, for the 2019-20 fiscal year, the state placed all school districts in a hold harmless state shifting attendance reporting periods to a point prior to the pandemic to prevent sudden losses of attendance from impacting funding for the 2019-20 fiscal year. Finally, funding for the 2020-21 fiscal year is frozen at amounts provided in 2019-20 for all California school districts, with adjustments based on the Governor's budget. The District has established their 2020-21 budget with this in consideration.

W. Subsequent Events

Issuance of Tax Revenue Anticipation Notes

On March 30, 2021, the District issued \$7,500,000 in Tax Revenue Anticipation Notes (TRANs) as a part of the County of San Diego and San Diego County School Districts Tax and Revenue Anticipation Note Program, Series 2020-21 B. The TRANs bear interest of 0.25% with principal and interest due June 30, 2021. The TRANs were issued to supplement cash flows.

Required Supplementary Information

Lakeside Union School District

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2020

| | Budgeted Amounts | | | Variance to Final Budget Positive (Negative) |
|--|---------------------|---------------------|----------------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| LCFF Sources | | | | |
| State Apportionment | \$ 27,532,320 | \$ 28,325,155 | \$ 30,151,478 | \$ 1,826,323 |
| Education Protection Account | 7,049,983 | 5,884,727 | 3,963,946 | (1,920,781) |
| Property Taxes | 10,111,978 | 10,435,966 | 10,542,818 | 106,852 |
| Federal Revenue | 2,591,094 | 2,977,526 | 2,818,005 | (159,521) |
| Other State Revenue | 4,485,803 | 6,640,348 | 6,641,524 | 1,176 |
| Interest Income | 152,000 | 152,000 | 205,712 | 53,712 |
| Other Local Revenue | 4,619,967 | 4,769,191 | 4,800,235 | 31,044 |
| Total Revenues | 56,543,145 | 59,184,913 | 59,123,718 | (61,195) |
| Expenditures | | | | |
| Current Expenditures: | | | | |
| Certificated Salaries | 24,908,601 | 24,628,054 | 24,406,711 | 221,343 |
| Classified Salaries | 8,345,825 | 8,718,844 | 8,740,738 | (21,894) |
| Employee Benefits | 17,671,828 | 18,724,710 | 18,437,813 | 286,897 |
| Books and Supplies | 2,425,813 | 1,680,419 | 1,272,461 | 407,958 |
| Services and Other Operating | 5,799,567 | 6,795,756 | 6,436,323 | 359,433 |
| Transfers of Indirect Costs | (134,026) | (137,781) | (126,314) | (11,467) |
| Capital Outlay | 80,000 | 137,003 | 97,392 | 39,611 |
| Total Expenditures | 59,097,608 | 60,547,005 | 59,265,124 | 1,281,881 |
| Excess (Deficiency) of Revenues Over Expenditures | (2,554,463) | (1,362,092) | (141,406) | 1,220,686 |
| Other Financing Sources (Uses) | | | | |
| Interfund Transfers Out | - | - | (3,986) | 3,986 |
| Net Financing Sources (Uses) | - | - | (3,986) | 3,986 |
| Net Change in Fund Balance | (2,554,463) | (1,362,092) | (145,392) | 1,216,700 |
| Fund Balance - Beginning of Year | 11,222,675 | 11,222,675 | 11,222,675 | - |
| Fund Balance - End of Year | \$ 8,668,212 | \$ 9,860,583 | \$ 11,077,283 | \$ 1,216,700 |

See Accompanying Notes to Required Supplementary Information

Lakeside Union School District

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

Last Ten Fiscal Years*

| | Fiscal Year | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------|------------|------------|------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| District's proportion of the net pension liability (asset) | 0.0404% | 0.0424% | 0.0450% | 0.0471% | 0.0451% | 0.0436% | N/A | N/A | N/A | N/A |
| District's proportionate share of the net pension liability (asset) | \$ 36,528,043 | \$ 38,942,832 | \$ 41,574,495 | \$ 38,081,550 | \$ 30,364,814 | \$ 25,487,786 | N/A | N/A | N/A | N/A |
| State's proportionate share of the net pension liability (asset) associated with the District | 21,439,588 | 20,405,766 | 22,518,940 | 21,592,046 | 18,133,022 | 14,033,604 | N/A | N/A | N/A | N/A |
| Total | <u>\$ 57,967,631</u> | <u>\$ 59,348,598</u> | <u>\$ 64,093,435</u> | <u>\$ 59,673,596</u> | <u>\$ 48,497,836</u> | <u>\$ 39,521,390</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| District's covered payroll** | 22,502,689 | 23,769,141 | 23,769,141 | 23,392,667 | 20,842,725 | 19,326,546 | N/A | N/A | N/A | N/A |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 162.33% | 163.84% | 174.91% | 162.79% | 145.69% | 131.88% | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 72.56% | 70.99% | 69.46% | 70.04% | 74.02% | 76.52% | N/A | N/A | N/A | N/A |

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Covered payroll on this schedule is based on measurement date, as such covered payroll represented for each fiscal year is the covered payroll from the prior year as identified on the schedule of contributions.

See Accompanying Notes to Required Supplementary Information

Lakeside Union School District

Schedule of the District's Contributions - CalSTRS

Last Ten Fiscal Years*

| | Fiscal Year | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|------|------|------|------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Contractually required contribution | \$ 4,004,796 | \$ 3,539,065 | \$ 3,247,138 | \$ 2,990,158 | \$ 2,510,033 | \$ 1,850,834 | N/A | N/A | N/A | N/A |
| Contributions in relation to the contractually required contribution | (4,004,796) | (3,539,065) | (3,247,138) | (2,990,158) | (2,510,033) | (1,850,834) | N/A | N/A | N/A | N/A |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | N/A | N/A | N/A | N/A |
| District's covered payroll** | \$ 23,419,860 | \$ 21,738,729 | \$ 22,502,689 | \$ 23,769,141 | \$ 23,392,667 | \$ 20,842,725 | N/A | N/A | N/A | N/A |
| Contributions as a percentage of covered payroll | 17.10% | 16.28% | 14.43% | 12.58% | 10.73% | 8.88% | N/A | N/A | N/A | N/A |

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Covered payroll on this schedule is based on the fiscal year.

See Accompanying Notes to Required Supplementary Information

Lakeside Union School District

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

Last Ten Fiscal Years*

| | Fiscal Year | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|--------------|--------------|------|------|------|------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| District's proportion of the net pension liability (asset) | 0.0612% | 0.0637% | 0.0661% | 0.0603% | 0.0613% | 0.0586% | N/A | N/A | N/A | N/A |
| District's proportionate share of the net pension liability (asset) | \$ 17,832,202 | \$ 16,975,627 | \$ 15,788,647 | \$ 11,911,296 | \$ 9,029,628 | \$ 6,651,738 | N/A | N/A | N/A | N/A |
| District's covered payroll** | \$ 8,562,861 | \$ 8,489,119 | \$ 8,494,456 | \$ 7,303,361 | \$ 6,812,395 | \$ 6,160,776 | N/A | N/A | N/A | N/A |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 208.25% | 199.97% | 185.87% | 163.09% | 132.55% | 107.97% | N/A | N/A | N/A | N/A |
| Plan fiduciary net position as a percentage of the total pension liability | 70.05% | 70.85% | 71.87% | 73.90% | 79.43% | 83.38% | N/A | N/A | N/A | N/A |

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Covered payroll on this schedule is based on measurement date, as such covered payroll represented for each fiscal year is the covered payroll from the prior year as identified on the schedule of contributions.

See Accompanying Notes to Required Supplementary Information

Lakeside Union School District

Schedule of the District's Contributions - CalPERS

Last Ten Fiscal Years*

| | Fiscal Year | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|------|------|------|------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Contractually required contribution | \$ 1,862,866 | \$ 1,546,624 | \$ 1,318,445 | \$ 1,179,710 | \$ 865,229 | \$ 801,887 | N/A | N/A | N/A | N/A |
| Contributions in relation to the contractually required contribution | (1,862,866) | (1,546,624) | (1,318,445) | (1,179,710) | (865,229) | (801,887) | N/A | N/A | N/A | N/A |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | N/A | N/A | N/A | N/A |
| District's covered payroll** | \$ 9,446,103 | \$ 8,562,861 | \$ 8,489,119 | \$ 8,494,456 | \$ 7,303,361 | \$ 6,812,395 | N/A | N/A | N/A | N/A |
| Contributions as a percentage of covered payroll | 19.721% | 18.062% | 15.531% | 13.888% | 11.847% | 11.771% | N/A | N/A | N/A | N/A |

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**Covered payroll on this schedule is based on the fiscal year.

Lakeside Union School District

Schedule of Changes in the District's Net OPEB Liability and Related Ratios – LSUSD Retiree Health Benefit Plan Last Ten Fiscal Years*

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|------------|------------|------------|------------|------------|------------|------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Total OPEB liability: | | | | | | | | | | |
| Service cost | \$ 988,908 | \$ 935,348 | \$ 903,718 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Interest | 484,645 | 511,233 | 480,489 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Changes of benefit terms | - | (214,514) | - | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Differences between expected and actual experience | 1,014,721 | - | - | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Changes of assumptions | 646,744 | 356,397 | (98,446) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Benefit payments | (869,731) | (856,503) | (829,004) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Net change in total OPEB liability | 2,265,287 | 731,961 | 456,757 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Total OPEB liability - beginning | 14,831,524 | 14,099,563 | 13,642,806 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Total OPEB liability - ending | <u>\$ 17,096,811</u> | <u>\$ 14,831,524</u> | <u>\$ 14,099,563</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Plan fiduciary net position: | | | | | | | | | | |
| Contributions - employer | \$ 869,731 | \$ 956,503 | \$ 1,329,004 | 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 |
| Net investment income | 22,702 | 35,423 | - | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Benefit payments | (869,731) | (856,503) | (829,004) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Administrative expenses | (547) | (258) | - | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Other expenses | - | - | - | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Net change in plan fiduciary net position | 22,155 | 135,165 | 500,000 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Plan fiduciary net position - beginning | 635,165 | 500,000 | - | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Plan fiduciary net position - ending | <u>\$ 657,320</u> | <u>\$ 635,165</u> | <u>\$ 500,000</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Net OPEB liability | <u>\$ 16,439,491</u> | <u>\$ 14,196,359</u> | <u>\$ 13,599,563</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | 3.84% | 4.28% | 3.55% | | | | | | | |
| Covered payroll | 31,248,091 | 30,064,000 | 30,064,000 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Net OPEB liability as a percentage of covered payroll | 52.61% | 47.22% | 45.24% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Lakeside Union School District

Schedule of the District's Contributions – LSUSD Retiree Health Benefit Plan

Last Ten Fiscal Years*

| | Fiscal Year | | | | | | | | | |
|--|---------------------|---------------------|-----------------------|------------|------------|------------|------------|------------|------------|------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Actuarial determined contributions | \$ - | \$ - | \$ - | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions in relation to the contractually required contribution | (869,731) | (956,503) | (1,329,004) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contribution deficiency (excess) | <u>\$ (869,731)</u> | <u>\$ (956,503)</u> | <u>\$ (1,329,004)</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| District's covered payroll** | 31,248,091 | 30,064,000 | 30,064,000 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions as a percentage of covered payroll | 2.783% | 3.182% | 4.421% | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

The Plan does not have actuarially determined contributions.

Lakeside Union School District

Schedule of Investment Returns – LSUSD Retiree Health Benefit Plan

For the Year Ended June 30, 2020

| <u>Year</u> | <u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u> |
|-------------|--|
| 2020 | 6.5% |
| 2019 | 7.3% |
| 2018 | 7.2% |
| 2017 | N/A |
| 2016 | N/A |
| 2015 | N/A |
| 2014 | N/A |
| 2013 | N/A |
| 2012 | N/A |
| 2011 | N/A |

*This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Lakeside Union School District

Notes to Required Supplementary Information
For the Year Ended June 30, 2020

Budgetary Comparison Schedule – General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District’s Special Reserve Fund for Other Than Capital Outlay (Fund 17) and Special Reserve Fund for Other Postemployment Benefits (Fund 20) were included with the general fund as the fund did not meet the definition of a special revenue fund under GASB Statement No. 54. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only. Below is a table reconciling between the General Fund as reported in the Basic Financial Statements and the General Fund as reported in the Budgetary Comparison Schedule.

| | |
|---|----------------------|
| General Fund - Basic Financial Statements Ending Fund Balance | \$ 11,137,589 |
| Less Fund 17 Fund Balance | (243) |
| Less Fund 20 Fund Balance | (60,063) |
| General Fund - Budgetary Comparison Schedule Ending Fund Balance | <u>\$ 11,077,283</u> |
| | |
| General Fund - Basic Financial Statements Net Change in Fund Balance | \$ (144,195) |
| Less Fund 17 Net Change in Fund Balance | (5) |
| Less Fund 20 Net Change in Fund Balance | (1,192) |
| General Fund - Budgetary Comparison Schedule Net Change in Fund Balance | <u>\$ (145,392)</u> |

Excess of Expenditures Over Appropriations

As of June 30, 2020, the District’s expenditures which exceeded appropriations in the following categories:

| <u>Appropriations Category</u> | <u>Excess Expenditures</u> | <u>Reason for Excess Expenditures</u> |
|--------------------------------|----------------------------|---|
| General Fund: | | |
| Classified Salaries | \$ 21,894 | Guidance for reporting the Classified School Employee Summer Assistance Program was subsequently changed requiring the District to recognize the state match as an accrual for fiscal year 2019-20 instead of recognizing the expense in 2020-21. |
| Transfers of Indirect Costs | 11,467 | The District underestimated transfers of indirect costs. |

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.

Lakeside Union School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2020

Schedule of District's Proportionate Share – CalSTRS

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

Schedule of District's Contributions – CalSTRS

The total pension liability for California State Teachers' Retirement System (CalSTRS) was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, 2016, 2017 and 2018 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016, 2017, 2018 and 2019 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

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

| Reporting Period | June 30, 2018 | June 30, 2019 | June 30, 2020 |
|-----------------------------------|---------------------|---------------------|---------------------|
| Measurement Date | 06/30/17 | 06/30/18 | 06/30/19 |
| Valuation Date | 06/30/16 | 06/30/17 | 06/30/20 |
| Experience Study | 07/01/06 - 06/30/15 | 07/01/06 - 06/30/15 | 07/01/06 - 06/30/15 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Investment Rate of Return | 7.10% | 7.10% | 7.10% |
| Consumer Price Inflation | 2.75% | 2.75% | 2.75% |
| Wage Growth (Average) | 3.50% | 3.50% | 3.50% |
| Post-retirement Benefit Increases | 2.00% Simple | 2.00% Simple | 2.00% Simple |

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

Lakeside Union School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2020

Schedule of District's Proportionate Share – CalPERS

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

Schedule of District's Contributions – CalPERS

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 2017 and rolling forward the total pension liabilities to June 30, 2014, 2015, 2016, 2017 and 2018 (measurement dates). The financial reporting actuarial valuation as of June 30, 2014, 2015, 2016, 2017 and 2018 (measurement dates) used the following actuarial methods and assumptions, applied to all periods included in the measurement:

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

| Reporting Period | June 30, 2018 | June 30, 2019 | June 30, 2020 |
|-----------------------------------|---------------------|---------------------|---------------------|
| Measurement Date | 06/30/17 | 06/30/18 | 06/30/19 |
| Valuation Date | 06/30/16 | 06/30/17 | 06/30/18 |
| Experience Study | 07/01/97 - 06/30/11 | 07/01/97 - 06/30/15 | 07/01/97 - 06/30/15 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Investment Rate of Return | 7.15% | 7.50% | 7.50% |
| Consumer Price Inflation | 2.75% | 2.50% | 2.50% |
| Wage Growth (Average) | 3.00% | 3.00% | 3.00% |
| Post-retirement Benefit Increases | 2.00% Simple | 2.00% Simple | 2.00% Simple |

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

Lakeside Union School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2020

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

- 1) Benefit Changes: In 2019 the District made changes to benefit terms consistent with bargaining agreements. There have been no additional changes to benefits in periods being reported.
- 2) Changes in Assumptions: In 2019 the discount rate changed from 3.35% to 3.22%. In 2020 the discount rate changed from 3.22% to 2.45%. There have been no additional changes in assumptions.
- 3) The following are the discount rates used for each period:

| <u>Year</u> | <u>Discount Rate</u> |
|-------------|----------------------|
| 2018 | 3.35% |
| 2019 | 3.22% |
| 2020 | 2.45% |

Schedule of District's Contributions to OPEB Plan

The District is not currently obtaining actuarially determined contributions. The District is funding OPEB contributions on a pay-as-you-go basis through the OPEB trust.

Combining Statements as Supplementary Information

Lakeside Union School District

Combining Balance Sheet – Nonmajor Governmental Funds

June 30, 2020

| | Special Revenue Funds | Capital Project Funds | Debt Service Fund Bond Interest & Redemption Fund | Total Nonmajor Governmental Funds |
|--|-----------------------------|-----------------------------|--|--|
| Assets | | | | |
| Cash in County Treasury | \$ 1,172,982 | \$ 1,486,317 | \$ 2,189,032 | \$ 4,848,331 |
| Cash on Hand and in Banks | 51,120 | - | - | 51,120 |
| Cash in Revolving Fund | 100 | - | - | 100 |
| Accounts Receivable | 271,348 | 6,054 | - | 277,402 |
| Due from Other Funds | 141,611 | - | - | 141,611 |
| Stores Inventories | 99,362 | - | - | 99,362 |
| Total Assets | <u>\$ 1,736,523</u> | <u>\$ 1,492,371</u> | <u>\$ 2,189,032</u> | <u>\$ 5,417,926</u> |
| Liabilities and Fund Balance: | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 60,756 | \$ - | \$ - | \$ 60,756 |
| Due to Other Funds | 231,969 | 6,269 | - | 238,238 |
| Unearned Revenue | 60,613 | - | - | 60,613 |
| Total Liabilities | <u>353,338</u> | <u>6,269</u> | <u>-</u> | <u>359,607</u> |
| Fund Balance: | | | | |
| Nonspendable | 99,462 | - | - | 99,462 |
| Restricted | 1,276,836 | 1,469,006 | 2,189,032 | 4,934,874 |
| Assigned | 6,887 | 17,096 | - | 23,983 |
| Total Fund Balance | <u>1,383,185</u> | <u>1,486,102</u> | <u>2,189,032</u> | <u>5,058,319</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,736,523</u> | <u>\$ 1,492,371</u> | <u>\$ 2,189,032</u> | <u>\$ 5,417,926</u> |

Lakeside Union School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds June 30, 2020

| | Special Revenue Funds | Capital Project Funds | Debt Service Fund Bond Interest & Redemption Fund | Total Nonmajor Governmental Funds |
|--|-----------------------------|-----------------------------|--|--|
| Revenues | | | | |
| Property Taxes | \$ - | \$ - | \$ 2,323,227 | \$ 2,323,227 |
| Federal Revenue | 1,592,565 | - | - | 1,592,565 |
| Other State Revenue | 358,255 | - | 26,955 | 385,210 |
| Interest | 32,252 | 27,296 | 50,442 | 109,990 |
| Other Local Revenue | 2,015,915 | 208,954 | 462 | 2,225,331 |
| Total Revenues | <u>\$ 3,998,987</u> | <u>\$ 236,250</u> | <u>\$ 2,401,086</u> | <u>\$ 6,636,323</u> |
| Expenditures | | | | |
| Current Expenditures: | | | | |
| Instruction | 516,854 | - | - | 516,854 |
| Instruction - Related Services | 144,224 | - | - | 144,224 |
| Pupil Services | 2,140,471 | - | - | 2,140,471 |
| Community Services | 1,502,740 | - | - | 1,502,740 |
| General Administration | 129,396 | 6,500 | - | 135,896 |
| Plant Services | 21,690 | 15,163 | - | 36,853 |
| Capital Outlay | 49,000 | - | - | 49,000 |
| Debt Service: | | | | |
| Principal | - | - | 1,675,000 | 1,675,000 |
| Interest | - | - | 1,603,394 | 1,603,394 |
| Total Expenditures | <u>4,504,375</u> | <u>21,663</u> | <u>3,278,394</u> | <u>7,804,432</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(505,388)</u> | <u>214,587</u> | <u>(877,308)</u> | <u>(1,168,109)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 3,986 | - | - | 3,986 |
| Total Other Financing Sources (Uses) | <u>3,986</u> | <u>-</u> | <u>-</u> | <u>3,986</u> |
| Net Change in Fund Balance | (501,402) | 214,587 | (877,308) | (1,164,123) |
| Fund Balance, Beginning of Year | 1,884,587 | 1,271,515 | 3,066,340 | 6,222,442 |
| Fund Balance, End of Year | <u>\$ 1,383,185</u> | <u>\$ 1,486,102</u> | <u>\$ 2,189,032</u> | <u>\$ 5,058,319</u> |

Lakeside Union School District

Combining Balance Sheet – Nonmajor Special Revenue Funds

June 30, 2020

| | Child Development Fund | Cafeteria Fund | Pupil Transportation Fund | Total Nonmajor Special Revenue Funds |
|--|------------------------------|-------------------|---------------------------------|--|
| Assets | | | | |
| Cash in County Treasury | \$ 1,013,545 | \$ 156,372 | \$ 3,065 | \$ 1,172,982 |
| Cash on Hand and in Banks | 48,451 | 2,669 | - | 51,120 |
| Cash in Revolving Fund | - | 100 | - | 100 |
| Accounts Receivable | 5,077 | 266,258 | 13 | 271,348 |
| Due from Other Funds | 105,035 | 36,576 | - | 141,611 |
| Stores Inventories | - | 99,362 | - | 99,362 |
| Total Assets | \$ 1,172,108 | \$ 561,337 | \$ 3,078 | \$ 1,736,523 |
| Liabilities and Fund Balance: | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 38,439 | \$ 22,317 | \$ - | \$ 60,756 |
| Due to Other Funds | 212,946 | 19,023 | - | 231,969 |
| Unearned Revenue | 18,128 | 42,485 | - | 60,613 |
| Total Liabilities | <u>269,513</u> | <u>83,825</u> | <u>-</u> | <u>353,338</u> |
| Fund Balance: | | | | |
| Nonspendable | - | 99,462 | - | 99,462 |
| Restricted | 898,786 | 378,050 | - | 1,276,836 |
| Assigned | 3,809 | - | 3,078 | 6,887 |
| Total Fund Balance | <u>902,595</u> | <u>477,512</u> | <u>3,078</u> | <u>1,383,185</u> |
| Total Liabilities and Fund Balances | \$ 1,172,108 | \$ 561,337 | \$ 3,078 | \$ 1,736,523 |

Lakeside Union School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
 Nonmajor Special Revenue Funds
 June 30, 2020

| | Child Development Fund | Cafeteria Fund | Pupil Transportation Fund | Total Nonmajor Special Revenue Funds |
|--|------------------------------|---------------------|---------------------------------|--|
| Revenues | | | | |
| Federal Revenue | \$ - | \$ 1,592,565 | \$ - | \$ 1,592,565 |
| Other State Revenue | 256,169 | 102,086 | - | 358,255 |
| Interest | 25,132 | 6,652 | 468 | 32,252 |
| Other Local Revenue | 1,614,094 | 401,821 | - | 2,015,915 |
| Total Revenues | <u>\$ 1,895,395</u> | <u>\$ 2,103,124</u> | <u>\$ 468</u> | <u>\$ 3,998,987</u> |
| Expenditures | | | | |
| Current Expenditures: | | | | |
| Instruction | 516,854 | - | - | 516,854 |
| Instruction - Related Services | 144,224 | - | - | 144,224 |
| Pupil Services | - | 2,140,471 | - | 2,140,471 |
| Community Services | 1,502,740 | - | - | 1,502,740 |
| General Administration | 20,090 | 109,306 | - | 129,396 |
| Plant Services | 19,769 | 1,921 | - | 21,690 |
| Capital Outlay | 19,000 | - | 30,000 | 49,000 |
| Total Expenditures | <u>2,222,677</u> | <u>2,251,698</u> | <u>30,000</u> | <u>4,504,375</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(327,282)</u> | <u>(148,574)</u> | <u>(29,532)</u> | <u>(505,388)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers In | - | 3,986 | - | 3,986 |
| Total Other Financing Sources (Use) | <u>-</u> | <u>3,986</u> | <u>-</u> | <u>3,986</u> |
| Net Change in Fund Balance | (327,282) | (144,588) | (29,532) | (501,402) |
| Fund Balance, Beginning of Year | 1,229,877 | 622,100 | 32,610 | 1,884,587 |
| Fund Balance, End of Year | <u>\$ 902,595</u> | <u>\$ 477,512</u> | <u>\$ 3,078</u> | <u>\$ 1,383,185</u> |

Lakeside Union School District

Combining Balance Sheet – Nonmajor Capital Projects Funds

June 30, 2020

| | Capital Facilities Fund | Special Reserve Fund for Capital Outaly Projects | Total Nonmajor Capital Projects Funds |
|--|-------------------------------|---|---|
| Assets | | | |
| Cash in County Treasury | \$ 1,469,292 | \$ 17,025 | \$ 1,486,317 |
| Accounts Receivable | 5,983 | 71 | 6,054 |
| Total Assets | <u>\$ 1,475,275</u> | <u>\$ 17,096</u> | <u>\$ 1,492,371</u> |
| Liabilities and Fund Balance: | | | |
| Liabilities: | | | |
| Due to Other Funds | \$ 6,269 | \$ - | \$ 6,269 |
| Total Liabilities | <u>6,269</u> | <u>-</u> | <u>6,269</u> |
| Fund Balance: | | | |
| Restricted | 1,469,006 | - | 1,469,006 |
| Assigned | - | 17,096 | 17,096 |
| Total Fund Balance | <u>1,469,006</u> | <u>17,096</u> | <u>1,486,102</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,475,275</u> | <u>\$ 17,096</u> | <u>\$ 1,492,371</u> |

Lakeside Union School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Capital Projects Funds
June 30, 2020

| | Capital Facilities Fund | County School Facilities Fund | Total Nonmajor Capital Projects Funds |
|---------------------------------|-------------------------------|-------------------------------------|---|
| Revenues | | | |
| Interest | 26,957 | 339 | 27,296 |
| Other Local Revenue | 208,954 | - | 208,954 |
| Total Revenues | <u>\$ 235,911</u> | <u>\$ 339</u> | <u>\$ 236,250</u> |
| Expenditures | | | |
| Current Expenditures: | | | |
| General Administration | 6,500 | - | 6,500 |
| Plant Services | 15,163 | - | 15,163 |
| Total Expenditures | <u>21,663</u> | <u>-</u> | <u>21,663</u> |
| Net Change in Fund Balance | 214,248 | 339 | 214,587 |
| Fund Balance, Beginning of Year | <u>1,254,758</u> | <u>16,757</u> | <u>1,271,515</u> |
| Fund Balance, End of Year | <u>\$ 1,469,006</u> | <u>\$ 17,096</u> | <u>\$ 1,486,102</u> |

Other Supplementary Information

Lakeside Union School District

Local Education Agency Organization Structure

June 30, 2020

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 fiscal year. The District is currently operating six elementary schools, two middle schools, a special education high school, and is the authorizer of two charter schools.

On July 1, 1997, the District authorized River Valley Charter High School which provides education to students in grades 7-12.

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

GOVERNING BOARD

| Name | Office | Term and Term Expiration |
|-----------------|----------------|---|
| Holly Ferrante | President | Four Year Term Expires November 30, 2022 |
| Bonnie LaChappa | Vice President | Four Year Term Expires November 30, 2022 |
| Andrew Hayes | Clerk | Four Year Term Expires November 30, 2022 |
| John Butz | Member | Four Year Term Expires November 30, 2020 |
| Rhonda Taylor | Member | Four Year Term Expires November 30, 2020 |

ADMINISTRATION

Andy Johnsen, Ed.D.
Superintendent

Erin Garcia
Assistant Superintendent
Business Services

Kim Reed, Ed.D.
Assistant Superintendent
Educational Services

Lakeside Union School District
 Schedule of Average Daily Attendance
 Year Ended June 30, 2020

| | Second Period Report Certificate #52916FAD | | Annual Report Certificate #85652678 | |
|---------------------------------|---|------------|--|------------|
| | Original | Revised | Revised | Revised |
| TK/K-3 | | | | |
| Regular ADA | 2,241.79 | N/A | 2,241.79 | N/A |
| Extended Year Special Education | 6.05 | N/A | 6.05 | N/A |
| Nonpublic, Nonsectarian Schools | 0.92 | N/A | 0.92 | N/A |
| Extended Year - Nonpublic | 0.13 | N/A | 0.13 | N/A |
| Total TK/K-3 | 2,248.89 | N/A | 2,248.89 | N/A |
| Grades 4-6 | | | | |
| Regular ADA | 1,531.04 | N/A | 1,531.04 | N/A |
| Extended Year Special Education | 1.91 | N/A | 1.91 | N/A |
| Nonpublic, Nonsectarian Schools | 7.64 | N/A | 7.64 | N/A |
| Extended Year - Nonpublic | 0.75 | N/A | 0.75 | N/A |
| Total Grades 4-6 | 1,541.34 | N/A | 1,541.34 | N/A |
| Grades 7-8 | | | | |
| Regular ADA | 1,011.00 | N/A | 1,011.00 | N/A |
| Extended Year Special Education | 0.81 | N/A | 0.81 | N/A |
| Nonpublic, Nonsectarian Schools | 3.83 | N/A | 3.83 | N/A |
| Extended Year - Nonpublic | 0.27 | N/A | 0.27 | N/A |
| Total Grades 7-8 | 1,015.91 | N/A | 1,015.91 | N/A |
| Total ADA | 4,806.14 | N/A | 4,806.14 | N/A |

N/A – There were no audit findings which resulted in necessary revisions to attendance for the Second Period Report.

On March 17, 2020 Governor Newsom signed Senate Bill (SB) 117 which mitigated the effect of lost attendance due to COVID-19 that occurred after February 29, 2020. For the purpose of preventing losses of attendance-based funding as a result of reductions in average daily attendance (ADA) due to COVID-19, this legislation provided that the ADA used for both the second period (P2) and the Annual period apportionment include all full school months from July 1, 2019 to February 29, 2020 for all local education agencies (LEAs).

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

Lakeside Union School District

Schedule of Instructional Time

Year Ended June 30, 2020

| Grade Level | Minutes Requirement | 2019-20 Actual Minutes | 2019-20 COVID-19 Closure Minutes | 2019-20 Total Instructional Minutes | 2019-20 Actual School Days | 2019-20 COVID-19 Closure Days | 2019-20 Total School Days | Status |
|---------------------------|---------------------|------------------------|----------------------------------|-------------------------------------|----------------------------|-------------------------------|---------------------------|----------|
| Transitional Kindergarten | 36,000 | 36,570 | 15,820 | 52,390 | 126 | 54 | 180 | Complied |
| Kindergarten | 36,000 | 36,570 | 15,820 | 52,390 | 126 | 54 | 180 | Complied |
| 1st Grade | 50,400 | 38,340 | 16,600 | 54,940 | 126 | 54 | 180 | Complied |
| 2nd Grade | 50,400 | 38,045 | 16,485 | 54,530 | 126 | 54 | 180 | Complied |
| 3rd Grade | 50,400 | 38,045 | 16,485 | 54,530 | 126 | 54 | 180 | Complied |
| 4th Grade | 54,000 | 38,045 | 16,485 | 54,530 | 126 | 54 | 180 | Complied |
| 5th Grade | 54,000 | 38,045 | 16,485 | 54,530 | 126 | 54 | 180 | Complied |
| 6th Grade | 54,000 | 40,860 | 17,560 | 58,420 | 126 | 54 | 180 | Complied |
| 7th Grade | 54,000 | 40,860 | 17,560 | 58,420 | 126 | 54 | 180 | Complied |
| 8th Grade | 54,000 | 40,860 | 17,560 | 58,420 | 126 | 54 | 180 | Complied |

Due to COVID-19 the District closed all campuses on March 17, 2020 through the end of the school year. Distance learning was provided to students for school days during the closure. This schedule has been reflected based on the original approved calendar and instructional time planned by the District for the 2019-20 fiscal year.

School districts and charter schools must maintain their instructional minutes as defined in Education Code §46201 through §46207. This schedule is required of all school districts, including basic aid districts, as well as all charter schools.

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code §46201 through §46207.

Lakeside Union School District
 Schedule of Financial Trends and Analysis
 Year Ended June 30, 2020

| General Fund | Budget 2021 (See Note 1) | 2020 | 2019 | 2018 |
|--|-----------------------------|----------------------|----------------------|----------------------|
| Revenues and Other Financing Sources | \$ 61,034,432 | \$ 59,123,718 | \$ 60,409,651 | \$ 54,391,630 |
| Expenditures and Other Financing Uses | <u>61,787,446</u> | <u>59,269,110</u> | <u>58,817,791</u> | <u>54,565,723</u> |
| Net Change in Fund Balance | <u>(753,014)</u> | <u>(145,392)</u> | <u>1,591,860</u> | <u>(174,093)</u> |
| Ending Fund Balance | <u>\$ 10,324,269</u> | <u>\$ 11,077,283</u> | <u>\$ 11,222,675</u> | <u>\$ 9,630,815</u> |
| Available Reserves (See Note 2) | <u>\$ 9,073,115</u> | <u>\$ 9,568,239</u> | <u>\$ 10,235,904</u> | <u>\$ 8,898,418</u> |
| Available Reserves as a Percentage of Total Outgo | <u>14.68%</u> | <u>16.14%</u> | <u>17.40%</u> | <u>16.31%</u> |
| Long Term Debt | <u>\$ 64,106,973</u> | <u>\$ 63,652,579</u> | <u>\$ 64,451,757</u> | <u>\$ 48,931,279</u> |
| Average Daily Attendance at P2 (See Note 4) | <u>4,806</u> | <u>4,806</u> | <u>4,867</u> | <u>4,963</u> |

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

The general fund balance has increased by \$1,446,468 (15.02%) over the past two years. The fiscal year 2020-21 budget projects a decrease of \$753,014 (6.80%). For a district of this size, the State recommends available reserves of 3% of total general fund expenditures and other financing uses (total outgo).

Total long-term debt has increased by \$14,721,300 (30.09%) over the past two years.

Average daily attendance has decreased by 157 (3.16%) over the past two years.

Notes:

1. Budget 2021 is included for analytical purposes only and has not been subjected to audit.
2. Available reserves consist of all unassigned fund balances contained within the general fund.
3. 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 Other Postemployment Benefits (Fund 20) were included with the general fund for reporting purposes. The above Schedule of Financial Trends and Analysis contains only the financial information of the general fund.

Lakeside Union School District

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements Year Ended June 30, 2020

| | General Fund (Fund 01) | Special Reserve Fund for Other than Capital Outlay (Fund 17) | Special Reserve Fund for Postemployment Benefits (Fund 20) |
|---|---------------------------|---|--|
| June 30, 2020, annual financial and budget report fund balances | \$ 11,077,283 | \$ 243 | \$ 60,063 |
| Adjustments and reclassifications: | | | |
| Increasing (decreasing) the fund balance: | | | |
| GASB 54 Fund Presentation | 60,306 | (243) | (60,063) |
| Net adjustments and reclassifications | 60,306 | (243) | (60,063) |
| June 30, 2020, audited financial statement fund balances | \$ 11,137,589 | \$ - | \$ - |

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the SACS Annual Financial and Budget Report with the audited financial statements. Funds that required no adjustment are not presented.

Lakeside Union School District

Schedule of Charter Schools

Year Ended June 30, 2020

The Lakeside Union School District charters the following charter schools:

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

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

Lakeside Union School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2020

| Federal Grantor/Pass Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Subrecipient Expenditures | Total Federal Expenditures |
|---|---------------------------|---|------------------------------|-------------------------------|
| CHILD NUTRITION CLUSTER: | | | | |
| <u>U.S. Department of Agriculture</u> | | | | |
| Passed through California Department of Education | | | | |
| School Breakfast Program | 10.553 | 13526 | \$ - | \$ 256,565 |
| National School Lunch Program | 10.555 | 13523 | - | 1,026,259 |
| National School Lunch Program - Noncash Commodities | 10.555 | 13392 | - | 155,338 |
| Total Child Nutrition Cluster | | | - | 1,438,162 |
| SPECIAL EDUCATION (IDEA) CLUSTER: | | | | |
| <u>U.S. Department of Education</u> | | | | |
| Passed through California Department of Education | | | | |
| IDEA Basic Local Assistance | 84.027 | 13379 | - | 1,329,215 |
| IDEA Mental Health | 84.027 | 13430 | - | 73,606 |
| IDEA Preschool Grants | 84.173 | 15197 | - | 64,747 |
| IDEA Preschool Staff Development | 84.173 | 13431 | - | 484 |
| Total Special Education (IDEA) Cluster | | | - | 1,468,052 |
| OTHER PROGRAMS: | | | | |
| <u>U.S. Department of Agriculture</u> | | | | |
| Passed through California Department of Education | | | | |
| Child and Adult Care Food Program | 10.558 | 13666 | - | 154,402 |
| <u>U.S. Department of Treasury</u> | | | | |
| Passed through California Department of Education | | | | |
| Corona Virus Relief Fund - Learning Loss Mitigation | 21.019 | 10149 | - | 43,589 |
| <u>U.S. Department of Education</u> | | | | |
| Direct Program: | | | | |
| Impact Aid | 84.041 | - | - | 290,486 |
| Passed through California Department of Education | | | | |
| Title I | 84.010 | 14329 | - | 674,113 |
| ESSA School Improvement Funding | 84.010 | 15438 | - | 127,237 |
| Indian Education | 84.060 | 10011 | - | 8,980 |
| IDEA Early Intervention | 84.181 | 23761 | - | 24,883 |
| Title III English Learner Student Program | 84.365 | 14346 | - | 37,903 |
| Title II Supporting Effective Instruction | 84.367 | 14341 | - | 97,660 |
| Title IV Student Support Academic Enrichment | 84.424 | 15396 | - | 27,640 |
| Elementary & Secondary School Emergency Relief | 84.425 | 15536 | - | 17,296 |
| Total Other Programs | | | - | 1,504,189 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ - | \$ 4,410,403 |

See accompanying notes to schedule of expenditures of federal awards.

Lakeside Union School District

Notes to the Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2020

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of 2 CFR §200.502 *Basis for Determining Federal Awards Expended* and 2CFR §200.510(b) *Schedule of Expenditures of Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Summary of Significant Accounting Policies

The expenditures reported on the schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 *Direct and Indirect Costs*. The District used an indirect cost rate of 8.51% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 *Indirect Costs*. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

| <u>Program</u> | <u>CFDA #</u> | <u>Indirect Cost Rate</u> |
|-------------------------|----------------|---------------------------|
| Child Nutrition Cluster | 10.553, 10.555 | 5.12% |

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 programs:

| <u>Program</u> | <u>CFDA #</u> | <u>Amount Expended</u> |
|---------------------------------|---------------|------------------------|
| Title I | 84.010 | \$ 674,113 |
| ESSA School Improvement Funding | 84.010 | 127,237 |

Other Independent Auditors' Reports

Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Lakeside Union School District (District), as of and for the year ended June 30, 2020, 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 March 25, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lakeside Union School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lakeside Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King & Co LLP

El Cajon, California
March 25, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited 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 Lakeside Union School District's major federal programs for the year ended June 30, 2020. 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 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 Lakeside Union School District's compliance.

Opinion on Each Major Federal Program

In our opinion, 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, 2020.

Report on Internal Control Over Compliance

Management of 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 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 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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Wilkinson Hadley King & Co LLP

El Cajon, California
March 25, 2021

Independent Auditor's Report on State Compliance

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

Report on State Compliance

We have audited the Lakeside Union School District's compliance with the types of compliance requirements described in the *2019-20 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, 2020.

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 *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance*, 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 *2019-20 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. An audit includes examining, on a test basis, evidence about each school's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

| <u>Description</u> | <u>Procedures Performed</u> |
|---|---------------------------------|
| Local Education Agencies Other Than Charter Schools | |
| A. Attendance..... | Yes |
| B. Teacher Certification and Misassignments..... | Yes |
| C. Kindergarten Continuance..... | Yes |
| D. Independent Study..... | No |
| E. Continuation Education..... | N/A |
| F. Instructional Time..... | Yes |
| G. Instructional Materials..... | Yes |
| H. Ratio of Administrative Employees to Teachers..... | Yes |
| I. Classroom Teacher Salaries..... | Yes |
| J. Early Retirement Incentive..... | N/A |
| K. Gann Limit Calculation..... | Yes |
| L. School Accountability Report Card..... | Yes |
| M. Juvenile Court Schools..... | N/A |
| N. Middle or Early College High Schools..... | N/A |
| O. K-3 Grade Span Adjustment..... | Yes |
| P. Transportation Maintenance of Effort..... | Yes |
| Q. Apprenticeship: Related and Supplemental Instruction..... | N/A |
| R. Comprehensive School Safety Plan..... | Yes |
| S. District of Choice..... | N/A |
| School Districts, County Offices of Education, and Charter Schools | |
| T. California Clean Energy Jobs Act..... | Yes |
| U. After/Before School Education and Safety Program..... | Yes |
| V. Proper Expenditure of Education Protection Account Funds..... | Yes |
| W. Unduplicated Local Control Funding Formula Pupil Counts..... | Yes |
| X. Local Control and Accountability Plan..... | Yes |
| Y. Independent Study - Course Based..... | N/A |
| Charter Schools | |
| AA. Attendance..... | N/A |
| BB. Mode of Instruction..... | N/A |
| CC. Nonclassroom Based Instruction/Independent Study..... | N/A |
| DD. Determination of Funding for Nonclassroom Based Instruction..... | N/A |
| EE. Annual Instructional Minutes - Classroom Based..... | N/A |
| FF. 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 procedures for Independent Study as the ADA reported was below the level which required 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, 2020.

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. This report is an integral part of an audit performed in accordance with *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King & Co LLP

El Cajon, California
March 25, 2021

Auditor's Results, Findings & Recommendations

Lakeside Union School District

Schedule of Auditor’s Results

Year Ended June 30, 2020

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

One or more material weakness(es) identified? Yes X No

One or more significant deficiencies identified that are not considered material weakness(es)? Yes X No

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

Compliance supplement utilized for single audit August 2020 with December 2020 Addendum

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516? Yes X No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.010 | Title I |
| 84.010 | ESSA School Improvement Funding |
| 84.041 | Impact Aid |

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

Auditee qualified as low-risk auditee? X Yes No

STATE AWARDS

Any audit findings disclosed that are required to be reported in accordance with *2019-20 Guide for Annual Audits of California K-12 Local Education Agencies*? Yes X No

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

Lakeside Union School District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2020

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are as follows:

| Five Digit Code | AB 3627 Finding Type |
|-----------------|--|
| 10000 | Attendance |
| 20000 | Inventory of Equipment |
| 30000 | Internal Control |
| 40000 | State Compliance |
| 42000 | Charter School Facilities |
| 43000 | Apprenticeship: Related and Supplemental Instruction |
| 50000 | Federal Compliance |
| 60000 | Miscellaneous |
| 61000 | Classroom Teacher Salaries |
| 62000 | Local Control Accountability Plan |
| 70000 | Instructional Materials |
| 71000 | Teacher Misassignments |
| 72000 | School Accountability Report Card |

A. Financial Statement Findings

None

B. Federal Awards

None

C. State Award Findings

None

Lakeside Union School District

Schedule of Prior Year Audit Findings

Year Ended June 30, 2020

| Finding/Recommendation | Status | Explanation if Not Implemented |
|--|-------------|--------------------------------|
| <p>Finding 2019-001 Comprehensive School Safety Plan</p> <p>In our review of comprehensive school safety plans we noted that the District had not adopted a comprehensive school safety plan as described in Education Code Section 32282. As required, the District notified the State Department of Education that they did not have an adopted comprehensive school safety plan for any school sites by October 15.</p> <p>We recommended the District establish a comprehensive school safety plan as described in Education Code Section 32282.</p> | Implemented | |