

LODI UNIFIED SCHOOL DISTRICT

**COUNTY OF SAN JOAQUIN
LODI, CALIFORNIA**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED JUNE 30, 2020

LODI UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**Board of Education
Lodi Unified School District
Lodi, California**

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lodi Unified School District (the 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the 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 the Required Supplementary Information section, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information section, as listed in the Table of Contents, is presented for purposes of additional analysis and as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2020, on our consideration of the 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.

A handwritten signature in black ink that reads "Gilbert CPAs". The script is cursive and fluid.

**GILBERT CPAs
Sacramento, California**

December 1, 2020

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

This section of the Lodi Unified School District's annual financial report presents our discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflow of resources exceeded the liabilities and deferred inflow of resources of the District at June 30, 2020, by \$236 million (net position).
- Net position increased by \$25 million over the previous fiscal year primarily due to increased Local Control Funding Formula (LCFF) apportionments as well as federal and other state revenue.
- As of June 30, 2020, the District's governmental funds reported combined ending fund balances of \$341 million, an increase of \$110 million in comparison with the prior year. Of this total amount:
 - \$96 million (28 percent) reflects the General Fund ending balance,
 - \$184 million (54 percent) represents the ending balances of capital project funds, and
 - \$61 million (18 percent) comprises the ending balances of special revenue and debt service funds.
- The unrestricted portion of the ending balance for the General Fund is \$90 million at June 30, 2020, of which \$67 million is assigned to operational reserve, instruction, anticipated negotiation settlements, future increased contributions to California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and other assignments. The remaining balance of \$23 million is unassigned and is part of the required reserve for economic uncertainties.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three separate parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives: government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
 - Basic services funding (i.e., regular and special education) is described in the governmental fund statements. These statements include short-term financing and balances remaining for future one-time spending.

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

- Short and long-term financial information about the activities of the District that operate like businesses (such as self-insurance funds) is provided in the proprietary fund statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data, and explain some of the information in the statements.
- The required supplementary information section provides further explanations and additional support for the financial statements. A comparison of the District's budget for the year is included. Budgetary comparisons of the General Fund and the Cafeteria Fund (a major special revenue fund) are included in this section. This section also includes a schedule of changes in total OPEB liabilities and schedules of the District's proportionate share of net pension liabilities and contributions to its pension plans.

Government-wide Statements

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets, liabilities, and deferred outflow and inflow of resources are included in the statement of net position. The statement of activities reports all of the current year's revenues and expenses regardless of when cash is received or paid. The District net position can be measured by adding the District's assets and deferred outflow of resources and subtracting the liabilities and deferred inflow of resources.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as the condition of school buildings and other facilities and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

In the government-wide financial statements, the District activities are categorized as governmental activities. The governmental activities are the basic services provided by the District, such as regular and special education, administration, and transportation, and are included here. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

More detailed information about the District's most significant funds – not the District as a whole – is provided in the fund financial statements. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by bond covenants and by state law.
- Other funds are established by the District to control and manage money for particular purposes (such as repaying its long-term debts). These funds may also show proper usage of certain revenues (such as grants from federal and state sources).

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

The District has two kinds of funds:

- **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on:
 1. How cash and other financial assets can readily be converted to cash flow (in and out).
 2. The ending balances available for one-time spending.

The governmental fund statement provides a detailed short-term view of the District's financial position and whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided as a separate reconciliation to the governmental fund statements that explain the differences (or relationships) between them.

- **Proprietary funds:** Services for which the District charges a fee are generally reported in a proprietary fund. A type of proprietary fund is the internal service fund which reports activities that provide services for the other programs and activities of the District. Proprietary funds are reported in the same way as the government-wide statements.

The District maintains two internal service funds for self-insurance. One of the Self-Insurance Fund reports the activities for workers' compensation, self-insured retention portion of property and liability, and vision and dental benefits. The other Self-Insurance Fund – OPEB reports the activities related to retiree benefits.

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT AS WHOLE

Table 1 summarizes the District's net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$236 million at June 30, 2020. The unrestricted net position was negative \$292 million due primarily to recognizing net pension liability of \$348 million and OPEB liability of \$78 million. Net investment in capital assets (e.g., land, building, and equipment) was \$303 million of the net position. The District uses these assets to provide educational services; therefore, they are not available for future spending. Although the District's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. And lastly, resources subject to external restrictions accounted for \$226 million of the net position of which \$146 million are unspent Measure L and U bond proceeds.

Table 1
Net Position

	<u>2019</u>	<u>2020</u>	<u>Percent Change</u>
Current and Other Assets	\$ 366,491,542	\$ 491,549,733	34.12%
Capital Assets	434,154,956	468,930,008	8.01%
Total Assets	800,646,498	960,479,741	19.96%
Deferred outflow of resources related to pensions	92,297,134	86,465,725	-6.32%
Deferred outflow of resources related to OPEB	1,757,583	4,504,780	156.31%
Deferred amount on debt refunding	2,558,779	2,203,406	-13.89%
Total Deferred Outflow of Resources	96,613,496	93,173,911	-3.56%
Long-Term Liabilities Outstanding	633,648,975	753,663,438	18.94%
Other Liabilities	36,048,353	41,984,495	16.47%
Total Liabilities	669,697,328	795,647,933	18.81%
Deferred inflow of resources related to OPEB	2,831,701	4,268,717	50.75%
Deferred inflow of resources related to pensions	13,599,253	17,304,023	27.24%
Total Deferred Inflow of Resources	16,430,954	21,572,740	31.29%
Net Investment in Capital Assets	299,370,252	302,902,592	1.18%
Restricted	135,996,990	225,696,953	65.96%
Unrestricted	(224,235,530)	(292,166,566)	30.29%
Total Net Position	\$ 211,131,712	\$ 236,432,979	11.98%

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

Table 2 shows the changes in net position. Total revenues for the District as a whole decreased by \$3 million to \$420 million, while the total cost of all programs and services for the District as a whole increased by \$5 million to \$395 million. Net position increased by \$25 million due to increased LCFF apportionments, operating grants, and tax collection for bond payments. In addition, a new special revenue fund was established for the student activity fund.

Table 2
Changes in Net Position

	<u>2019</u>	<u>2020</u>	<u>Percent Change</u>
<i>Revenues</i>			
Program Revenues (Restricted)			
Charges for Services	\$ 2,975,032	\$ 6,623,436	122.63%
Operating Grants	84,034,766	76,454,936	-9.02%
General Revenues			
Property Taxes	78,972,726	83,177,879	5.32%
Federal and state aid-Unrestricted	241,820,503	242,974,737	0.48%
Developer Fees	2,957,124	3,638,979	23.06%
Other	11,995,303	6,982,500	-41.79%
Total Revenues	<u>422,755,454</u>	<u>419,852,467</u>	<u>-0.69%</u>
<i>Program Expenses</i>			
Instruction	239,193,195	239,057,563	-0.06%
Instruction Related Services	36,903,100	38,660,651	4.76%
Pupil Services	48,398,198	47,554,528	-1.74%
General Administration	19,360,636	21,069,571	8.83%
Plant Services	34,795,535	33,755,854	-2.99%
Interest	8,084,509	8,658,938	7.11%
Other	2,973,544	5,794,095	94.85%
Total Expenses	<u>389,708,717</u>	<u>394,551,200</u>	<u>1.24%</u>
Increase/(Decrease) in Net Position	33,046,737	25,301,267	
Net Position - Beginning	<u>178,084,975</u>	<u>211,131,712</u>	
Net Position - Ending	<u>\$ 211,131,712</u>	<u>\$ 236,432,979</u>	<u>11.98%</u>

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Governmental Functions

All governmental funds had total revenues and other financing sources of \$558 million and expenditures and other financing uses of \$448 million. These activities increased the combined fund balance by \$110 million to \$341 million. Table 3 shows the changes in fund balances from the prior year.

Table 3			
Changes in Fund Balances			
	<u>2019</u>	<u>2020</u>	<u>Increase (Decrease)</u>
General	\$ 65,527,905	\$ 96,392,962	\$ 30,865,057
Student Activity Fund		2,043,372	2,043,372
Charter School	1,815,390	2,166,243	350,853
Adult Education	446,770	288,075	(158,695)
Child Development	317,304	332,472	15,168
Cafeteria	7,727,299	7,460,627	(266,672)
Building	79,380,137	152,301,383	72,921,246
Capital Facilities	14,412,322	18,123,115	3,710,793
Special Reserve Fund for Capital Outlays	22,969,310	13,288,348	(9,680,962)
Bond Interest and Redemption	22,532,838	34,182,113	11,649,275
Debt Service	<u>16,265,696</u>	<u>14,883,862</u>	<u>(1,381,834)</u>
Total	<u>\$ 231,394,971</u>	<u>\$ 341,462,572</u>	<u>\$ 110,067,601</u>

Significant net changes in fund balances for the year were as follows:

- General Fund increased by \$31 million due to added LCFF apportionments and Prop 39, as well as federal and other state revenue sources.
- A new Special Revenue Fund for student activity increased revenue by \$2 million
- Building Fund net increased by \$73 million primarily due to issuance of the 2020 series of Measure U bonds.
- Special Reserve Fund for Capital Outlays decreased by \$10 million for facilities renovations.
- Bond Interest and Redemption fund have increased by \$12 million as a result of the new bond issuance.

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

General Fund Budgetary Highlights

Work on the 2019-20 general fund started with a review of the Governor's proposal in January 2019. This is the second year of the Local Control Funding being fully funded by the State. The two major factors that impact LCFF revenue projections are COLAs and changes in ADA. The Governor's office proposed an increase to the per-student funding in January in the form of a COLA of 3.46%. The Governor's overall theme continues a broad recognition of the increased risk of the financial downturn in the future and also cautions that it is only a matter of time before the next recession. The May Revise brought a slight decrease to the COLA from 3.46% to 3.26% for the 2019-20 fiscal year. The May Revision did not propose any one-time Proposition 98 discretionary funding for school districts, charter schools, or county office of education; a change from previous years. The State did provide for an additional year of funding that was provided for the Classified School Employee Summer Assistance Program. Additionally, the State invested to further reduce the CalSTRS employer contribution rate from the statutory rate of 18.13% to 16.7% in 2019-20. The effect of the Governor's proposal along with the proposed Local Control Accountability Plan was reviewed by the Board of Education (Board) on June 4, 2019. Projected enrollment and cost projections have also been reviewed by the Board on June 4, 2019. The District went through the annual process involving District staff, and management, and Superintendent review to provide a balanced budget and LCAP for Board approval on June 18, 2019.

The budget process continues to follow the Local Control Funding Formula structure and the Local Control and Accountability Plan requirements. Financial updates were presented to the Board throughout the spring and fall regarding the impact of the State budget. The District continues to monitor changes in enrollment and state funding levels during the fiscal year 2019-20.

In March 2020, the District was faced with an unprecedented health pandemic brought on by COVID 19, which has affected the economy world-wide. Schools were closed and distance learning was provided to all students in the last quarter of the school year. The Governor guaranteed funding for all schools based on P-2 ADA data effectively. Fiscally, the District was made whole for 2019-20, however, the extent and impact of COVID have yet to be fully determined, as is the case worldwide.

Business-type Funds

The assets and deferred outflows of resources in the Self-Insurance Fund exceeded liabilities by \$23 million at June 30, 2020. The District uses these assets to provide for the claims and administration of its self-insured programs: worker's compensation, self-insured retention portion of property and liability, and vision and dental benefits. As of June 30, 2020, the incurred but not reported (IBNR) and reserve liabilities are fully funded for all the programs.

Beginning with the fiscal year 2007-08, the District also uses a Self-Insurance Fund to account for the accumulation of funds and payment of retiree benefits. With the implementation of GASB 75, the District's Net Other Post Employment Benefit (OPEB) Obligation as of June 30, 2020, is \$77.7 million.

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

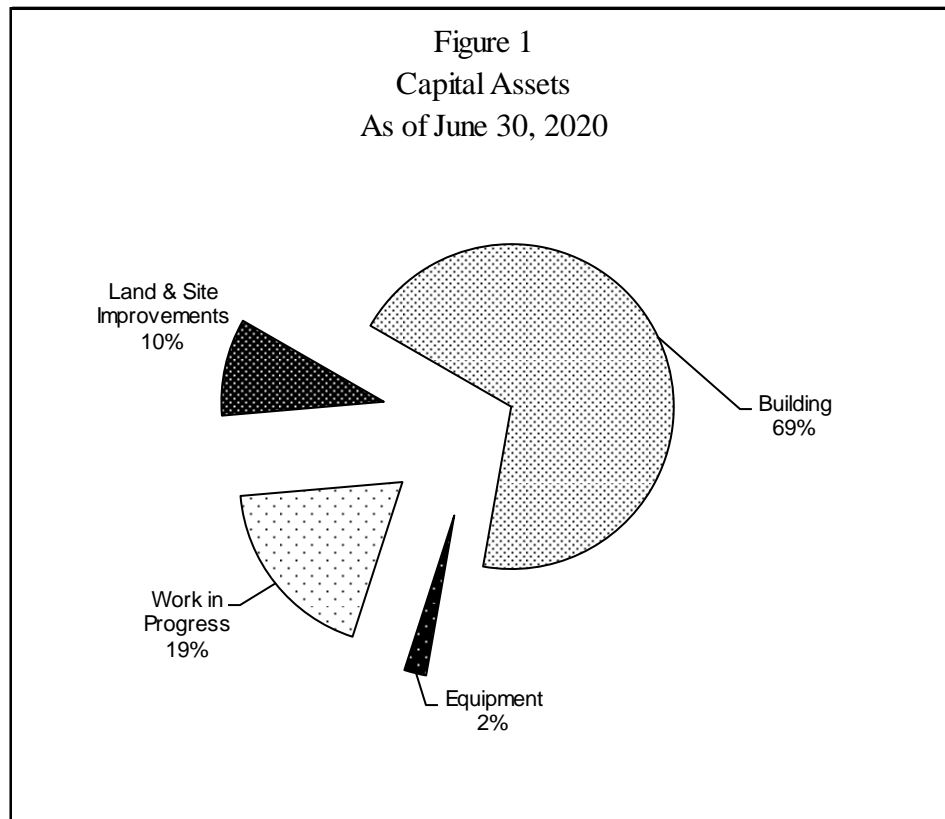
Table 4
Capital Assets
(net of depreciation)

	<u>2019</u>	<u>2020</u>	<u>Percent Change</u>
Land and Improvement of Sites	\$ 43,518,816	\$ 45,287,117	4.06%
Building	334,747,134	325,814,449	-2.67%
Equipment	11,396,227	10,277,197	-9.82%
Work in Progress	<u>44,492,779</u>	<u>87,551,245</u>	<u>96.78%</u>
Total Net Assets	<u>\$ 434,154,956</u>	<u>\$ 468,930,008</u>	<u>8.01%</u>

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

By June 30, 2020, the District has invested \$469 million in a broad range of capital assets, including school buildings, buses, computers and copiers, and administrative offices. This amount represents a net increase of \$35 million from last year. Figure 1 below graphically displays the percentage of capital assets by category.



At June 30, 2020, the District has budgeted over \$225 million for capital projects using the proceeds from the sale of bonds, Proposition 47 apportionments, one-time state discretionary funds, and developer fees. The amounts below represent the final projected budget for 2019-20 only and do not necessarily represent the total budget for the project as most projects span more than one fiscal year.

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

Table 5
Anticipated Projects

Project No.	Project	
8006	Parklane Property Imprvmnt	\$ 100,000
8007	Lodi Hs Jive/Ups Project	312,000
8008	Mcnair Jive/Ups Project	338,000
8011	Oakwood Parking Lot	648,000
8015	Wagner Holt Jive System	59,000
8022	Playgrnd Imprv @ Silva	276,000
8030	Furniture, Fixtures & Equipment	1,000,000
8035	Bchs Gas Retro-Fit Proj	164,000
8037	Liveoak Walkin Refrig-Freezer	48,000
8039	Jive & Ups Proj - Multi Sites	1,473,000
8040	Joe Serna Relocation	68,000
8041	Bchs Fire Alarm Upgrade	2,065,000
8043	Parklane Fire Alarm Upgrade	611,000
8044	Wagner Holt Fire Alarm Upgrade	609,000
8051	*Science Portable @ Lhs	1,000
8052	Prk Lot/Play Grnd Imprv @ Var	30,000
8053	Parklane Fire Alarm Upgrade	148,000
8054	Safety & Security	1,450,000
8056	Prkng Lot Sfty Imprv @ Westwd	1,064,000
8059	Bear Creek Jive System	125,000
8064	Live Oak Child Dev Playgroud	100,000
8069	Creekside Jive System	79,000
8078	Parklane Jive System	56,000
8079	Jaesc Fencing Project	300,000
8090	Lab Conversion @ Bchs	370,000
8091	Larson Relocatable Proj	225,000
8092	Future Elem Site I	2,713,000
8094	Live Oak Relocatable Proj	225,000
8103	Acampo Rd Kitchen Renovation	1,600,000
8118	Tokay Hs Athletic Fld Imprv	783,000
8145	19440 N. Jack Tone Rd	250,000
8154	Lms Relocatable Classroom	125,000
8200	Unused Budget	8,565,000
8206	Lhs Renovation Proj - Meas U	61,113,000
8207	Houston Modernization	3,236,000
8208	Lms Fire Alarm Upgrade	5,021,000
8210	Beckman Facility Improvement	2,765,000
8213	Creekside Facility Imprv	802,000
8214	Davis Facility Imprv	4,982,000
8215	Elkhorn Facility Imprv	3,540,000
8216	Heritage Facility Imprv	1,965,000
8217	Needham Facility Imprv	13,722,000
8219	Lhs Pool Project	5,000,000
8221	Lakewood Facility Imprv	3,833,000
8223	Lawrence Facility Imprv	663,000
8224	Live Oak Facility Imprv	1,030,000
8225	Lockeford Facility Imprv	857,000
8227	Nichols Facility Imprv	1,989,000
8229	Parklane Facility Imprv	1,644,000
8231	Reese Facility Imprv	1,445,000
8234	Turner Academy Facility Imprv	790,000
8235	Victor Facility Imprv	518,000
8236	Vinewood Facility Imprv	6,204,000
8238	Washington Facility Imprv	5,049,000
8240	Mcauliffe Facility Imprv	440,000
8242	Henderson Facility Imprv	192,000
8244	Morada Facility Imprv	400,000
8245	Liberty Facility Imprv	2,462,000
8246	Plaza Facility Imprv	919,000
8247	Tokay Hs New & Modernization	25,042,000
8425	Dist Construction Proj	1,000,000
8426	Extension Rd Campus	1,500,000
8427	Crksid Prkng Lot Add'L Scope	740,000
8429	19 S. Central Ave	2,500,000
8452	Business Services Renovation	5,000
8460	Henderson Demolition Proj	281,000
8858	Bchs Cte Ag Classroom	5,000
8866	Storm Drain Pump Stn @ McNair	1,021,000
8877	Live Oak Portables	250,000
8912	Live Oak Portables	28,000
8934	Sch Fac Imprv Dist Safety	440,000
8937	*McNair Hs Athletic Fld Imprv	41,000
8940	Nutrition Service Center	4,000
8944	Lodi Hs Track	18,000
8957	Lhs Facility Renovations	300,000
8986	Bchs Ag Complex	175,000
8993	Maintenance Ops Fac-Guild	12,557,000
XXXX	Other Various Projects	22,979,000
	Total Anticipated	<u>\$ 225,448,000</u>

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

At June 30, 2020, the District had \$754 million in general obligation bonds and other long-term debt outstanding – an increase of 18.94 percent from last year as shown in the following Table 6.

Table 6
Long-Term Debt

	<u>2019</u>	<u>2020</u>	<u>Percent Change</u>
General Obligation Bonds	\$ 196,609,370	\$ 301,028,318	53.11%
Certificates of Participation Payable	8,767,940	7,920,574	-9.66%
Capital Leases Payable	5,699,662	5,092,677	-10.65%
Claims Payable	12,744,319	12,085,132	-5.17%
Total OPEB Liability	70,560,094	77,782,961	10.24%
Other loan			
Compensated Absences Payable	1,231,796	1,259,809	2.27%
Net Pension Liability	<u>338,035,792</u>	<u>348,493,967</u>	<u>3.09%</u>
Total	<u>\$ 633,648,973</u>	<u>\$ 753,663,438</u>	<u>18.94%</u>

Significant changes to long-term debt were as follows:

- General Obligation Bonds increased by \$104 million related to the issuance of the new 2020 series of Measure U GO bond in January 2020.
- Total OPEB Liability increased by \$7 million due to the changes recognized for the measurement period such as service cost, interest on total OPEB liability, assumption changes and benefit payments during the measurement period of the total OPEB liability (June 30, 2019). Refer to Note 12 for further disclosures related to the total OPEB liability.
- Net Pension Liability increased by \$10 million primarily due to the changes in assumptions (i.e. lower investment rate of returns for both CalSTRS and CalPERS plans) and the District's increased in proportionate share of the liability for both plans. Refer to Note 11 for further disclosures related to the net pension liability.

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

FACTORS BEARING ON THE DISTRICT FUTURE

At the time these financial statements were prepared, factors affecting the District's future include:

- Funding for FY 2020-21 will be funded based on 2019-20 ADA.
- Increased unbudgeted expenditures brought by COVID-19 pandemic.
- Cash deferrals scheduled for February through June 2021.
- Increased contributions to CalSTRS and CalPERS to cover projected liabilities for pension benefits earned to date.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Mr. Leonard Kahn, Chief Business Officer, Lodi Unified School District, 1305 E. Vine, Lodi, CA 95240.

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2020

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 447,745,704
Accounts receivable	42,438,059
Inventories	1,065,584
Prepaid items	297,886
Other current assets	2,500
Depreciable capital assets (net)	351,641,853
Nondepreciable capital assets	<u>117,288,155</u>
Total assets	<u>960,479,741</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	86,465,725
Deferred outflows of resources related to OPEB	4,504,780
Deferred amount on debt refunding	<u>2,203,406</u>
Total deferred outflows of resources	<u>93,173,911</u>
LIABILITIES	
Accounts payable	39,980,098
Unearned revenue	2,004,397
Long-term liabilities, due within one year	21,252,326
Due in more than one year:	
Total OPEB liability	77,782,961
Net pension liability	348,493,967
Other long-term liabilities	<u>306,134,184</u>
Total liabilities	<u>795,647,933</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	17,304,023
Deferred inflows of resources related to OPEB	<u>4,268,717</u>
Total deferred inflow of resources	<u>21,572,740</u>
NET POSITION	
Net investment in capital assets	302,902,592
Restricted for:	
Capital projects	170,976,065
Debt service	37,022,463
Educational programs	7,821,437
Student activities	2,043,372
Other purposes (expendable)	7,833,616
Unrestricted	<u>(292,166,566)</u>
Total net position	<u>\$ 236,432,979</u>

The accompanying notes are an integral part of these financial statements.

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 239,057,563		\$ 41,885,121	\$ (197,172,442)
Instruction-related services:				
Instructional supervision and administration	13,752,338		5,950,924	(7,801,414)
Instructional library, media and technology	2,478,594		26,361	(2,452,233)
School site administration	22,429,719		553,920	(21,875,799)
Pupil services:				
Pupil transportation	6,408,900		6,823	(6,402,077)
Food services	17,761,620	\$ 2,774,134	13,176,405	(1,811,081)
Other pupil services	23,384,008		8,506,597	(14,877,411)
Plant services	33,755,854	3,220,320	104,757	(30,430,777)
Ancillary services	3,666,198		3,774,810	108,612
Enterprise activities	183,301		144,213	(39,088)
General administration:				
Data processing services	7,245,362		1,385	(7,243,977)
Other general administration	13,824,209	628,982	2,007,554	(11,187,673)
Interest and other charges	8,658,938			(8,658,938)
Bond issuance costs	662,931			(662,931)
Other outgo	1,281,665		316,066	(965,599)
Totals	<u>\$ 394,551,200</u>	<u>\$ 6,623,436</u>	<u>\$ 76,454,936</u>	<u>(311,472,828)</u>
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				58,952,937
Taxes levied for debt service				23,392,138
Taxes levied for other specific purposes				832,804
Federal and state aid not restricted to specific purposes				242,974,737
Interest and investment earnings				8,288,561
Interagency revenues				20,933
Miscellaneous revenue				2,311,985
Total general revenues				<u>336,774,095</u>
Increase in net position				25,301,267
Net position, beginning of year				<u>211,131,712</u>
Net position - ending				<u>\$ 236,432,979</u>

The accompanying notes are an integral part of these financial statements.

LODI UNIFIED SCHOOL DISTRICT

BALANCE SHEETS GOVERNMENTAL FUNDS JUNE 30, 2020

	General Fund	Cafeteria Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and equivalents	\$ 88,202,995	\$ 6,387,188	\$ 160,022,317	\$ 85,931,208	\$ 340,543,708
Accounts receivable	39,345,170	779,939	530,972	1,058,001	41,714,082
Due from other funds	13,009	247,304		987,495	1,247,808
Inventories	66,950	998,634			1,065,584
Prepaid items	297,886				297,886
Other current assets		2,500			2,500
Total assets	<u>\$ 127,926,010</u>	<u>\$ 8,415,565</u>	<u>\$ 160,553,289</u>	<u>\$ 87,976,704</u>	<u>\$ 384,871,568</u>
LIABILITIES					
Accounts payable	\$ 23,707,906	\$ 719,626	\$ 8,251,906	\$ 2,477,874	\$ 35,157,312
Due to other funds	6,234,799	2,795		9,693	6,247,287
Unearned revenue	1,590,343	232,517		181,537	2,004,397
Total liabilities	<u>31,533,048</u>	<u>954,938</u>	<u>8,251,906</u>	<u>2,669,104</u>	<u>43,408,996</u>
FUND BALANCES					
Nonspendable for:					
Revolving cash	120,000				120,000
Inventories	66,950	998,634			1,065,584
Prepaid items	297,886				297,886
Restricted for:					
Instruction	5,322,722			2,498,715	7,821,437
Maintenance	1,371,622				1,371,622
Student Activities				2,043,372	2,043,372
Debt service				37,022,463	37,022,463
Capital projects			152,301,383	18,674,682	170,976,065
Food services		6,461,993			6,461,993
Committed for:					
Instruction				288,075	288,075
Assigned for:					
Instruction:					
Programmatic reserve	4,000,000				4,000,000
Special education	5,000,000				5,000,000
Purchase order commitments	1,307,332				1,307,332
Instructional materials	5,000,000				5,000,000
Future cost of benefits	6,737,393				6,737,393
Operational reserve	19,351,455				19,351,455
Retain and Recruit	9,000,000				9,000,000
ACA Penalty	425,000				425,000
One-Time Money Carryover	4,691,023				4,691,023
Locally defined	11,001,579				11,001,579
Capital projects				12,736,781	12,736,781
Debt service				12,043,512	12,043,512
Unassigned	22,700,000				22,700,000
Total fund balances	<u>96,392,962</u>	<u>7,460,627</u>	<u>152,301,383</u>	<u>85,307,600</u>	<u>341,462,572</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 127,926,010</u>	<u>\$ 8,415,565</u>	<u>\$ 160,553,289</u>	<u>\$ 87,976,704</u>	<u>\$ 384,871,568</u>

The accompanying notes are an integral part of these financial statements.

LODI UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENT OF NET POSITION JUNE 30, 2020

Total fund balance, governmental funds	\$ 341,462,572
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The historical cost of the capital assets is \$663,060,582 and the accumulated depreciation is \$194,130,574	468,930,008
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In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:	(4,751,916)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities, net of unamortized premiums, discounts, are included in governmental activities in the statement of net position as follows:

General obligation bonds	(301,028,318)
Certificates of participation	(7,920,574)
Capital leases payable	(5,092,677)
Compensated absences	(1,259,809)
Net pension liability	(348,493,967)

In governmental funds, deferred outflows and inflows of resources relating to pensions and refunding are not reported because they are applicable to future periods. In the statement of net position, deferred outflow and inflows of resources are reported as follows:

Deferred outflows of resources related to pensions	86,465,725
Deferred outflows of resources resulting from deferred amount on refundings	2,203,406
Deferred inflows of resources related to pension	(17,304,023)

The District uses an internal service fund to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are reported with governmental activities in the statement of net position.	23,222,552
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Total net position, governmental activities	<u>\$ 236,432,979</u>
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LODI UNIFIED SCHOOL DISTRICT

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2020

	General Fund	Cafeteria Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
State apportionments	\$ 236,146,257			\$ 2,754,636	\$ 238,900,893
Local sources	<u>52,618,941</u>			<u>664,516</u>	<u>53,283,457</u>
Total local control funding formula	288,765,198			3,419,152	292,184,350
Federal revenues	17,088,671	\$ 13,475,646		2,824,346	33,388,663
Other state revenues	53,849,112	846,695		3,906,516	58,602,323
Other local revenues	<u>5,878,915</u>	<u>3,090,403</u>	<u>\$ 2,668,447</u>	<u>32,355,718</u>	<u>43,993,483</u>
Total revenues	<u>365,581,896</u>	<u>17,412,744</u>	<u>2,668,447</u>	<u>42,505,732</u>	<u>428,168,819</u>
EXPENDITURES					
Current:					
Instruction	218,180,752			5,906,240	224,086,992
Instruction-related services:					
Supervision of instruction	9,046,365			1,419,034	10,465,399
Administrative unit (AU) of multidistrict SELPA	2,517,807				2,517,807
Instructional library, media and tech	2,218,131			23,888	2,242,019
School site administration	20,714,707			385,367	21,100,074
Pupil services:					
Pupil transportation	4,933,672				4,933,672
Food services	195,828	16,439,924			16,635,752
Other pupil services	22,696,849			238,602	22,935,451
Ancillary services	1,923,151			1,694,231	3,617,382
Enterprise activities	156,574				156,574
General administration:					
Data processing services	6,449,471				6,449,471
Other general administration	13,068,289	843,719		439,723	14,351,731
Plant services	30,446,757	372,356	16,937	714,579	31,550,629
Debt service:					
Principal	287,709	3,732		17,473,405	17,764,846
Interest and other charges	21,434			7,964,602	7,986,036
Bond issuance costs			662,931		662,931
Capital outlay	3,465,748	19,685	39,507,333	3,201,869	46,194,635
Transfers to other agencies	<u>575,382</u>			<u>706,283</u>	<u>1,281,665</u>
Total expenditures	<u>336,898,626</u>	<u>17,679,416</u>	<u>40,187,201</u>	<u>40,167,823</u>	<u>434,933,066</u>
Excess (deficiency) of revenues over expenditures	<u>28,683,270</u>	<u>(266,672)</u>	<u>(37,518,754)</u>	<u>2,337,909</u>	<u>(6,764,247)</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers out	(5,481,075)			(7,500,000)	(12,981,075)
Proceeds from sale of bonds			110,000,000		110,000,000
Premium on bonds issued			440,000	11,228,986	11,668,986
Proceeds from capital leases	162,862				162,862
Interfund transfers in	<u>7,500,000</u>			<u>481,075</u>	<u>7,981,075</u>
Total other financing sources	<u>2,181,787</u>		<u>110,440,000</u>	<u>4,210,061</u>	<u>116,831,848</u>
Increase (decrease) in fund balances	30,865,057	(266,672)	72,921,246	6,547,970	110,067,601
Fund balances - beginning	<u>65,527,905</u>	<u>7,727,299</u>	<u>79,380,137</u>	<u>78,759,630</u>	<u>231,394,971</u>
Fund balances - ending	<u>\$ 96,392,962</u>	<u>\$ 7,460,627</u>	<u>\$ 152,301,383</u>	<u>\$ 85,307,600</u>	<u>\$ 341,462,572</u>

The accompanying notes are an integral part of these financial statements.

LODI UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds:	\$ 110,067,601
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays (\$47,191,668) exceeds depreciation expense (\$12,416,616) in the period.	34,775,052
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Repayment of the principal of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.	17,764,846
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Proceeds from debt and the related premium are recognized as Other Financing Sources in governmental funds. However, debt increases long-term liabilities in the statement of net position	(121,668,986)
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Governmental funds report proceeds from capital leases and other financing sources. However, the capital lease increases long-term liabilities in the statement of net position.	(162,862)
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Changes in the liability for compensated absences are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. In the statement of activities, compensated absences are recognized as expenses/revenues when earned by employees.	(28,011)
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In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. However, in the statement of activities, unmatured interest on long-term debt is accrued at year end.	(1,419,935)
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In government 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:	747,032
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In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual-basis pension costs and actual employer contributions was:	(19,994,349)
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Internal service funds are used by management to charge the costs of certain activities, such as self insurance and retiree benefits, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	5,220,879
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Change in net position of governmental activities	<u>\$ 25,301,267</u>
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The accompanying notes are an integral part of these financial statements.

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND JUNE 30, 2020

	Self-Insurance Fund
<hr/>	
ASSETS	
Current assets:	
Cash and equivalents	\$ 107,201,996
Accounts receivable	723,977
Due from other funds	5,000,000
Total assets	<u>112,925,973</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to OPEB	<u>4,504,780</u>
 LIABILITIES	
Current Liabilities:	
Accounts payable	70,870
Due to other funds	521
Claims and judgments	1,890,087
Total current liabilities	<u>1,961,478</u>
 Noncurrent Liabilities:	
Total OPEB obligation	77,782,961
Claims and judgments	10,195,045
Total noncurrent liabilities	<u>87,978,006</u>
Total liabilities	<u>89,939,484</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to OPEB	<u>4,268,717</u>
 NET POSITION	
Unrestricted	<u>23,222,552</u>
Total net position	<u>\$ 23,222,552</u>

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND YEAR ENDED JUNE 30, 2020

	Self-Insurance Fund
OPERATING REVENUES	
Charges for services	\$ 15,879,960
Other local revenue	<u>17,443</u>
Total operating revenue	<u>15,897,403</u>
OPERATING EXPENSES	
OPEB benefit expense	7,628,379
Claims and administration	<u>10,273,396</u>
Total operating expense	<u>17,901,775</u>
Operating loss	(2,004,372)
NON-OPERATING REVENUES	
Interest income	<u>2,225,251</u>
Income before contributions and transfers	<u>220,879</u>
Transfers in	<u>5,000,000</u>
Increase in net position	<u>5,220,879</u>
Net position, beginning of year	<u>18,001,673</u>
Net position - ending	<u>\$ 23,222,552</u>

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND YEAR ENDED JUNE 30, 2020

	Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	\$ 16,318,641
OPEB benefit payments	(1,715,693)
Claims paid	(1,279,620)
Payments on behalf of employees	(162,360)
Payments to suppliers	<u>(9,445,929)</u>
Net cash and equivalents provided by operating activities	3,715,039
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>2,225,251</u>
Net increase in cash and equivalents	5,940,290
Cash and equivalents – beginning of year	<u>101,261,706</u>
Cash and equivalents – end of year	<u>\$ 107,201,996</u>
RECONCILIATION OF OPERATING LOSS TO CASH AND EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (2,004,372)
Changes in operating assets and liabilities:	
Accounts receivable	420,847
Accounts payable	44,674
Due to other funds	391
Total OPEB obligation and related deferred outflows	5,912,686
Claims and judgments	<u>(659,187)</u>
Net cash and equivalents provided by operating activities	<u>\$ 3,715,039</u>

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING POLICIES

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

B. REPORTING ENTITY

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has sponsored five charter schools: Aspire Vincent Shalvey Academy, Aspire River Oaks Charter School, Aspire Benjamin Holt College Preparatory Academy, Aspire Benjamin Holt Middle School and Rio Valley Charter School. In determining its reporting entity, the District considered whether these charter schools should be included. The District determined that these charter schools do not meet the above criteria primarily because Aspire Public Schools and Rio Valley Charter School have been established as non-profit public benefit corporations. The charter agreements specify that the District does not participate in the management or operation of these charter schools, and that the charter schools shall indemnify and hold harmless the District against all loss caused by the charter schools. In addition, Education Code Section 47604(c) specifies that a district shall not be liable for the debts or obligations of a charter school operated by a non-profit public benefit corporation.

The District and the Lodi Unified School District Capital Facilities Corporation (the Corporation) have a financial and operational relationship which meets the reporting entity definition criteria of GASB for inclusion of the Corporation as a component unit of the District. The Corporation's board members are the same as the District's board members.

The Corporation is a non-profit public benefit corporation incorporated under the laws of the State of California on March 2, 1990. The Corporation was formed to provide financial assistance to the District for construction and acquisition of major capital facilities. The District occupies all Corporation facilities and is the sole lessee of all facilities owned by the Corporation. The District's lease payments are the sole revenue source of the Corporation.

For financial presentation purposes, the Corporation's financial activity has been blended with the financial data of the District. The financial statements present the Corporation's financial activity within the Special Reserve Fund for Capital Outlay and the Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

C. BASIS OF PRESENTATION

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. Internal service fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column as other governmental funds. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures, and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of internal service funds are charges to other funds for employee self-insurance claims and post-employment benefit payments. Operating expenses of internal service funds include the costs of insurance premiums and claims related to self-insurance and post-employment benefits.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded under the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 45, 60, or 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state aid apportionments, the California Department of Education has defined "available" as collectible within one year.

Non-exchange transactions are those in which the District receives value without directly giving equal value in return, including property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted, matching requirements, under which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Receivables associated with non-exchange transactions that will not be collected within the period of availability have been offset with unavailable revenue.

Unearned Revenue – Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are recorded as unearned revenue.

Expenses/Expenditures – Under the accrual basis of accounting, expenses are recognized at the time they are incurred. However, the measurement focus of governmental fund accounting is on decreases in the 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. Allocations of cost, such as depreciation and amortization, are not recognized on governmental fund financial statements.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available for use, it is the District's policy to first apply the expenditure toward, restricted fund balance and then to other, less restrictive classifications - committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

E. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, and internal service funds as follows:

Major Governmental Funds

The **General Fund** is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Cafeteria Fund**, a special revenue fund, is used to account for revenues received and expenditures made to operate the District's cafeterias.

The **Building Fund**, a capital projects fund, is used to account for the acquisition of major governmental capital facilities and buildings from bond proceeds.

Non-Major Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes. The District maintains the following non-major special revenue funds:

The **Adult Education Fund** is used to account for resources committed to adult education programs maintained by the District.

The **Child Development Fund** is used to account revenues received and expenditures made to operate the District's child development programs.

The **Student Activity Fund** is used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported represent the combined totals of all schools within the District.

The **Charter School Fund** is used to account for revenues received and expenditures made to operate the District's Charter School(s).

The **Special Education Pass-Through Fund** is used by the Administrative Unit (AU) of a multi-LEA Special Education Local Plan Area (SELPA) to account for Special Education revenue pass-through to other member Local Education Agencies (LEAs).

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following non-major capital projects funds:

The **Special Reserve Fund for Capital Outlay** is used to account for various maintenance and capital outlay projects.

The **Capital Facilities Fund** is used to account for resources received from development impact fees assessed under provisions of the California Government Code.

The **County School Facilities Fund** is used to account for state apportionment provided for construction and reconstruction of school facilities under SB50.

The **Debt Service** funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and other debt related costs. The District maintains the following non-major debt service fund:

The **Debt Service Fund** is used for the accumulation of resources for and the retirement of principal and interest on long-term debt.

The **Bond Interest and Redemption Fund** is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and other debt related costs.

Internal Service Funds

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains two internal service funds. The **Self-Insurance Fund** is used to provide general and vehicle liability, workers' compensation, dental, and vision insurance coverage to its employees. The **Self-Insurance – OPEB Fund** is used to provide for retiree benefits.

F. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, with the exception of Debt Service Funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption.

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund and Cafeteria Fund are presented as required supplementary information in these financial statements.

Formal budgetary integration was employed 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. Expenditures cannot legally exceed appropriations by major object account.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

G. CASH AND EQUIVALENTS

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

H. INVENTORIES AND PREPAID ITEMS

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

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

I. CAPITAL ASSETS

Capital assets are those equipment purchased or acquired with an original cost of \$10,000 or more and are reported at historical cost or estimated historical cost. Facility projects that extend the life and value of a site or building and exceed \$100,000 are reported as capital assets. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Improvement of Sites	20
Buildings	50
Machinery and Equipment	5-20

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the balance sheet reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred amount on debt refunding, resulting from the difference in the carrying value and reacquisition price of the refunded debt, is reported as deferred outflows of resources and is amortized over the shorter of the life of the refunded debt or refunding bond.

Contributions made to the District's pension and OPEB plan(s) after the measurement date but before the fiscal year-end are recorded as deferred outflows of resources and will reduce the net pension liability or total OPEB liability in the next fiscal year.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Additional factors involved in the calculation of the District's pension and OPEB expenses and liabilities include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 11 for further details related to the pension deferred outflows and inflows. See Note 12 for details related to the OPEB deferred outflows and inflows.

K. PENSIONS

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 State Teachers' Retirement Plan (the CalSTRS Plan), and classified employees are members of the Schools Pool (the CalPERS Plan), collectively referred to as the Plans. For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about the fiduciary net position of the District's portions of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's (OPEB Plan) and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

M. COMPENSATED ABSENCES

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District on the government-wide financial statements. Compensated absences are generally liquidated by the General Fund.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure 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.

N. FUND BALANCES

In the governmental fund financial statements fund balances are classified as follows:

Non-spendable – Funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact.

Restricted – Funds that are mandated for specific purposes because the amounts are subject to externally imposed or legally enforceable constraints.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Committed – Funds set aside for specific purposes by the District’s highest level of decision-making authority (Board of Education) pursuant to formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specific use through the same type of formal action taken to establish the commitment.

Assigned – Funds that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Resolution No. 2011-54 hereby delegates the authority to assign amounts to be used for specific purposes to the Chief Business Officer for the purpose of reporting these amounts in the financial statements.

Unassigned – The residual balance of the general fund that has not been assigned to other funds and that is not restricted, committed or assigned to a specific purpose.

Consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Education, the District maintains a Reserve for Economic Uncertainties to safeguard the District’s financial stability. The responsibility to operate the District to maintain financial stability resides with the elected Board of Education. The minimum recommended reserve for a District of this size is a minimum of 3% of budgeted general fund expenditures and other financing uses. The District’s standard policy is to maintain the reserve at 3%. As of June 30, 2020, the District had a Reserve for Economic Uncertainty of \$11,350,000 in the General Fund’s unassigned fund balance which represents 3.2% of budgeted general fund expenditures and other financing uses. The remaining unassigned balance consists of \$11,350,000 as additional designations for potential deficit spending.

O. PROPERTY TAXES

Secured property taxes attach as an enforceable lien on property as of January 1, and are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Joaquin bills and collects the taxes for the District.

P. LONG-TERM OBLIGATIONS

The District reports long-term obligations of governmental funds at face value in the government-wide financial statements. Long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements and the government-wide financial statements.

Q. USE OF ESTIMATES

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

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

R. CHANGE IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2020, the District implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by recording the activities of the Student Activity Special Revenue fund, which was previously accounted for as a fiduciary fund. There is no effect on beginning net position in connection with the implementation of GASB Statement No. 84.

S. FUTURE ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*, amended by Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* which extended the required implementation for the District to the year ending June 30, 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Management is in the process of evaluating the impact this statement will have on the District's future financial statements.

2. CHARTER SCHOOLS

The Lodi Unified School District operates the Joe Serna Charter School pursuant to Education Code Section 47605. The financial activities of the Joe Serna Charter School are presented in the Special Revenue Fund (See Note 1).

3. CASH AND EQUIVALENTS

Cash and equivalents as of June 30, 2020, consist of the following:

Cash with financial institutions	\$ 8,400,504
Cash and equivalents with County Treasury	438,539,662
Cash and equivalents with fiscal agents	<u>805,538</u>
Total cash and equivalents	<u>\$ 447,745,704</u>

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Joaquin County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq., and is restricted by Government Code Section 53635, pursuant to Section 53601. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

The Treasury is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes, or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the entity by the District's investment policy. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	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%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Mortgage Pass through Securities	5 years	20%	None
Joint Power Agreements	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Derivative Investments

The District did not directly enter into any derivative investments. The county did not invest in any derivative products as of June 30, 2020.

Interest Rate Risk

Interest rate risk is the risk that changes in market 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 values to changes in market interest rates. As of June 30, 2020, the weighted average maturity of the investments contained in the treasury investment pool is approximately 458 days.

Credit Risks

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Education 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 that are 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 amounts deposited by the public agencies.

District deposits held with financial institutions and with fiscal agents in excess of federal depository insurance limits held in accounts collateralized by securities held by the pledging financial institution were \$7,915,229.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2020:

	General Fund	Cafeteria Fund	Building Fund	Other Gov Funds	Self Insurance Fund	Total Funds
Federal government	\$ 6,945,511	\$ 700,717		\$ 448,100		\$ 8,094,328
State government	31,453,463	48,874		333,348		31,835,685
Local government	621,246	13,361	\$ 74		\$ 398,038	1,032,719
Interest	324,950	16,987	530,898	276,553	325,939	1,475,327
Totals	<u>\$ 39,345,170</u>	<u>\$ 779,939</u>	<u>\$ 530,972</u>	<u>\$1,058,001</u>	<u>\$ 723,977</u>	<u>\$ 42,438,059</u>

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

5. INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Due from/Due to Other Funds

Individual interfund receivables and payables as of June 30, 2020 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>				<u>Total Funds</u>
	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Other Governmental Funds</u>	<u>Self Insurance</u>	
General Fund		\$ 2,795	\$ 9,693	\$ 521	\$ 13,009
Cafeteria Fund	\$ 247,304				247,304
Other Governmental Funds	987,495				987,495
Self Insurance	5,000,000				5,000,000
Total	<u>\$ 6,234,799</u>	<u>\$ 2,795</u>	<u>\$ 9,693</u>	<u>\$ 521</u>	<u>\$ 6,247,808</u>

Interfund receivables and payables are paid and cleared in the subsequent period.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers for the year ended June 30, 2020 were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>			
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Self Insurance</u>	<u>Total Funds</u>
General Fund		\$ 481,075	\$ 5,000,000	\$ 5,481,075
Other Governmental Funds	<u>\$ 7,500,000</u>			<u>7,500,000</u>
Total	<u>\$ 7,500,000</u>	<u>\$ 481,075</u>	<u>\$ 5,000,000</u>	<u>\$ 12,981,075</u>

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

For the fiscal year ended June 30, 2020, the significant and/or non-routine transfers were transfers of \$7,500,000 from the Special Reserve Fund for Capital Outlay Projects to the General Fund and \$5,000,000 from the General Fund to the Self Insurance Fund. These transfers were made to fund the General Fund's operational reserve for capital outlay expenditures and to pre-fund workers compensation, respectively.

6. CAPITAL ASSETS AND DEPRECIATION

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 29,736,910			\$ 29,736,910
Construction in progress	44,492,779	\$ 46,218,542	\$ (3,160,076)	87,551,245
Total capital assets, not being depreciated	<u>74,229,689</u>	<u>46,218,542</u>	<u>(3,160,076)</u>	<u>117,288,155</u>
Capital assets, being depreciated:				
Improvement of sites	28,453,015	2,817,056		31,270,071
Buildings	471,714,468	343,020		472,057,488
Machinery and equipment	41,471,742	973,126		42,444,868
Total capital assets, being depreciated	<u>541,639,225</u>	<u>4,133,202</u>		<u>545,772,427</u>
Less accumulated depreciation for:				
Improvement of sites	(14,671,109)	(1,048,755)		(15,719,864)
Buildings	(136,967,334)	(9,275,705)		(146,243,039)
Machinery and equipment	(30,075,515)	(2,092,156)		(32,167,671)
Total accumulated depreciation	<u>(181,713,958)</u>	<u>(12,416,616)</u>		<u>(194,130,574)</u>
Total capital assets, being depreciated, net	<u>359,925,267</u>	<u>(8,283,414)</u>		<u>351,641,853</u>
Governmental activities capital assets, net	<u>\$ 434,154,956</u>	<u>\$ 37,935,128</u>	<u>\$ (3,160,076)</u>	<u>\$ 468,930,008</u>

For the year ended June 30, 2020, depreciation expense was charged to functions as follows:

Governmental activities:	
General	\$ 10,282,754
Supervision of instruction	23,428
School site administration	185,092
Pupil transportation	944,064
Food services	320,360
Other general administration	243,362
Data processing services	181,014
Plant services	197,861
Ancillary services	31,431
Other pupil services	<u>7,250</u>
Total depreciation expense	<u>\$ 12,416,616</u>

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

7. LONG-TERM LIABILITIES

General Obligation Bonds

On November 3, 2011, the District issued 2011 General Obligation Refunding Bonds in the amount of \$42,190,000, with interest rates ranging from 2% to 5%, to currently refund the 2002 General Obligation Bonds 2002 Series. In December 2017, the District issued 2017 General Obligation Refunding Bonds in the amount of, \$21,190,000, with interest rates ranging from 1.125% to 2.000%, to advanced refund \$18,955,000 of the 2011 issue. As of June 30, 2020, the principal balance outstanding was \$6,950,000.

On August 13, 2012, the District issued 2012 General Obligation Refunding Bonds in the amount of \$44,930,000, with interest rates ranging from 2% to 5%, to advance refund \$46,565,000 of the 2002 General Obligation Bonds 2004 Series. As of June 30, 2020, the principal balance outstanding was \$35,015,000.

On May 20, 2015, the District issued 2015 General Obligation Refunding Bonds (2015 Issue) in the amount of \$8,005,000, with interest rates ranging from 4.125% to 5%, to currently refund \$7,695,000 of the 2006 Series of 2002 General Obligation Bonds (Defeased Bonds.) As of June 30, 2020, the 2016 Issue principal balance outstanding was \$6,225,000.

On May 19, 2016, the District issued 2016 General Obligation Refunding Bonds (2016 Issue) in the amount of \$34,900,000, with interest rates ranging from 1.35% to 5%, to advance refund \$37,425,000 of the 2007 Issue (Defeased Bonds). As of June 30, 2020, the 2017 Issue principal balance outstanding was \$29,625,000.

On May 10, 2017, the District issued 2017 General Obligation Bonds (2017 Issue) in the amount of \$80,000,000, with interest rates ranging from 2.75% to 5%, to modernize, replace, renovate, construct, acquire and rebuild school facilities. As of June 30, 2020, the 2017 Issue principal balance outstanding was \$62,390,000.

On December 21, 2017, the District issued 2017 General Obligation Refunding Bonds in the amount of, \$21,190,000, with interest rates ranging from 1.125% to 2.000%, to advanced refund \$18,955,000 of the 2011 General Obligation Refunding Bonds. As of June 30, 2020, the principal balance outstanding was \$20,225,000.

On October 11, 2018, the District issued 2018 General Obligation Bonds in the amount of \$9,000,000, maturing through August 2048 and bearing interest at rates ranging from 3.000% - 5.000%. The bonds were issued to modernize, replace, renovate, construct, acquire and rebuild school facilities; and pay costs of issuance of bonds. As of June 30, 2020, the principal balance outstanding was \$8,515,000.

On January 1, 2020, the District issued 2016 General Obligation Bonds (2020 Issue) in the amount of \$110,000,000, maturing through August 2043 and bearing interest at rates ranging from 3.000% - 4.000%. The bonds were issued to modernize, replace, renovate, construct, and rebuild school facilities, including playgrounds and athletic fields; and pay costs of issuance of bonds. As of June 30, 2020, the principal balance outstanding was \$110,000,000.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

The bonds mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 15,950,000	\$ 8,599,076	\$ 24,549,076
2022	18,700,000	10,032,489	28,732,489
2023	18,070,000	9,319,457	27,389,457
2024	12,340,000	8,639,947	20,979,947
2025	10,820,000	8,168,663	18,988,663
2026-2030	61,465,000	34,123,236	95,588,236
2031-2035	43,470,000	22,949,900	66,419,900
2036-2040	48,300,000	14,146,729	62,446,729
2041-2045	47,925,000	3,972,561	51,897,561
2046-2049	1,905,000	150,095	2,055,095
Subtotal	278,945,000	12,102,152	399,047,152
Plus: Unamortized premium	22,083,318		22,083,318
Totals	<u>\$ 301,028,318</u>	<u>\$ 120,102,152</u>	<u>\$ 421,130,470</u>

Certificates of Participation (COP)

In July of 2010, the District issued COPs, Series A & B “2010” in the amount of \$5,575,000 for the construction, rehabilitation and repair of school facilities by the District as part of the Qualified School Construction Bonds (QSCBs). The COPs bear interest rates from 1.75% - 7.38% and are scheduled to mature through 2027. As of June 30, 2020, the principal balance was \$2,535,000.

In September of 2003, the District issued COP totaling \$10,985,000, with interest rates ranging from 2% to 5%. In January of 2014, the District issued Refunding Certificates of Participation totaling \$8,165,000, with interest rates ranging from 4.25% to 5% to currently refund the September 2003 Issue. As of June 30, 2020, the principal balance was \$5,395,000.

The certificates mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 865,000	\$ 369,792	\$ 1,234,792
2022	885,000	328,200	1,213,200
2023	915,000	285,306	1,200,306
2024	935,000	240,743	1,175,743
2025	970,000	194,853	1,165,853
2026-2029	3,360,000	316,613	3,676,614
Subtotal	7,930,000	1,735,507	9,711,398
Less: Unamortized discount	(9,427)		(9,427)
Totals	<u>\$ 7,920,573</u>	<u>\$ 1,735,507</u>	<u>\$ 9,701,971</u>

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Capital Leases

In November 2010, the District entered in a Lease-Purchase Agreement of Energy Conservation Equipment of \$9,915,000 as part of the 2010 Qualified Energy Conservation Project (Federally Taxable Direct Pay Tax Credit Bonds). The funds were used to install energy conservation equipment at various sites in the District. The District also leases various computers and equipment under agreements that provide for title to pass upon expiration of the lease period. The book value of these items at time of purchase was \$11,202,964. Future minimum lease payments as of June 30, 2020 are as follows:

Year Ending June 30,	Lease Payments
2021	\$ 832,378
2022	829,692
2023	806,205
2024	809,465
2025	774,832
Thereafter	<u>2,300,992</u>
Total	6,353,564
Less amount representing interest	<u>(1,260,887)</u>
Present value of net minimum lease payments	<u><u>\$ 5,092,677</u></u>

The District will receive no sublease rental revenues nor pay any contingent rentals for this equipment.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2020 was as follows:

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
General Obligation Bonds	\$ 185,090,000	\$ 110,000,000	\$ (16,145,000)	\$ 278,945,000	\$ 15,950,000
Unamortized GOB Premium	11,519,370	11,668,986	(1,105,038)	22,083,318	1,818,634
Certificates of Participation	8,780,000		(850,000)	7,930,000	865,000
Unamortized COP Discount	(12,060)		2,634	(9,426)	(2,318)
Capital Leases	5,699,662	162,862	(769,847)	5,092,677	554,683
Claims Liability (Note 9)	12,744,319	620,432	(1,279,619)	12,085,132	819,117
Compensated Absences	<u>1,231,798</u>	<u>2,130,401</u>	<u>(2,102,390)</u>	<u>1,259,809</u>	<u>1,247,210</u>
Total	<u>\$ 225,053,089</u>	<u>\$ 124,582,680</u>	<u>\$ (22,249,259)</u>	<u>\$ 327,386,510</u>	<u>\$ 21,252,326</u>

8. COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Litigation

Various claims and litigation involving the District are currently outstanding. However, based on consultation with legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

Commitments

The District has construction contracts and property acquisition commitments of approximately \$41,931,993 at June 30, 2020. Bond and state funds have been approved for such construction.

9. RISK MANAGEMENT/CLAIMS LIABILITIES

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2020, the District participated in three joint power agreements (JPAs) for purposes of pooling of risk related to property and liability and one JPA for worker's compensation. See "Joint Ventures" footnote for nature of participation.

The District is self-insured for workers' compensations claims for fiscal years through June 30, 2019 up to \$1,000,000 per occurrence and purchased excess insurance for claims above \$1,000,000, with a maximum of up to \$10,000,000 per claim. In addition, the District is fully insured for dental care for all employees except classified. Classified employees' dental care is self-insured and vision care is also fully self-insured for all employees. All claims are administered by outside parties and the Self-Insurance Fund accounts for and liquidates these insurance activities.

The District has accrued a claims liability of \$12,085,132 at June 30, 2020, for its self-insured claims and deductibles in the Self-Insurance Fund. The claims liability is based upon an evaluation by outside administrators and actuaries for known claims and management's evaluation of incidents incurred but not reported, excluding incremental costs. These claims liabilities are established based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as workers' compensation. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The majority of these claims liabilities are long-term in nature and the District's intent is to fund these liabilities over time. Management has estimated \$819,117 of these liabilities will be incurred in the 2020-21 fiscal year.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Changes in claims liability for the years ended June 30, 2020 and 2019 are as follows:

	Liability Beginning of Year	Claims and Changes in Estimates	Claims Payments	Liability End of Year
2019-2020	<u>\$ 12,744,319</u>	<u>\$ 620,432</u>	<u>\$ (1,279,619)</u>	<u>\$ 12,085,132</u>
2018-2019	<u>\$ 13,616,514</u>	<u>\$ 2,404,148</u>	<u>\$ (3,276,343)</u>	<u>\$ 12,744,319</u>

10. JOINT VENTURES

The District participates in three JPAs, the Schools Association for Excess Risk (SAFER), Northern California Relief (NCR) and effective July 1, 2019, Protected Insurance Program for Schools Joint Powers Authority (P.I.P.S.). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

SAFER and NCR arrange property and liability insurance coverage for their members and P.I.P.S. arranges worker's compensation insurance coverage for its members. The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the boards. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPAs.

NATURE OF PARTICIPATION

Property

District	
Deductible:	\$50,000
JPA's SIR:	\$50,001 to \$250,000 with NCR
Excess Insurance:	\$250,001 to \$250,000,000 per occurrence with SAFER

Liability

District	
Deductible:	\$50,000
JPA's SIR:	\$50,001 to \$1,000,000 with NCR
Excess Insurance:	\$2,000,001 to \$10,000,000 with SAFER \$10,000,001 to \$25,000,000 with SAFER

Worker's Compensation

District	
Deductible:	\$100,000
JPA's SIR:	\$100,001 to \$10,000,000 with P.I.P.S.
Excess Insurance:	\$10,000,001 to \$155,000,000 with P.I.P.S.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

The condensed financial information of the JPAs is as follows:

	<u>P.I.P.S. June 30, 2019</u>	<u>SAFER June 30, 2019</u>	<u>NCR June 30, 2019</u>
Total Assets	\$ 133,474,239	\$ 43,494,593	\$ 90,903,300
Total Liabilities	<u>(99,564,236)</u>	<u>(52,232,601)</u>	<u>(73,773,663)</u>
Net Position	<u>\$ 33,910,003</u>	<u>\$ (8,738,008)</u>	<u>\$ 17,129,637</u>
Total Revenues	\$ 315,820,121	\$ 67,893,879	\$ 62,352,151
Total Expenses	<u>(306,044,422)</u>	<u>(77,777,714)</u>	<u>(57,522,201)</u>
Change in Net Position	<u>\$ 9,775,699</u>	<u>\$ (9,883,835)</u>	<u>\$ 4,829,950</u>

Complete separate financial statements for the JPAs may be obtained at the District office at 1305 E. Vine Street, Lodi, CA 95240.

11. EMPLOYEE RETIREMENT SYSTEMS

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District participates in the State Teachers' Retirement Plan (the CalSTRS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. CalSTRS acts as a common investment and administrative agent for participating public entities within the State of California. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calstrs.com.

Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalSTRS Plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalSTRS creditable activities. The 2 percent, also known as the age factor, refers to the percentage of final compensation received as a retirement benefit for each year of service credit. To be eligible for 2% service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with five years of service.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Contributions

Assembly Bill 1469 (AB 1469), signed into law as a part of the State of California's (the State) 2014-15 budget, increases contributions to the CalSTRS Plan from members, employers, and the State over the next seven years, effective July 1, 2014. School employer contributions will increase from 8.25% to a total of 16.15% of covered payroll over the seven-year period. The District's required contribution rate for the year ended June 30, 2020, was 17.10% of annual pay. District contributions to the CalSTRS Plan were \$24,534,963 for the year ended June 30, 2020.

The State contributes a percentage of the annual earnings of all members of the CalSTRS Plan. AB 1469 increases the State's contribution attributable to the benefits in effect in 1990, but does not change the base rate of 2.017%. In accordance with AB 1469, the portion of the state appropriation under Education Code Sections 22955(b) that is in addition to the base rate has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution increased from 1.437% in 2014-15 to 5.811% in 2019-20. The increased contributions end as of fiscal year end June 30, 2046. The State contribution rate for the period ended June 30, 2019, was 10.328% of the District's 2014-15 creditable CalSTRS compensation.

In addition to AB1469, California Senate Bill 90 (SB 90) signed June 27, 2019, appropriated from the State's General Fund \$1,117,000,000 in contributions on-behalf of school employers for the 2019-20 fiscal year to be transferred to the CalSTRS Plan. Furthermore, SB 90 will appropriate contributions for the 2020-21 fiscal year, such that it will result in school employers having to contribute .70 percentage points less than amounts set in existing prescribed schedules in the 2020-21 fiscal year. The District's proportionate share of the State's SB90 on-behalf contribution to the CalSTRS Plan for the period ended June 30, 2020 was \$4,583,956.

Actuarial Assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to the measurement date of June 30, 2019. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Investment Rate of Return ⁽¹⁾	7.10%
Mortality	CalSTRS' Membership Data
Post-Retirement Benefit Increase	2% simple for DB (Annually)
	Maintain 85% purchasing power
	Level for DB
	Not applicable for DBS /CBB

⁽¹⁾ Net of investment expenses, but gross of administrative expenses.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Discount Rate

The discount rate used to measure the CalSTRS Plan's total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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. The best-estimate ranges were developed using capital market assumptions from CalSTRS' general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

<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%
Total	100.00%	

*20-year geometric average

California Public Employees' Retirement System (CalPERS)

Plan Description

The District participates in the Schools Pool (the CalPERS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Benefits Provided

The benefits for the CalPERS Plan are established by contract, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. PEPR made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PEPR, the CalPERS Plan has two benefit structures: 1) CalPERS 2% at 55 – Members first hired on or before December 31, 2012, to perform CalPERS creditable activities, and 2) CalPERS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalPERS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 50 with a minimum of five years of CalPERS-credited service, while members hired after January 1, 2013, must be at least age 52 with a minimum of five years of CalPERS-credited service.

Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the CalPERS Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's 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 District's required contribution rate for the year ended June 30, 2020, was 19.721% of annual pay. District contributions to the CalPERS Plan were \$10,072,372 for the year ended June 30, 2020.

Actuarial Assumptions

For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2019 total pension liability amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases ⁽¹⁾	Varies
Investment Rate of Return	7.15%
Mortality ⁽²⁾	CalPERS' Membership Data
Post-Retirement Benefit Increase ⁽³⁾	Up to 2.50%

⁽¹⁾ Varies by entry age and service

⁽²⁾ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, refer to the December 2017 CalPERS Experience Study Report (based on CalPERS demographic data from 1997 to 2015) that can be found on CalPERS website.

⁽³⁾ 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The crossover test results can be found on CalPERS' website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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, 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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class^(a)	New Strategic Allocation	Real Return Years 1 – 10^(b)	Real Return Years 11+^(c)
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 Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

^(a) In the Plan's CAFR, 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.

^(b) An expected inflation of 2.00% was used for this period.

^(c) An expected inflation of 2.92% was used for this period.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State's pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability:	
CalSTRS Plan	\$ 240,240,560
CalPERS Plan	108,253,407
Total District net pension liability	<u>348,493,967</u>
State's proportionate share of CalSTRS net pension liability associated with the District	<u>130,832,047</u>
Total	<u>\$ 479,326,014</u>

The District's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liabilities of the Plans are measured as of June 30, 2019, and calculated by reducing the total pension liability of each Plan by the respective Plan's fiduciary net position. The District's proportion of each Plan's net pension liability was based on the ratio of the District's actual employer contributions in the measurement period to the total actual employer and State contributions received by the respective Plan in the measurement period. The District's proportionate share of the net pension liability for the measurement period June 30, 2019, was .2660% and .3714% for the CalSTRS and CalPERS Plans, respectively, which was an increase of 0.006%, and a LUSD decrease of 0.0002%, from its proportion measured as of June 30, 2018 for CalSTRS and CalPERS Plans, respectively.

For the measurement period ended June 30, 2019, the District recognized pension expense of \$83,410,456 and revenue of \$28,808,766 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,470,023	\$ (6,769,700)
Changes in assumptions	35,538,378	(9,254,140)
Changes in proportion	7,082,533	(276,112)
Change in proportionate share of contributions	767,456	
Net differences between projected and actual investment earnings of pension plan investments		(1,004,071)
District contributions subsequent to measurement date	<u>34,607,335</u>	
Total	<u>\$ 86,465,725</u>	<u>\$ (17,304,023)</u>

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

The \$34,607,335 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2021	\$ 15,668,532
2022	2,065,820
2023	7,053,482
2024	7,897,974
2025	1,817,478
Thereafter	51,081

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Plans as of the measurement date, calculated using the discount rate, 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:

	Discount Rate -1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate +1% (8.10%)
District's proportionate share of the CalSTRS Plan's net pension liability	\$ 357,738,080	\$ 240,240,560	\$ 142,812,740
	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
District's proportionate share of the CalPERS Plan's net pension liability	\$ 156,040,169	\$ 108,253,407	\$ 68,610,988

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

In addition to the pension benefits described in Note 11, the District provides other postemployment health, dental, and vision care benefits for eligible retired employees through a single-employer defined benefit healthcare plan (the Plan). As of June 30, 2020, the District had not established an irrevocable trust or designated a trustee for the payment of plan benefits. As such, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

During the year ended June 30, 2020 the District paid benefits to retirees of \$1,715,963 and transferred \$5,020,841 to the Self-Insurance – OPEB Fund, an Internal Service Fund. This transfer is regarded as earmarking of employer assets to reflect the employer's intent to apply these assets to finance the cost of postemployment benefits at some time in the future and thus do not qualify as contributions.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Benefits Provided

The District's benefits provided to retirees are established per contractual agreement, which vary among different collective bargaining agreements. The following is a description of the current retiree benefit plan.

	<u>Management</u>	<u>Certificated</u>	<u>Classified and Supervisors</u>	<u>Confidential</u>
Benefit types provided	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision*	Medical, dental and vision
Duration of Benefits	Lifetime	To age 65	Option 1: 60 months, not beyond age 65 Option 2: 84 months** Option 3: 120 months but not beyond age 65	To age 65
Required Service	10 years	10 consecutive full-time years, at least Class D on salary schedule (Class B for LPPA)	20 years of continuous service at age 50 or 15 years at age 55	15 years of continuous service
Minimum Age	55	55	55	60***
Dependent Coverage	Yes	Yes	Yes	Yes
District Contribution	100% up to cap to 65; \$2,000 per year beyond 65 if 10 years as administrator	100% to cap	100% to cap except option 3 is 50% of District cap	100% to cap
District Cap	\$5,114 to 65	LEA: \$8,845 LPPA: Applicable active cap	Active cap, less expensive rate for Option B	\$5,114 to 65

*Option 2 receives medical benefits only.

**For supervisors, Option B cannot go beyond age 65

***Up to 3 Confidential retirees at a time may be covered between ages 55 and 60

Employees Covered

As of the June 30, 2019 actuarial valuation, the following Inactive and active employees were covered by the benefit terms under the OPEB Plan:

Inactive employees receiving benefits	498
Inactive employees entitled to but not receiving benefits	0
Participating active employees	3,176
Total	<u>3,674</u>

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Total OPEB Liability

The District's total OPEB liability of \$77,782,961 was measured as of June 30, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated June 30, 2019, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate ⁽¹⁾	3.50%
Inflation	2.75%
Salary Increases ⁽²⁾	2.75%
Mortality - Classified ⁽³⁾	CalPERS' Membership Data
Mortality - Certificated ⁽⁴⁾	CalSTRS' Membership Data
Health care cost trend rates	4.00%

- (1) Based on Bond Buyer 20 Bond Index.
- (2) Since benefits do not depend on salary, using an aggregate payroll assumption for purposes of calculating the service costs results in negligible error.
- (3) 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, refer to the April 2014 experience study report.
- (4) CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are adjusted to fit CalSTRS specific experience through June 30, 2015. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis and June 30, 2015 Actuary Program Valuations for more information.

Changes in Assumptions

During the measurement period ending June 30, 2019, the discount rate was lowered from 3.80% to 3.50%.

Changes in the Total OPEB Liability

The changes in the Total OPEB liability for the OPEB Plan are as follows:

	Total OPEB Liability (TOL)
Balance at June 30, 2019 (Measurement date June 30, 2018)	\$ 70,560,094
Changes recognized for the measurement period:	
Service cost	5,052,077
Interest on TOL	2,754,687
Assumption Changes	3,031,617
Differences between expected and actual experience	(2,426,790)
Benefit payments	(1,188,724)
Net changes	7,222,867
Balance at June 30, 2020 (Measurement date June 30, 2019)	\$ 77,782,961

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the total 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 rate:

	Discount Rate -1% (2.50%)	Current Discount Rate (3.50%)	Discount Rate +1% (4.50%)
Total OPEB liability	\$ 89,355,906	\$ 77,782,961	\$ 68,360,667

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

The following presents the total OPEB liability of the District, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate -1% (3.00%)	Health Care Trend Rate (4.00%)	Discount Rate +1% (5.00%)
Total OPEB liability	\$ 69,224,371	\$ 77,782,961	\$ 87,525,178

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net differences between projected and actual earnings on OPEB Trust investments	5 years
All other amounts	Expected average remaining service lives (EARSL) of plan participants

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2020

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of \$7,628,379. 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>
OPEB contributions subsequent to measurement date	\$ 1,715,693	
Differences between expected and actual experience		\$ (1,709,296)
Changes of assumptions	<u>2,789,087</u>	<u>(2,559,421)</u>
Total	<u>\$ 4,504,780</u>	<u>\$ (4,268,717)</u>

The \$1,715,693 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as follows:

<u>Year Ended June 30</u>	
2021	\$ (178,385)
2022	(178,385)
2023	(178,385)
2024	(178,385)
2025	(178,385)
Thereafter	(587,705)

13. RISKS AND UNCERTAINTIES

On March 23, 2020, the District experienced disruption to its schools as they were required by public health orders to close and move to virtual learning format in response to the Coronavirus/COVID-19 pandemic. Although the disruption is expected to be temporary, the District anticipates some financial impact due to the pandemic. However, the financial impact and duration cannot be reasonably estimated at this time.

14. SUBSEQUENT EVENT

On October 27, 2020, the District issued 2020 General Obligation Bonds in the amount of \$10,000,000, maturing through August 2033 and bearing interest at rates ranging from 2.000% - 4.000%. The bonds were issued to modernize, replace, renovate, construct, acquire and rebuild school facilities; and pay costs of issuance of bonds.

REQUIRED SUPPLEMENTARY INFORMATION

LODI UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	GAAP Basis	Favorable (Unfavorable)
REVENUES				
State apportionments	\$ 240,981,481	\$ 237,543,904	\$ 236,146,257	\$ (1,397,647)
Local sources	48,789,606	52,640,347	52,618,941	(21,406)
Total local control funding formula	289,771,087	290,184,251	288,765,198	(1,419,053)
Federal revenues	17,809,084	24,346,424	17,088,671	(7,257,753)
Other state revenues	40,624,867	47,501,492	53,849,112	6,347,620
Other local revenues	2,143,744	6,834,992	5,878,915	(956,077)
Total revenues	350,348,782	368,867,159	365,581,896	(3,285,263)
EXPENDITURES				
Certificated personnel salaries	145,315,555	146,381,647	143,184,232	3,197,415
Classified personnel salaries	51,363,821	52,573,473	49,796,182	2,777,291
Employee benefits	90,868,634	89,634,473	85,441,144	4,193,329
Books and supplies	16,176,749	36,768,936	16,917,924	19,851,012
Services and other operating expenditures	41,153,170	49,003,305	37,875,335	11,127,970
Capital outlay	4,181,670	8,190,914	3,932,098	4,258,816
Other outgo	355,214	514,983	575,382	(60,399)
Allocation of indirect costs	(1,277,161)	(1,361,725)	(1,132,814)	(228,911)
Debt service	419,209	445,698	309,143	136,555
Total expenditures	348,556,861	382,151,704	336,898,626	45,253,078
Excess (shortfall) of revenues over expenditures	1,791,921	(13,284,545)	28,683,270	41,967,815
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases			162,862	162,862
Interfund transfers out	(2,513,758)	(5,482,064)	(5,481,075)	989
Interfund transfers in			7,500,000	7,500,000
Total other financing sources (uses)	(2,513,758)	(5,482,064)	2,181,787	7,663,851
Net increase (decrease) in fund balance	(721,837)	(18,766,609)	30,865,057	49,631,666
Fund balance – beginning	65,527,905	65,527,905	65,527,905	
Fund balance – ending	\$ 64,806,068	\$ 46,761,296	\$ 96,392,962	\$ 49,631,666

LODI UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE CAFETERIA SPECIAL REVENUE FUND YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Favorable (Unfavorable)</u>
REVENUES				
Federal revenues	\$ 16,194,863	\$ 15,289,535	\$ 13,475,646	\$ (1,813,889)
Other state revenues	906,888	889,046	846,695	(42,351)
Other local revenues	<u>3,010,312</u>	<u>4,193,261</u>	<u>3,090,403</u>	<u>(1,102,858)</u>
Total revenues	<u>20,112,063</u>	<u>20,371,842</u>	<u>17,412,744</u>	<u>(2,959,098)</u>
EXPENDITURES				
Classified personnel salaries	7,165,002	6,926,485	6,572,752	353,733
Employee benefits	3,953,529	3,853,820	2,597,586	1,256,234
Books and supplies	8,324,734	8,148,067	6,903,543	1,244,524
Services and other operating expenditures	641,700	644,035	405,007	239,028
Capital outlay	352,023	712,500	353,077	359,423
Allocation of indirect costs	1,028,350	992,937	843,719	149,218
Debt service	<u>3,732</u>	<u>3,732</u>	<u>3,732</u>	
Total expenditures	<u>21,469,070</u>	<u>21,281,576</u>	<u>17,679,416</u>	<u>3,602,160</u>
Excess (deficiency) of revenues over expenditures	(1,357,007)	(909,734)	(266,672)	643,062
Fund balance – beginning	<u>7,727,299</u>	<u>7,727,299</u>	<u>7,727,299</u>	
Fund balance – ending	<u>\$ 6,370,292</u>	<u>\$ 6,817,565</u>	<u>\$ 7,460,627</u>	<u>\$ 643,062</u>

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE MEASUREMENT PERIOD ENDED JUNE 30, LAST 10 YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 5,052,077	\$ 5,266,056	\$ 5,125,115
Interest	2,754,687	2,618,144	2,193,637
Changes in benefit terms			
Differences between expected and actual experience	(2,426,790)		
Changes of assumptions	3,031,617	(3,103,981)	
Benefit payments	<u>(1,188,724)</u>	<u>(971,268)</u>	<u>(1,501,729)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	7,222,867	3,808,951	5,817,023
TOTAL OPEB LIABILITY, Beginning	<u>70,560,094</u>	<u>66,751,143</u>	<u>60,934,120</u>
TOTAL OPEB LIABILITY, Ending	<u>\$ 77,782,961</u>	<u>\$ 70,560,094</u>	<u>\$ 66,751,143</u>
Covered-employee payroll	\$ 205,390,911	\$ 197,512,341	\$ 188,614,088
District's total OPEB liability as a percentage of covered-employee payroll	38%	36%	35%

Notes to Schedule:

There were no changes to benefit terms during the measurement periods ended June 30, 2019, 2018 and 2017. For the measurement period ended June 30, 2019, the interest assumption decreased from 3.8% to 3.5%. For the measurement period ended June 30, 2018, the interest assumption increased from 3.5% to 3.8%. There were no changes to the interest assumption during the measurement period ended June 30, 2017.

The District has not accumulated assets in a trust to pay related OPEB benefits.

* Fiscal year 2018 was the 1st year of implementation, therefore only three years are presented.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, LAST 10 YEARS*

	CalSTRS Plan					
	Measurement Date					
	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.266%	0.260%	0.244%	0.269%	0.258%	0.252%
District's proportionate share of the net pension liability	\$ 240,240,560	\$ 238,958,200	\$ 225,651,200	\$ 217,569,890	\$ 173,695,920	\$ 147,261,240
State's proportionate share of the net pension liability associated with the District	<u>130,832,047</u>	<u>136,741,658</u>	<u>133,691,958</u>	<u>124,040,571</u>	<u>91,895,311</u>	<u>88,989,303</u>
Total	<u>\$ 371,072,607</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$ 145,117,585	\$ 140,118,151	\$ 131,489,564	\$ 130,333,231	\$ 124,375,645	\$ 114,500,629
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	166%	171%	172%	167%	140%	129%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%

Notes to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2019, 2018, 2017, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2019, 2018, 2016, 2015 and 2014, there were no changes in assumptions. For the measurement date ended June 30, 2017, the consumer price inflation changed from 3.00% to 2.75%, investment rate of return changed from 7.60% to 7.10% and wage growth changed from 3.75% to 3.50%.

* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS OF JUNE 30, LAST 10 YEARS*

	CalPERS Plan					
	Measurement Date					
	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.3714%	0.3716%	0.3678%	0.3827%	0.3896%	0.3838%
District's proportionate share of the net pension liability	\$ 108,253,407	\$ 99,077,592	\$ 87,798,793	\$ 75,583,487	\$ 57,427,425	\$ 43,570,645
District's covered-employee payroll	\$ 51,692,243	\$ 50,361,691	\$ 47,013,324	\$ 46,113,845	\$ 43,217,793	\$ 40,354,159
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	209%	197%	187%	164%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%

Notes to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2019, 2018, 2017, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct an adjustment which previously reduced the discount rate for administrative expenses. For the measurement dates ended June 30, 2019, 2016 and 2014, there were no changes in assumptions. For the measurement date ended June 30, 2017, the discount rate changed from 7.65% to 7.15%. For the measurement date ended June 30, 2018, the demographic assumptions and inflation rates were changed. The inflation rate was lowered from 2.75% to 2.50%.

* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS

AS OF JUNE 30,
LAST 10 YEARS*

CalSTRS Plan						
	Fiscal Year					
	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 24,534,963	\$ 23,556,256	\$ 19,989,000	\$ 16,849,633	\$ 14,007,563	\$ 11,101,972
Contributions in relation to the contractually required contributions	<u>(24,534,963)</u>	<u>(23,556,256)</u>	<u>(19,989,000)</u>	<u>(16,849,633)</u>	<u>(14,007,563)</u>	<u>(11,101,972)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$ 143,394,826	\$ 145,117,585	\$ 140,118,151	\$ 131,489,564	\$ 130,333,231	\$ 124,375,645
Contributions as a percentage of covered-employee payroll	17.11%	16.23%	14.27%	12.81%	10.75%	8.93%

* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS

AS OF JUNE 30,
LAST 10 YEARS*

CalPERS Plan						
	Fiscal Year					
	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 10,072,372	\$ 9,483,820	\$ 7,950,426	\$ 6,551,438	\$ 5,466,734	\$ 5,077,414
Contributions in relation to the contractually required contributions	<u>(10,072,372)</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$ 50,962,159	\$ 51,692,243	\$ 50,361,691	\$ 47,013,324	\$ 46,113,845	\$ 43,217,793
Contributions as a percentage of covered-employee payroll	(9,483,820) 19.76%	(7,950,426) 18.35%	(6,551,438) 15.79%	(5,466,734) 13.94%	(5,077,414) 11.85%	11.75%

* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

SUPPLEMENTARY INFORMATION SECTION

LODI UNIFIED SCHOOL DISTRICT

ORGANIZATION JUNE 30, 2020

The Lodi Unified School District was established on July 1, 1967, and comprises an area located in San Joaquin County. There were no changes in the boundaries of the District during the current year. The District currently operates 32 elementary schools (most of which have a grade configuration of kindergarten through 6th grade, one GATE school for grades 4-8, and two schools for grades K-8), five middle schools (for grades 7-8), four comprehensive high schools (for grades 9-12), one early college high school, two continuation high schools, two alternative schools of choice for grades 7-8 and one for grades 7-12, two independent study schools for grades K-12, one charter school for grades K-8, preschool programs, and an adult education program. The District also has five independent charter schools.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Joe Nava	President	2020
Mr. Ron Freitas	Vice President	2020
Mr. Susan Macfarlane	Clerk	2022
Mr. Ron Heberle	Member	2022
Mr. George Neely	Member	2022
Mr. Gary Knackstedt	Member	2020
Mr. Courtney Porter	Member	2022

ADMINISTRATION

Dr. Cathy Nichols-Washer
Superintendent

Mr. Leonard Kahn
Chief Business Officer

Mr. Mike McKilligan
Assistant Superintendent/Personnel

Mr. Scott McGregor
Assistant Superintendent/Elementary Education

Mr. Jeff Palmquist
Assistant Superintendent/Secondary Education

Dr. Robert Sahli
Assistant Superintendent/Curriculum-Instruction-Assessment

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE YEAR ENDED JUNE 30, 2020

DISTRICT

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Transitional Kindergarten through 3	7,971	7,971
Grades 4 through 6	6,084	6,084
Grades 7 and 8	4,216	4,216
Special Education – Nonpublic, Non-sectarian Schools	20	20
Extended Year ADA –Nonpublic, Non-sectarian Schools	0	38
Elementary Totals	<u>18,291</u>	<u>18,329</u>
High School:		
Grades 9 through 12	8,302	8,302
Special Education– Nonpublic, Non-sectarian Schools	33	33
Extended Year ADA– Nonpublic, Non-sectarian Schools	0	14
High School Totals	<u>8,335</u>	<u>8,349</u>
County Community Schools	<u>44</u>	<u>50</u>
ADA Totals	<u>26,670</u>	<u>26,728</u>

JOE SERNA JR. CHARTER SCHOOL

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Kindergarten through 3	162	162
Grades 4 through 6	115	115
Grades 7 and 8	67	67
ADA Totals - Classroom Based	<u>344</u>	<u>344</u>

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS YEAR ENDED JUNE 30, 2020

Charter School	Charter School Number	Date Established	Included/ Not Included
Aspire Public Schools – River Oaks Charter School	0364	8/15/2000	Not Included
Aspire Public Schools – Aspire Vincent Shalvey Academy	0178	1/19/1999	Not Included
Aspire Public Schools – Benjamin Holt College Prep Academy	0565	3/4/2003	Not Included
Rio Valley Charter School	1229	4/16/2010	Not Included
Aspire Public Schools – Benjamin Holt Middle School	1782	8/1/2016	Not Included
Joe Serna Jr. Charter School	0288	1/18/2000	Included

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME YEAR ENDED JUNE 30, 2020

DISTRICT

<u>Grade Level</u>	<u>Required Minutes</u>	<u>2019-20 Minutes Offered*</u>	<u>Actual Number of Instructional Days Offered</u>	<u>Number of Days Covered by the COVID-19 School Closure Certification**</u>	<u>Total Number of Instructional Days</u>	<u>Status</u>
Kindergarten	36,000	36,000	131	49	180	In Compliance
Grades 1	50,400	51,314	131	49	180	In Compliance
Grades 2	50,400	51,314	131	49	180	In Compliance
Grades 3	50,400	51,314	131	49	180	In Compliance
Grades 4	54,000	54,420	131	49	180	In Compliance
Grades 5	54,000	54,420	131	49	180	In Compliance
Grades 6	54,000	54,420	131	49	180	In Compliance
Grades 7	54,000	57,120	131-136	44-49	180	In Compliance
Grades 8	54,000	57,120	131-136	44-49	180	In Compliance
Grades 9	64,800	65,220	131-136	44-49	180	In Compliance
Grades 10	64,800	65,220	131-136	44-49	180	In Compliance
Grades 11	64,800	65,220	131-136	44-49	180	In Compliance
Grades 12	64,800	65,220	131-136	44-49	180	In Compliance

*The credited minutes covered by the COVID-19 School Closure certification are included in the 2019-20 minutes offered column but were not actually offered due to the COVID-19 School Closure.

**In response to COVID-19, all sites were closed for 44-49 instructional days, March 23, 2020 through May 22, 2020 or May 29, 2020, for which the District received a COVID-19 School Closure Certification from the California Department of Education.

The District participated in Longer Day incentives and is funded at a level for a District that has not met or exceeded its LCFF target funding.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME YEAR ENDED JUNE 30, 2020

CHARTER SCHOOL

<u>Grade Level</u>	<u>Required Minutes</u>	<u>2019-20 Minutes Offered*</u>	<u>Actual Number of Instructional Days Offered</u>	<u>Number of Days Covered by the COVID-19 School Closure Certification**</u>	<u>Total Number of Instructional Days</u>	<u>Status</u>
Kindergarten	36,000	48,660	131	49	180	In Compliance
Grades 1	50,400	52,470	131	49	180	In Compliance
Grades 2	50,400	52,470	131	49	180	In Compliance
Grades 3	50,400	54,465	131	49	180	In Compliance
Grades 4	54,000	54,465	131	49	180	In Compliance
Grades 5	54,000	54,465	131	49	180	In Compliance
Grades 6	54,000	60,429	131	49	180	In Compliance
Grades 7	54,000	60,429	131	49	180	In Compliance
Grades 8	54,000	60,429	131	49	180	In Compliance

*The credited minutes covered by the COVID-19 School Closure certification are included in the 2019-20 minutes offered column but were not actually offered due to the COVID-19 School Closure.

**In response to COVID-19, the site was closed for 49 instructional days, March 23, 2020 through May 29, 2020, for which it received a COVID-19 School Closure Certification from the California Department of Education.

The District participated in Longer Day incentives and is funded at a level for a District that has not met or exceeded its LCFF target funding.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS YEAR ENDED JUNE 30, 2020

GENERAL FUND

	June Adopted Budget			
	2021	2020	2019	2018
Revenues and other financial sources	\$ 328,528,014	\$ 373,244,758	\$ 369,819,432	\$ 335,334,406
Expenditures	349,848,081	336,898,626	344,344,927	313,224,880
Other uses and transfers out	1,203,468	5,481,075	23,954,356	3,118,634
Total outgo	351,051,549	342,379,701	368,299,283	316,343,514
Change in fund balance	(22,523,535)	30,865,057	1,520,149	18,990,892
Ending fund balance	\$ 73,869,427	\$ 96,392,962	\$ 65,527,905	\$ 64,007,756
Available reserves ⁽¹⁾	\$ 21,063,094	\$ 22,700,000	\$ 21,088,000	\$ 23,338,214
Designated for economic uncertainties	\$ 10,531,547	\$ 11,350,000	\$ 10,540,000	\$ 11,997,166
Unassigned fund balance	\$ 10,531,547	\$ 11,350,000	\$ 10,540,000	\$ 11,341,048
Available reserves as a percentage of total outgo	6.0%	6.6%	5.7%	7.4%
Total long-term debt	\$ 732,411,112	\$ 753,663,438	\$ 633,648,975	\$ 620,641,945
Average daily attendance at P-2 ²	26,556	26,627	27,114	27,133

⁽¹⁾ Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.

⁽²⁾ Excludes County Community Schools ADA.

The General Fund balance has increased by \$32,385,206 over the past two years. The fiscal year 2020-21 budget projects a decrease of \$22,523,535. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred operating deficits in the past three years, however it anticipates generating an operating deficit during the 2020-21 fiscal year. Total long-term debt has increased by \$133,021,493 over the past two years.

Average daily attendance has decreased by 506 over the past two years. ADA is anticipated to decrease by 71 during fiscal year 2020-21.

See the accompanying notes to supplementary information.

LODI UNIFIED 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	PCA Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed-Through California Department of Education (CDE):			
Child Nutrition Cluster:			
Child Nutrition: School Programs	10.555	13391	\$ 7,913,220
Child Nutrition (School Breakfast Basic and Especially Needy)	10.553	N/A	2,823,689
Child Nutrition: School Programs - Commodities	10.555	N/A	1,335,892
Subtotal Child Nutrition Cluster			<u>12,072,801</u>
Child and Adult Care Food Program:			
Child Nutrition: CACFP Claims	10.558	13666	1,048,673
Child Nutrition: CCFP Cash in Lieu of Commodities	10.558	13389	67,211
Subtotal Child and Adult Care Food Program			<u>1,115,884</u>
Child Nutrition: Fresh Fruit and Vegetable Program	10.582	14968	286,962
Total U.S. Department of Agriculture			<u>13,475,647</u>
U.S. Department of Education:			
Passed-Through California Department of Rehabilitation:			
WorkAbility II, Transition Partnership	84.126A	10006	1,266,005
Passed-Through CDE:			
Title IV, Part A, Student Support and Academic Enrichment			
Grant Program	84.424	15396	722,484
Voc & Applied Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	13924	274,353
IDEA Early Intervention Grants	84.181	23761	75,117
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	970,224
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	1,061,392
Title I Basic Grants Low Income & Neg.	84.010	14329	<u>6,360,070</u>
Special Education Cluster (IDEA):			
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	4,761,978
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	17,335
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	119,447
Special Ed: IDEA Mental Health Services, Part B, Sec 611	84.027A	14468	266,126
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	2,347
Special Ed IDEA 619 Preschool Capacity Building	84.173A	13839	971
Special Ed IDEA 619 Preschool Early	84.173	N/A	18,075

See the accompanying notes to supplementary information.

LODI UNIFIED 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	PCA Number	Federal Expenditures
Special Ed: Alternative Dispute Resolution	84.027	23761	9,307
Special Ed: IDEA 611 Early Intervention	84.027	10119	637,154
Subtotal Special Education Cluster (IDEA)			<u>5,832,740</u>
Total U.S. Department of Education			<u>16,562,385</u>
U.S. Department of Health and Human Services:			
Passed-Through California Department of Health Services:			
Head Start Cluster	93.600	10016	2,489,659
Medi-Cal Option Billing Cluster	93.778	10013	<u>526,286</u>
Total U.S. Department of Health and Human Services			<u>3,015,945</u>
Total Expenditures of Federal Awards			<u><u>\$ 33,053,977</u></u>

LODI UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
(UNAUDITED ACTUALS) WITH AUDITED FUND FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

AUDITOR'S COMMENTS

All fund balances agreed to the unaudited actuals.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2020

1. PURPOSE OF SCHEDULES

A. SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance is a measurement of the number of pupils attending classes of the District. 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. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B. SCHEDULE OF CHARTER SCHOOLS

This schedule lists all charter schools chartered by the District and displays information for each charter school on whether or not it is included in the District's financial statements.

C. SCHEDULE OF INSTRUCTIONAL TIME

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

D. SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

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.

E. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The audit of the District for the year ended June 30, 2020, was conducted in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which requires disclosure of the financial activities of all federally funded programs. To comply with Uniform Guidance, the Schedule of Expenditures of Federal Awards was prepared by the District.

General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements.

Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the District's basic financial statements.

Indirect Cost Rate – The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance

Subrecipients – The District did not provide federal awards to subrecipients during the year ended June 30, 2020.

LODI UNIFIED SCHOOL DISTRICT

**NOTES TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

Coronavirus Aid, Relief, and Economic Security (CARES) Act – The District applied for and received federal CARES Act Awards in fiscal year 2020-2021 from the State of California through the State’s 2020-2021 budget appropriation. The State allowed the District to retroactively apply expenditures from their 2019-2020 year-end incurred between March 2020 through June 30, 2020. Although these expenditures occurred during the June 30, 2020 fiscal year, the District did not have an award from the State of California until the June 30, 2021 fiscal year. Therefore, the following June 30, 2020 fiscal year expenditures will be reported on the District’s Schedule of Federal Awards at June 30, 2021 and subject to the federal single audit at that time:

<u>Award Description</u>	<u>CFDA</u>	<u>Amount</u>
Coronavirus Relief Fund (CRF)	21.019	\$ 287,110
Total		<u>\$ 287,110</u>

F. RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the fund equity of all funds as reported on the unaudited actuals to the audited fund financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS

**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***

Independent Auditor's Report

**Board of Education
Lodi Unified School District
Lodi, 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, each major fund, and the aggregate remaining fund information of the Lodi Unified School District (the 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 and have issued our report thereon dated December 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Gilbert CPAs". The script is cursive and fluid.

GILBERT CPAs
Sacramento, California

December 1, 2020

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

**Board of Education
Lodi Unified School District
Lodi, California**

Report on Compliance for Each Major Federal Program

We have audited Lodi Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Audit 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 the 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 Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the 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 the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



GILBERT CPAs
Sacramento, California

December 1, 2020

**REPORT ON COMPLIANCE WITH APPLICABLE REQUIREMENTS IN
ACCORDANCE WITH 2019-20 GUIDE FOR ANNUAL AUDITS OF
K-12 LOCAL EDUCATION AGENCIES AND
STATE COMPLIANCE REPORTING**

Independent Auditor's Report

**Board of Education
Lodi Unified School District
Lodi, California**

Report on State Compliance

We have audited the Lodi Unified School District's (the District) 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* applicable to the District's programs identified in the below schedule for the school year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's state 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 *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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 the programs identified in the below schedule occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination on the District's compliance with those requirements.

In connection with the requirements referred to above, we selected and tested transactions and records to determine the District's compliance with the applicable programs identified below:

Compliance Requirements	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non-classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non-classroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the programs identified in the above schedule for the year ended June 30, 2020.

A handwritten signature in black ink that reads "Gilbert CPAs". The script is cursive and fluid.

**GILBERT CPAs
Sacramento, California**

December 1, 2020

FINDINGS AND RECOMMENDATIONS SECTION

LODI UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported

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

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

Identification of major programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.555, 10.553	Child Nutrition Cluster
10.558	Child and Adult Care Food Program
84.126A	State Vocational Rehabilitation Services Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 991,619

Auditee qualified as low-risk auditee? X Yes No

State Awards

Internal control over State programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> None Reported

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

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

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2020

FINANCIAL STATEMENT

There were no financial statement findings reported.

STATE COMPLIANCE

There were no state compliance findings reported.

FEDERAL COMPLIANCE

There were no federal compliance findings reported.

LODI UNIFIED SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2020

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

There were no prior year findings and recommendations.