

# LANCASTER SCHOOL DISTRICT

AUDIT REPORT  
JUNE 30, 2023



**LANCASTER SCHOOL DISTRICT**  
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**JUNE 30, 2023**

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## **FINANCIAL SECTION**

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**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**Independent Auditors' Report

Governing Board  
Lancaster School District  
Lancaster, California

**Report on the Audit of the Financial Statements*****Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lancaster School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Lancaster School District's basic financial statements as listed in the table of contents.

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 Lancaster School District, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lancaster School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lancaster School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lancaster School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lancaster School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of district contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lancaster School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 14, 2023 on our consideration of the Lancaster School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lancaster School 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 Lancaster School District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is fluid and cursive.

San Diego, California  
December 14, 2023

# LANCASTER SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

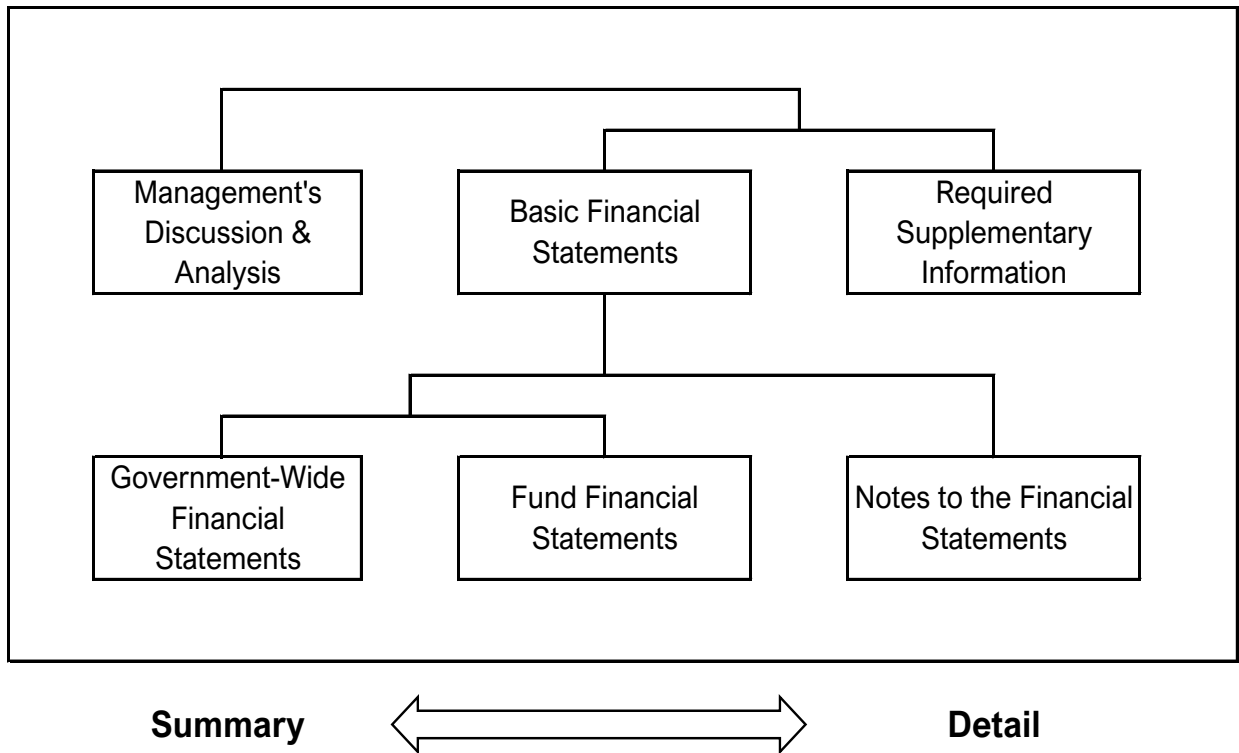
Our discussion and analysis of Lancaster School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The District's net position was \$115,575,759 at June 30, 2023. This was an increase of \$94,453,438 from the prior year.
- Overall revenues were \$342,624,395 which exceeded expenses of \$248,170,957.

## OVERVIEW OF FINANCIAL STATEMENTS

### Components of the Financial Section





**LANCASTER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2023**

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**OVERVIEW OF FINANCIAL STATEMENTS (continued)**

**Components of the Financial Section (continued)**

This annual report consists of three 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 financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

**Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**LANCASTER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2023**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Position**

The District's net position was \$115,575,759 at June 30, 2023, as reflected in the table below. Of this amount, \$(123,854,599) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2023</b>	<b>2022</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 234,442,270	\$ 155,506,654	\$ 78,935,616
Capital assets	176,481,143	165,667,200	10,813,943
<b>Total Assets</b>	<b>410,923,413</b>	<b>321,173,854</b>	<b>89,749,559</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>80,733,374</b>	<b>60,899,124</b>	<b>19,834,250</b>
<b>LIABILITIES</b>			
Current liabilities	33,830,673	29,136,063	4,694,610
Long-term liabilities	315,893,283	245,195,848	70,697,435
<b>Total Liabilities</b>	<b>349,723,956</b>	<b>274,331,911</b>	<b>75,392,045</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>26,357,072</b>	<b>86,618,746</b>	<b>(60,261,674)</b>
<b>NET POSITION</b>			
Net investment in capital assets	112,729,036	97,359,482	15,369,554
Restricted	126,701,322	71,318,513	55,382,809
Unrestricted	(123,854,599)	(147,555,674)	23,701,075
<b>Total Net Position</b>	<b>\$ 115,575,759</b>	<b>\$ 21,122,321</b>	<b>\$ 94,453,438</b>

**LANCASTER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2023**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

	<b>Governmental Activities</b>		
	<b>2023</b>	<b>2022</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 1,892,356	\$ 1,909,934	\$ (17,578)
Operating grants and contributions	139,905,073	91,927,029	47,978,044
General revenues			
Property taxes	34,260,841	29,035,651	5,225,190
Unrestricted federal and state aid	169,960,107	150,495,730	19,464,377
Other	(3,393,982)	(2,611,558)	(782,424)
<b>Total Revenues</b>	<b>342,624,395</b>	<b>270,756,786</b>	<b>71,867,609</b>
<b>EXPENSES</b>			
Instruction	138,435,061	132,042,442	6,392,619
Instruction-related services	22,226,363	19,793,593	2,432,770
Pupil services	36,463,648	30,105,311	6,358,337
General administration	14,721,101	12,661,807	2,059,294
Plant services	23,788,075	19,525,398	4,262,677
Ancillary and community services	1,799,557	1,675,252	124,305
Debt service	4,047,622	4,265,874	(218,252)
Other outgo	1,286,153	3,274,767	(1,988,614)
Enterprise activities	5,403,377	5,221,433	181,944
<b>Total Expenses</b>	<b>248,170,957</b>	<b>228,565,877</b>	<b>19,605,080</b>
<b>Change in net position</b>	<b>94,453,438</b>	<b>42,190,909</b>	<b>52,262,529</b>
<b>Net Position - Beginning</b>	<b>21,122,321</b>	<b>(21,068,588)</b>	<b>42,190,909</b>
<b>Net Position - Ending</b>	<b>\$ 115,575,759</b>	<b>\$ 21,122,321</b>	<b>\$ 94,453,438</b>

The cost of all our governmental activities this year was \$248,170,957 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$34,260,841 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**LANCASTER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2023**

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**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)**

**Changes in Net Position (continued)**

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	<b>Net Cost of Services</b>	
	<b>2023</b>	<b>2022</b>
Instruction	\$ 31,960,907	\$ 78,876,083
Instruction-related services	17,636,747	15,896,226
Pupil services	14,152,839	10,464,996
General administration	10,523,946	(169,461)
Plant services	22,050,180	18,216,960
Ancillary and community services	(228,255)	18,715
Debt service	4,047,622	4,265,874
Transfers to other agencies	826,165	1,938,088
Enterprise activities	5,403,377	5,221,433
<b>Total</b>	<b>\$ 106,373,528</b>	<b>\$ 134,728,914</b>

**FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$205,223,853, which is more than last year's ending fund balance of \$130,694,551. The District's General Fund had \$72,874,651 more in operating revenues than expenditures for the year ended June 30, 2023. The District's Child Development Fund had \$1,075,910 more in operating revenues than expenditures for the year ended June 30, 2023.

**CURRENT YEAR BUDGET 2022-2023**

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a frequent basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**LANCASTER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2023**

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**CAPITAL ASSETS AND LONG-TERM LIABILITIES**

**Capital Assets**

By the end of 2022-2023 the District had invested \$176,481,143 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2023	2022	Net Change
<b>CAPITAL ASSETS</b>			
Land	\$ 9,507,508	\$ 9,507,508	\$ -
Construction in progress	18,370,639	20,225,701	(1,855,062)
Land improvements	22,826,347	22,550,587	275,760
Buildings & improvements	228,566,470	216,714,103	11,852,367
Furniture & equipment	37,384,398	30,647,108	6,737,290
Less: Accumulated depreciation	(140,174,219)	(133,977,807)	(6,196,412)
<b>Total Capital Assets</b>	<b>\$ 176,481,143</b>	<b>\$ 165,667,200</b>	<b>\$ 10,813,943</b>

**Long-Term Liabilities**

At year-end, the District had \$315,893,283 in long-term liabilities, an increase of 28.83% from last year's balance – as shown in the table below. More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities		
	2023	2022	Net Change
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 81,272,513	\$ 77,922,762	\$ 3,349,751
Total certificates of participation	6,308,572	6,681,154	(372,582)
Total special tax bonds	9,665,628	9,671,365	(5,737)
Annuity payable	1,747,000	1,860,500	(113,500)
Compensated absences	1,335,611	987,124	348,487
Total OPEB liability	50,743,435	47,432,721	3,310,714
Net pension liability	168,521,903	104,168,008	64,353,895
Less: current portion of long-term liabilities	(3,701,379)	(3,527,786)	(173,593)
<b>Total Long-term Liabilities</b>	<b>\$ 315,893,283</b>	<b>\$ 245,195,848</b>	<b>\$ 70,697,435</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

In its June 2023 quarterly report, the UCLA Anderson Forecast stated the U.S. economy was not in a recession yet, but the forecast comes with a caution. Anti-inflation actions by the Federal Reserve could still trigger a near-term recession. The Federal Reserve has said that its actions will be dependent on data. If data shows that the labor market continues to remain robust and if another jobs report shows strong growth in payroll employment and inflation remains sticky, the Federal Reserve will likely err on the side of further tightening of monetary policy and thus, a mild recession later this year is the most likely. The Forecast anticipates that there will be a mild impact on the State of California's economy regardless of the Federal Reserve's policy actions. The California unemployment rate averages for 2023, 2024, and 2025 are expected to be 4.1%, 4.0% and 4.0%, respectively, and non-farm payroll jobs are expected to grow at rates of 2.0%, 1.3%, and 1.6%, during the same three years.

**LANCASTER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2023**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)**

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. The May 2023 Budget Revision includes a total Proposition 98 guarantee of \$106.8 billion (\$77.4 billion General Fund and \$29.4 billion local property tax) down from the January 2023 Governor's Budget Proposition 98 guarantee of \$108.8 billion (\$79.6 billion General Fund and \$29.2 billion local property tax). The Proposition 98 Guarantee continues to be in Test 1 for 2022-23 and 2023-24. At May Revision, the 2023-24 cost-of-living adjustment (COLA) is updated to 8.22 percent, the largest COLA in the history of LCFF. Additionally, the May revise saw a reduction of \$1.8 billion to the Arts, Music, and Instructional Materials Discretionary Block Grant and a \$2.5 billion reduction of the Learning Recovery Emergency Block Grant.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2023. The amount of the liability is material to the financial position of the District. The CalSTRS projected employer contribution rate for 2023-24 is 19.10 percent. The CalPERS projected employer contribution rate for 2023-24 is 26.68 percent. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2023-24 fiscal year.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and 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 about this report or need any additional financial information, contact the District's Business Services Department at Lancaster School District, 44711 N Cedar Avenue, Lancaster CA 93534.

**LANCASTER SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 199,268,108
Accounts receivable	34,773,503
Inventory	289,574
Prepaid expenses	111,085
Capital assets, not depreciated	27,878,147
Capital assets, net of accumulated depreciation	148,602,996
<b>Total Assets</b>	<b>410,923,413</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	67,286,070
Deferred outflows related to OPEB	12,342,324
Deferred amount on refunding	1,104,980
<b>Total Deferred Outflows of Resources</b>	<b>80,733,374</b>
<b>LIABILITIES</b>	
Accrued liabilities	21,566,968
Unearned revenue	8,562,326
Long-term liabilities, current portion	3,701,379
Long-term liabilities, non-current portion	315,893,283
<b>Total Liabilities</b>	<b>349,723,956</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	15,707,406
Deferred inflows related to OPEB	10,649,666
<b>Total Deferred Inflows of Resources</b>	<b>26,357,072</b>
<b>NET POSITION</b>	
Net investment in capital assets	112,729,036
Restricted:	
Capital projects	25,592,855
Debt service	9,071,212
Educational programs	86,414,645
Food service	5,354,843
Associated student body	267,767
Unrestricted	(123,854,599)
<b>Total Net Position</b>	<b>\$ 115,575,759</b>

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

**LANCASTER SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 138,435,061	\$ 1,318,659	\$ 105,155,495	\$ (31,960,907)
Instruction-related services				
Instructional supervision and administration	5,571,063	188,851	2,372,228	(3,009,984)
Instructional library, media, and technology	11,252	-	-	(11,252)
School site administration	16,644,048	-	2,028,537	(14,615,511)
Pupil services				
Home-to-school transportation	8,793,592	-	2,295,992	(6,497,600)
Food services	11,340,857	6,558	10,919,040	(415,259)
All other pupil services	16,329,199	373,974	8,715,245	(7,239,980)
General administration				
Centralized data processing	3,772,310	-	272,394	(3,499,916)
All other general administration	10,948,791	715	3,924,046	(7,024,030)
Plant services	23,788,075	3,599	1,734,296	(22,050,180)
Ancillary services	293,296	-	358,154	64,858
Community services	1,506,261	-	1,669,658	163,397
Enterprise activities	5,403,377	-	-	(5,403,377)
Interest on long-term debt	4,047,622	-	-	(4,047,622)
Other outgo	1,286,153	-	459,988	(826,165)
<b>Total Governmental Activities</b>	<b>\$ 248,170,957</b>	<b>\$ 1,892,356</b>	<b>\$ 139,905,073</b>	<b>(106,373,528)</b>
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				23,430,822
Property taxes, levied for debt service				8,221,052
Property taxes, levied for other specific purposes				2,608,967
Federal and state aid not restricted for specific purposes				169,960,107
Interest and investment earnings				(4,231,659)
Miscellaneous				837,677
<b>Subtotal, General Revenue</b>				<b>200,826,966</b>
<b>CHANGE IN NET POSITION</b>				<b>94,453,438</b>
<b>Net Position - Beginning</b>				<b>21,122,321</b>
<b>Net Position - Ending</b>				<b>\$ 115,575,759</b>

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



**LANCASTER SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2023**

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	General Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 137,790,893	\$ 6,552,261	\$ 54,924,954	\$ 199,268,108
Accounts receivable	32,224,809	806,807	1,741,887	34,773,503
Stores inventory	-	-	289,574	289,574
Prepaid expenditures	111,085	-	-	111,085
<b>Total Assets</b>	<b>\$ 170,126,787</b>	<b>\$ 7,359,068</b>	<b>\$ 56,956,415</b>	<b>\$ 234,442,270</b>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 15,700,594	\$ 2,088,531	\$ 2,866,966	\$ 20,656,091
Unearned revenue	5,339,612	3,222,714	-	8,562,326
<b>Total Liabilities</b>	<b>21,040,206</b>	<b>5,311,245</b>	<b>2,866,966</b>	<b>29,218,417</b>
<b>FUND BALANCES</b>				
Nonspendable	126,085	-	290,721	416,806
Restricted	84,366,822	2,047,823	51,003,575	137,418,220
Committed	-	-	2,795,153	2,795,153
Assigned	16,850,000	-	-	16,850,000
Unassigned	47,743,674	-	-	47,743,674
<b>Total Fund Balances</b>	<b>149,086,581</b>	<b>2,047,823</b>	<b>54,089,449</b>	<b>205,223,853</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 170,126,787</b>	<b>\$ 7,359,068</b>	<b>\$ 56,956,415</b>	<b>\$ 234,442,270</b>

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

**LANCASTER SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET**  
**POSITION**  
**JUNE 30, 2023**

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**Total Fund Balance - Governmental Funds** **\$ 205,223,853**

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

Capital assets:

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

Capital assets	\$ 316,655,362	
Accumulated depreciation	<u>(140,174,219)</u>	176,481,143

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements: 1,104,980

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was: (910,877)

Long-term liabilities:

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

Total general obligation bonds	\$ 81,272,513	
Total certificates of participation	6,308,572	
Total special tax bonds	9,665,628	
Annuity payable	1,747,000	
Compensated absences	1,335,611	
Total OPEB liability	50,743,435	
Net pension liability	<u>168,521,903</u>	(319,594,662)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 67,286,070	
Deferred inflows of resources related to pensions	<u>(15,707,406)</u>	51,578,664

***(continued on the next page)***

**LANCASTER SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET**  
**POSITION, continued**  
**JUNE 30, 2023**

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Deferred outflows and inflows of resources relating to OPEB:

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.

Deferred outflows of resources related to OPEB	\$ 12,342,324	
Deferred inflows of resources related to OPEB	<u>(10,649,666)</u>	1,692,658
<b>Total Net Position - Governmental Activities</b>		<u>\$ 115,575,759</u>

**LANCASTER SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
LCFF sources	\$ 186,517,086	\$ -	\$ 1,000,000	\$ 187,517,086
Federal sources	39,562,378	1,266,810	9,440,581	50,269,769
Other state sources	76,909,294	5,683,348	1,912,250	84,504,892
Other local sources	19,798,497	(114,380)	11,466,425	31,150,542
<b>Total Revenues</b>	<b>322,787,255</b>	<b>6,835,778</b>	<b>23,819,256</b>	<b>353,442,289</b>
<b>EXPENDITURES</b>				
Current				
Instruction	156,567,155	4,224,818	-	160,791,973
Instruction-related services				
Instructional supervision and administration	5,587,305	437,517	-	6,024,822
School site administration	17,795,987	428,282	-	18,224,269
Pupil services				
Home-to-school transportation	8,345,147	-	-	8,345,147
Food services	674,880	4,995	10,308,138	10,988,013
All other pupil services	19,190,711	133,886	-	19,324,597
General administration				
Centralized data processing	3,824,588	-	-	3,824,588
All other general administration	10,175,397	289,268	313,188	10,777,853
Plant services	23,267,925	40,064	-	23,307,989
Facilities acquisition and construction	-	201,038	11,447,089	11,648,127
Ancillary services	8,086	-	285,210	293,296
Community services	1,480,090	-	-	1,480,090
Enterprise activities	1,709,413	-	-	1,709,413
Transfers to other agencies	1,285,920	-	-	1,285,920
Debt service				
Principal	-	-	2,812,307	2,812,307
Interest and other	-	-	5,768,811	5,768,811
<b>Total Expenditures</b>	<b>249,912,604</b>	<b>5,759,868</b>	<b>30,934,743</b>	<b>286,607,215</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>72,874,651</b>	<b>1,075,910</b>	<b>(7,115,487)</b>	<b>66,835,074</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	2,303,602	2,303,602
Other sources	-	-	7,694,228	7,694,228
Transfers out	(2,303,602)	-	-	(2,303,602)
<b>Net Financing Sources (Uses)</b>	<b>(2,303,602)</b>	<b>-</b>	<b>9,997,830</b>	<b>7,694,228</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>70,571,049</b>	<b>1,075,910</b>	<b>2,882,343</b>	<b>74,529,302</b>
<b>Fund Balance - Beginning</b>	<b>78,515,532</b>	<b>971,913</b>	<b>51,207,106</b>	<b>130,694,551</b>
<b>Fund Balance - Ending</b>	<b>\$ 149,086,581</b>	<b>\$ 2,047,823</b>	<b>\$ 54,089,449</b>	<b>\$ 205,223,853</b>

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

**LANCASTER SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

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**Net Change in Fund Balances - Governmental Funds** \$ 74,529,302

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 17,010,355	
Depreciation expense:	(6,196,412)	10,813,943

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

5,925,000

Debt proceeds:

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

(7,694,228)

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

(74,830)

Unmatured interest on long-term debt:

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

(114,703)

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(1,302,152)

***(continued on following page)***

**LANCASTER SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period.

In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

(348,487)

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made.

In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:

(3,892,195)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:

16,398,340

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:

113,500

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:

99,948

**Change in Net Position of Governmental Activities**

**\$ 94,453,438**

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Lancaster 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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-8 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

**B. Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Lancaster School Facilities Corporation (the “Corporation”) is a nonprofit, public benefit corporation, incorporated under the laws of the State of California. The Corporation was formed to provide financing assistance to the District for the construction and acquisition of major capital facilities. Upon completion of the subject transactions, the District intends to occupy the Corporation's facilities under a lease, purchase agreement effective through the year 2009. At the end of the lease term, title of the Corporation's property will pass to the District for no additional consideration. The financial activity for the Corporation is presented in the financial statements as the part of the Debt Service Fund.

The Lancaster Community Facilities Districts (CFDs) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and in the Debt Service Fund for Blended Component Units. A parcel tax is imposed on the individual properties in the CFD and collected by the Los Angeles County Auditor-Controller's office. That money is then transferred to the trustees account to pay the bond holders.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of Presentation**

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

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

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

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

**Major Governmental Funds**

**General Fund:** The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

**Child Development Fund:** This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

**Non-Major Governmental Funds**

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

**Student Activity Fund:** This fund may be used to account for student body activities that do not meet the fiduciary criteria established in GASB Statement No. 84.



LANCASTER SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2023

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

**Special Revenue Funds (continued):**

**Cafeteria Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

**Deferred Maintenance Fund:** This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

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

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

**Capital Facilities Fund:** This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

**County School Facilities Fund:** This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 et seq.*).

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

LANCASTER SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2023

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

**Capital Project Funds (continued):**

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

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

**Bond Interest and Redemption Fund:** This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

**Debt Service Fund for Blended Component Units:** This fund is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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

D. Basis of Accounting – Measurement Focus

**Government-Wide Financial Statements**

The government-wide fund financial statements are reported using the economic resources measurement focus. The government-wide fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

**Governmental Funds**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting – Measurement Focus (continued)**

**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. On a 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. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include 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 the 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, in 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.

**Unearned Revenue**

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

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Cash and Cash Equivalents**

The district's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**Investments**

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

**Inventories**

Inventories are valued at average method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

**Capital Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<b><u>Asset Class</u></b>	<b><u>Estimated Useful Life</u></b>
Buildings	50 years
Site Improvements	7 – 30 years
Equipment	5 – 20 years

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)**

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

**Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because 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.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

**Postemployment Benefits Other Than Pensions (OPEB)**

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

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

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are 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 amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)**

**Premiums and Discounts**

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

**Deferred Outflows/Deferred Inflows of Resources**

In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) 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.

LANCASTER SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2023

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, lease receivables (net of related deferred inflows), prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

*Restricted* - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

*Assigned* - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

*Unassigned* - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

**G. Estimates**

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

**H. Budgetary Data**

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

**I. Property Tax**

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



**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. New Accounting Pronouncements**

**GASB Statement No. 91** – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has fully implemented this Statement as of June 30, 2023.

**GASB Statement No. 96** – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for periods beginning after June 15, 2022. The District has fully implemented this Statement as of June 30, 2023.

**GASB Statement No. 99** – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

**GASB Statement No. 100** – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

**GASB Statement No. 101** – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has not yet determined the impact on the financial statements.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 2 – CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

	<b>Governmental Activities</b>
Investment in county treasury	\$ 198,913,461
Fair value adjustment	(8,249,548)
Cash on hand and in banks	781,733
Cash with fiscal agent	9,152,692
Cash in revolving fund	16,147
<b>Total</b>	<b>\$ 200,614,485</b>

**B. Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

**Investment in County Treasury** – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Los Angeles County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**Cash with a Fiscal Agent** – The Cash with Fiscal Agent in the Capital Projects Fund for Blended Component Units, the Debt Service Fund for Blended Component Units and the Debt Service Fund represents amounts held by third parties in the District’s name.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**C. General Authorizations**

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

**D. 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 value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$189,317,536. The average weighted maturity for this pool is 753 days.

**E. Credit Risk**

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 investments in the County Treasury are not required to be rated. As of June 30, 2023, the pooled investments in the County Treasury were not rated.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**F. Custodial Credit Risk – Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2023, the District's bank balance of \$4,737,434 was exposed to custodial credit risk.

**G. Fair Value**

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2023 were as follows:

	<b><u>Uncategorized</u></b>
Investment in county treasury	\$ 190,663,913
U.S. Bank money market investments	9,152,692
<b>Total</b>	<b><u>\$ 199,816,605</u></b>

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2023 consisted of the following:

	General Fund	Child Development Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government				
Categorical aid	\$ 16,115,662	\$ -	\$ 1,149,554	\$ 17,265,216
State Government				
Apportionment	3,204,979	-	-	3,204,979
Categorical aid	6,364,820	740,781	236,925	7,342,526
Lottery	423,080	-	-	423,080
Local Government				
Other local sources	6,116,268	66,026	355,408	6,537,702
<b>Total</b>	<b>\$ 32,224,809</b>	<b>\$ 806,807</b>	<b>\$ 1,741,887</b>	<b>\$ 34,773,503</b>

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance July 01, 2022	Additions	Deletions	Balance June 30, 2023
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 9,507,508	\$ -	\$ -	\$ 9,507,508
Construction in progress	20,225,701	9,699,185	11,554,247	18,370,639
Total capital assets not being depreciated	29,733,209	9,699,185	11,554,247	27,878,147
Capital assets being depreciated				
Land improvements	22,550,587	275,760	-	22,826,347
Buildings & improvements	216,714,103	11,852,367	-	228,566,470
Furniture & equipment	30,647,108	6,737,290	-	37,384,398
Total capital assets being depreciated	269,911,798	18,865,417	-	288,777,215
Less: Accumulated depreciation				
Land improvements	15,867,072	773,719	-	16,640,791
Buildings & improvements	92,835,011	4,518,403	-	97,353,414
Furniture & equipment	25,275,724	904,290	-	26,180,014
Total accumulated depreciation	133,977,807	6,196,412	-	140,174,219
Total capital assets being depreciated, net	135,933,991	12,669,005	-	148,602,996
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 165,667,200</b>	<b>\$ 22,368,190</b>	<b>\$ 11,554,247</b>	<b>\$ 176,481,143</b>

Depreciation expense was allocated to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 4,236,129
Instructional supervision and administration	116,858
Instructional library, media, and technology	11,252
School site administration	534,630
Home-to-school transportation	448,445
Food services	168,942
All other pupil services	12,682
Centralized data processing	55,992
All other general administration	203,076
Plant services	384,669
Community services	23,737
<b>Total</b>	<b>\$ 6,196,412</b>

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

**NOTE 5 – INTERFUND TRANSACTIONS**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2023 consisted of the following:

	<b>Interfund Transfers Out</b>	<b>Interfund Transfers In</b>	
		<b>Non-Major Governmental Funds</b>	<b>Total</b>
General Fund		\$ 2,303,602	\$ 2,303,602
<b>Total</b>		\$ 2,303,602	\$ 2,303,602

The General Fund transferred to the Non-Major Special Reserve Fund for Capital Outlay Projects for site improvements and modernization.	\$ 2,000,000
The General Fund transferred to the Non-Major Capital Projects Fund for Blended Component Units for project expenditures.	303,602
<b>Total</b>	<b>\$ 2,303,602</b>

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2023 consisted of the following:

	<b>General Fund</b>	<b>Child Development Fund</b>	<b>Non-Major Governmental Funds</b>	<b>District-Wide</b>	<b>Governmental Activities</b>
Payroll	\$ 7,900,785	\$ 79,360	\$ 74,609	\$ -	\$ 8,054,754
Construction	-	-	1,212,928	-	1,212,928
Vendors payable	3,869,740	2,009,171	1,578,347	-	7,457,258
Unmatured interest	-	-	-	910,877	910,877
Due to grantor government	3,930,069	-	1,082	-	3,931,151
<b>Total</b>	<b>\$ 15,700,594</b>	<b>\$ 2,088,531</b>	<b>\$ 2,866,966</b>	<b>\$ 910,877</b>	<b>\$ 21,566,968</b>

**NOTE 7 – UNEARNED REVENUES**

Unearned revenues at June 30, 2023 consisted of the following:

	<b>General Fund</b>	<b>Child Development Fund</b>	<b>Governmental Activities</b>
Federal sources	\$ 4,528,906	\$ -	\$ 4,528,906
State categorical sources	810,706	3,222,714	4,033,420
<b>Total</b>	<b>\$ 5,339,612</b>	<b>\$ 3,222,714</b>	<b>\$ 8,562,326</b>

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

**NOTE 8 – LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2023 consisted of the following:

	Balance July 01, 2022	Additions	Deductions	Balance June 30, 2023	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 76,519,573	\$ 8,607,152	\$ 5,575,000	\$ 79,551,725	\$ 2,642,694
Unamortized premium	1,403,189	389,228	71,629	1,720,788	71,629
Total general obligation bonds	77,922,762	8,996,380	5,646,629	81,272,513	2,714,323
Certificates of participation	6,365,000	-	350,000	6,015,000	365,000
Unamortized premium	316,154	-	22,582	293,572	22,582
Total certificates of participation	6,681,154	-	372,582	6,308,572	387,582
Special tax bonds	9,505,000	-	-	9,505,000	-
Unamortized premium	166,365	-	5,737	160,628	5,737
Total special tax bonds	9,671,365	-	5,737	9,665,628	5,737
Annuity payable	1,860,500	517,000	630,500	1,747,000	588,000
Compensated absences	987,124	348,487	-	1,335,611	-
Total OPEB liability	47,432,721	3,310,714	-	50,743,435	-
Net pension liability	104,168,008	64,353,895	-	168,521,903	-
<b>Total</b>	<b>\$ 248,723,634</b>	<b>\$ 77,526,476</b>	<b>\$ 6,661,185</b>	<b>\$ 319,594,662</b>	<b>\$ 3,701,379</b>

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments on certificates of participation are made in the Debt Service Fund for Blended Component Units.
- Payments on special tax bonds are made in the Capital Projects Fund for Blended Component Units.
- Payments for annuity payable are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

**A. Bonded Debt**

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2022	Additions	Deductions	Bonds Outstanding June 30, 2023
1999 Election - Series A	1999	2024	3.20% - 5.40%	\$ 17,499,669	\$ 4,484,624	\$ 173,746	\$ 1,840,000	\$ 2,818,370
1999 Election - Series 2001	2001	2027	4.00% - 5.63%	11,500,262	17,157,992	1,008,018	2,480,000	15,686,010
2012 Election - Series 2013B	2013	2031	1.00% - 4.38%	12,305,000	9,910,000	-	450,000	9,460,000
2012 Election - Series 2018C	2018	2048	2.00% - 5.00%	11,000,000	11,000,000	-	10,000	10,990,000
2012 Election - Series 2020D	2020	2048	2.96% - 4.00%	15,184,908	15,026,957	120,388	465,000	14,682,345
2021A Refunding	2021	2039	0.296% - 2.842%	18,940,000	18,940,000	-	330,000	18,610,000
2012 Election - Series 2022E	2022	2048	4.125% - 5.00%	7,305,000	-	7,305,000	-	7,305,000
					<b>\$ 76,519,573</b>	<b>\$ 8,607,152</b>	<b>\$ 5,575,000</b>	<b>\$ 79,551,725</b>

On June 1, 1999 and June 21, 2001, the District issued \$17,499,669 in current interest and capital appreciation General Obligation Bonds (Election of 1999, series 1999) and \$11,500,262 in current interest and capital appreciation General Obligation Bonds (Election of 1999, series 2001), respectively. The bonds represent general obligations of the District Payable solely from ad valorem property taxed levied and collected by the County of Los Angeles. Interest rates range from 3.20 to 5.63 percent.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 8 – LONG-TERM LIABILITIES (continued)**

**A. Bonded Debt (continued)**

On July 21, 2009 the District issued \$9,805,000 of 2001 General Obligation (GO) Refunding Bonds. The bonds consist of serial bonds bearing fixed interest rates ranging from 3.50 to 5.00 percent with annual maturities from August 2010 to August 2017. The net proceeds of \$9,982,886 (after issuance costs of \$307,716, plus premium of \$485,601) were used to advance refund \$9,650,000 of the District's outstanding election and series 1999 GO Bonds. The net proceeds were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to administrative expense over the life of the liability.

On November 6, 2012, the voters authorized at election the issuance and sale of \$63,000,000 of general obligation bonds. On March 19, 2014, the District issued the first two series against the authorization, Series 2013A and 2013B. Series 2013A was issued in the amount of \$17,205,000 in current interest term bonds with interest ranging between 4.00% and 5.00%. Series 2013B was issued in the amount of \$12,305,000 in current interest serial and term bonds with interest ranging between 1.00% and 4.375%. Series 2018C was issued in the amount of \$11,000,000 in current interest serial and term bonds with interest ranging between 2.00% and 5.00%. The bonds were issued to acquire, expand and construct school facilities throughout the District in accordance with the voter authorization, prepay the District's 2007 Refunding Project Certificates of Participation, prepay a portion of the District's 2008 Refunding Project Certificates of Participation, and pay costs of issuance on the bonds. On June 4, 2020, the District issued \$15,184,908 in current interest and capital appreciation General Obligation Bonds (Election of 2012, Series 2020D). The bonds represent general obligations of the District Payable solely from ad valorem property taxed levied and collected by the County of Los Angeles. Interest rates range from 3.00 to 4.00 percent.

On August 18, 2021, the District issued \$18,940,000 of general obligation refunding bonds. The bonds were issued to refund the District's outstanding General Obligation Bonds, Election of 2012, Series 2013A and pay the costs of issuing the bonds. The original issuance consisted entirely of current interest bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred outflow of resources on the statement of net position and are amortized to interest expense over the life of the liability. As of June 30, 2023, deferred outflow of resources of \$991,485 remain to be amortized. As of June 30, 2022, the principal balance outstanding on the defeased debt had not been redeemed. The refunding decreased the District's total debt service payments by \$2,180,053. The transaction resulted in an economic gain (difference between the present value of debt service on the old and the new bonds) of \$1,204,238.



**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

**NOTE 8 – LONG-TERM LIABILITIES (continued)**

**A. Bonded Debt (continued)**

The bonds mature through 2048 as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 2,642,694	\$ 6,250,906	\$ 8,893,600
2025	2,052,105	4,895,165	6,947,270
2026	2,502,048	6,061,998	8,564,046
2027	2,685,337	6,449,030	9,134,367
2028	1,405,000	1,857,817	3,262,817
2029 - 2033	9,970,000	8,250,393	18,220,393
2034 - 2038	15,925,000	6,228,778	22,153,778
2039 - 2043	12,519,908	7,056,938	19,576,846
2044 - 2048	16,405,000	1,756,197	18,161,197
Accretion	13,444,633	(13,444,633)	-
<b>Total</b>	<b>\$ 79,551,725</b>	<b>\$ 35,362,589</b>	<b>\$ 114,914,314</b>

**B. Certificates of Participation (COPs)**

<b>Series</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Certificates Outstanding July 01, 2022</b>	<b>Additions</b>	<b>Deductions</b>	<b>Certificates Outstanding June 30, 2023</b>
2018 Refunding Certificates	2017	2036	2.00% - 5.00%	\$ 7,660,000	\$ 6,365,000	\$ -	\$ 350,000	\$ 6,015,000
					\$ 6,365,000	\$ -	\$ 350,000	\$ 6,015,000

On December 1, 1997, the Lancaster School Facilities Corporation (Corporation) issued the 1997 COPs in the amount of \$19,492,425 to prepay outstanding COPs and improvement of school facilities. The District entered into an agreement with the Corporation to make base rental payments to the Corporation to service the debt of the COPs. The COPs were early refunded using proceeds received from the issuance of the Series 2013B General Obligation Bonds. The net proceeds were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded COPs. As a result, the refunded COPs are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded COP escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to administrative expense over the life of the liability.

On December 12, 2017, the Pacific Valleys Schools Financing Authority (Authority) issued \$7,660,000 in current interest Lease Revenue Bonds to service the construction of additional school facilities by the Lancaster School District. The certificates are issued to prepay all of the District's outstanding Certificates of Participation (1996 Series and 2008 Refunding Project).

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 8 – LONG-TERM LIABILITIES (continued)**

**B. Certificates of Participation (COPs) (continued)**

The COP mature through 2036 as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 365,000	\$ 220,256	\$ 585,256
2025	375,000	205,656	580,656
2026	390,000	190,656	580,656
2027	410,000	175,056	585,056
2028	425,000	158,656	583,656
2029 - 2033	2,405,000	506,431	2,911,431
2034 - 2036	1,645,000	103,906	1,748,906
<b>Total</b>	<b>\$ 6,015,000</b>	<b>\$ 1,560,617</b>	<b>\$ 7,575,617</b>

**C. Special Tax Bonds**

<b>Series</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Bonds Outstanding July 01, 2022</b>	<b>Additions</b>	<b>Deductions</b>	<b>Bonds Outstanding June 30, 2023</b>
Special Tax Bonds - 2022 Series A	2022	2051	4.00% - 5.00%	\$ 9,505,000	\$ 9,505,000	\$ -	\$ -	\$ 9,505,000
					\$ 9,505,000	\$ -	\$ -	\$ 9,505,000

On May 25, 2022, the Community Facilities District No. 2004-1 of the Lancaster School District issued its Special Tax Bonds, 2022 Series A in the amount of \$9,505,000 to finance the planning, construction and/or acquisition of eligible facilities of the District for the benefit of the residents of the District.

The bonds mature through 2051 as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ -	\$ 417,150	\$ 417,150
2025	-	417,150	417,150
2026	-	417,150	417,150
2027	20,000	416,650	436,650
2028	35,000	415,275	450,275
2029 - 2033	535,000	2,017,875	2,552,875
2034 - 2038	1,800,000	1,782,750	3,582,750
2039 - 2043	3,995,000	993,375	4,988,375
2044 - 2048	1,940,000	437,044	2,377,044
2049 - 2051	1,180,000	73,219	1,253,219
<b>Total</b>	<b>\$ 9,505,000</b>	<b>\$ 7,387,638</b>	<b>\$ 16,892,638</b>

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 8 – LONG-TERM LIABILITIES (continued)**

**D. Annuity Payable**

The District has annuities payable with American General for retirees whereby payments will be made annually as follows:

<u>Year Ended June 30,</u>	<u>Payment</u>
2024	\$ 588,000
2025	478,000
2026	358,000
2027	225,000
2028	98,000
<b>Total</b>	<u>\$ 1,747,000</u>

**E. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2023 amounted to \$1,335,611. This amount is included as part of long-term liabilities in the government-wide financial statements.

**F. Other Postemployment Benefits**

The District's beginning total OPEB liability was \$47,432,721 and increased by \$3,310,714 during the year ended June 30, 2023. The ending total OPEB liability at June 30, 2023 was \$50,743,435. See Note 10 for additional information regarding the total OPEB liability.

**G. Net Pension Liability**

The District's beginning net pension liability was \$104,168,008 and increased by \$64,353,895 during the year ended June 30, 2023. The ending net pension liability at June 30, 2023 was \$168,521,903. See Note 11 for additional information regarding the net pension liability.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2023:

	General Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 15,000	\$ -	\$ 1,147	\$ 16,147
Stores inventory	-	-	289,574	289,574
Prepaid expenditures	111,085	-	-	111,085
Total non-spendable	126,085	-	290,721	416,806
Restricted				
Educational programs	84,366,822	2,047,823	-	86,414,645
Food service	-	-	5,354,843	5,354,843
Associated student body	-	-	267,767	267,767
Capital projects	-	-	35,398,876	35,398,876
Debt service	-	-	9,982,089	9,982,089
Total restricted	84,366,822	2,047,823	51,003,575	137,418,220
Committed				
Deferred maintenance	-	-	2,795,153	2,795,153
Total committed	-	-	2,795,153	2,795,153
Assigned				
Early literacy support	1,000,000	-	-	1,000,000
HVAC replacement phase 4	10,600,000	-	-	10,600,000
Textbook adoption	2,250,000	-	-	2,250,000
STRS and PERS future costs	3,000,000	-	-	3,000,000
Total assigned	16,850,000	-	-	16,850,000
Unassigned	47,743,674	-	-	47,743,674
<b>Total Fund Balance</b>	<b>\$ 149,086,581</b>	<b>\$ 2,047,823</b>	<b>\$ 54,089,449</b>	<b>\$ 205,223,853</b>

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than three percent of General Fund expenditures and other financing uses.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**A. Plan Description**

The Lancaster School District's defined benefit OPEB plan, Lancaster School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**B. Benefits Provided**

The eligibility requirements and benefits provided by the Plan are described below.

	<b><u>Certificated</u></b>	<b><u>Classified</u></b>	<b><u>Management</u></b>
Benefit types provided	Medical only	Medical only	Medical only
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	10 years*	10 years*	10 years*
Minimum Age	55	55	55
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100% of premium up to cap	100% of premium up to cap	100%
District Cap	90% of the active employee cap**	90% of the active employee cap**	Composite medical rate

\*Full time service in the 15 years preceding retirement

\*\*Grandfathered retirees may receive different benefits

**C. Contributions**

For the measurement period, the District contributed \$1,879,456 to the Plan, all of which was used for current premiums.

**D. Plan Membership**

Membership of the Plan consisted of the following:

	<b><u>Number of participants</u></b>
Inactive employees receiving benefits	107
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	1,903
<b>Total number of participants**</b>	<b>2,010</b>

\*Information not provided

\*\*As of the June 30, 2022 valuation date

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**E. Total OPEB Liability**

The Lancaster School District's total OPEB liability of \$50,743,435 was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2022.

**F. Actuarial Assumptions and Other Inputs**

The total OPEB liability as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

**Economic assumptions:**

Inflation	2.50%
Salary increases	2.75%
Discount rate	3.65%
Healthcare cost trend rate	4.00%

**Non-economic assumptions:**

*Mortality:*

Certificated	2020 CalSTRS Mortality Table
Classified	2017 CalPERS Active Mortality for Miscellaneous Employees Table

*Retirement rates:*

Certificated	Hired 2012 and earlier: 2020 CalSTRS 2.0%@60 Rates Hired 2013 and later: 2020 CalSTRS 2.0%@62 Rates
Classified	Hired 2012 and earlier: 2017 CalPERS 2.0%@55 Rates for Schools Employees Hired 2013 and later: 2017 CalPERS 2.0%@62 Rates for Schools Employees
Management	Hired 2012 and earlier: 2017 CalPERS 2.0%@55 Rates for Schools Employees Hired 2013 and later: 2017 CalPERS 2.0%@62 Rates for Schools Employees

The actuarial assumptions used in the June 30, 2022 valuation were based on a review of plan experience.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed twenty-three years.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**G. Changes in Total OPEB Liability**

	<u>June 30, 2023</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 3,936,039
Interest on total OPEB liability	1,715,520
Changes of assumptions	(461,389)
Benefits payments	<u>(1,879,456)</u>
Net change in total OPEB liability	3,310,714
Total OPEB liability - beginning	<u>47,432,721</u>
Total OPEB liability - ending	<u><u>\$ 50,743,435</u></u>
 Covered-employee payroll	 \$ 121,067,706
 District's total OPEB liability as a percentage of covered-employee payroll	  41.91%

**H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

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

	<b>1% Decrease</b>	<b>Valuation</b>	<b>1% Increase</b>
	<b>(2.65%)</b>	<b>Discount Rate</b>	<b>(4.65%)</b>
	<u></u>	<u><b>(3.65%)</b></u>	<u></u>
Total OPEB liability	\$ 54,745,799	\$ 50,743,435	\$ 47,084,227

**I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate**

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

	<b>1% Decrease</b>	<b>Valuation Trend</b>	<b>1% Increase</b>
	<b>(3.00%)</b>	<b>Rate</b>	<b>(5.00%)</b>
	<u></u>	<u><b>(4.00%)</b></u>	<u></u>
Total OPEB liability	\$ 44,461,689	\$ 50,743,435	\$ 58,258,602

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

**NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2023, the Lancaster School District recognized OPEB expense of \$5,771,651. At June 30, 2023, the Lancaster School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,865,614
Changes in assumptions	12,342,324	4,784,052
<b>Total</b>	<u>\$ 12,342,324</u>	<u>\$ 10,649,666</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2024	\$ 1,059,299	\$ 939,207
2025	1,059,299	939,207
2026	1,059,299	939,207
2027	1,059,299	939,207
2028	1,059,299	939,207
Thereafter	7,045,829	5,953,631
<b>Total</b>	<u>\$ 12,342,324</u>	<u>\$ 10,649,666</u>

**NOTE 11 – PENSION PLANS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 91,837,263	\$ 36,232,960	\$ 13,799,394	\$ (2,217,252)
PERS Pension	76,684,640	31,053,110	1,908,012	12,228,604
<b>Total</b>	<u>\$ 168,521,903</u>	<u>\$ 67,286,070</u>	<u>\$ 15,707,406</u>	<u>\$ 10,011,352</u>



**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

**Benefits Provided**

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2023, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2023 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$16,014,514 for the year ended June 30, 2023.

**On-Behalf Payments**

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$7,378,031 to CalSTRS.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State 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	\$	91,837,263
State's proportionate share of the net pension liability associated with the District		45,992,371
<b>Total</b>	<b>\$</b>	<b>137,829,634</b>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2022, the District's proportion was 0.132 percent, which was a decrease of 0.007 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$(2,217,252). In addition, the District recognized pension expense and revenue of \$(3,439,863) for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between projected and actual earnings on plan investments	\$ -	\$ 4,489,698
Differences between expected and actual experience	75,335	6,885,878
Changes in assumptions	4,554,460	-
Changes in proportion and differences between District contributions and proportionate share of contributions	15,588,651	2,423,818
District contributions subsequent to the measurement date	16,014,514	-
<b>Total</b>	<b>\$ 36,232,960</b>	<b>\$ 13,799,394</b>

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

The \$16,014,514 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2024	\$ 7,320,592	\$ 5,407,566
2025	3,399,543	5,683,794
2026	2,921,402	7,454,825
2027	2,921,402	(6,016,911)
2028	2,727,114	954,243
2029	928,393	315,877
<b>Total</b>	<u>\$ 20,218,446</u>	<u>\$ 13,799,394</u>

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

\* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

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 (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2022, are summarized in the table on the following page.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 11 – PENSION PLANS (continued)**

**A. California State Teachers' Retirement System (CalSTRS) (continued)**

**Actuarial Assumptions (continued)**

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return*</b>
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	<u>100%</u>	

\*20-year geometric average

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 percent. 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 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the 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.

**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 calculated using the discount rate of 7.10 percent, 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
District's proportionate share of the net pension liability	\$ 155,973,735	\$ 91,837,263	\$ 38,584,709

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees' Retirement System (CalPERS)**

**Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

**Benefits Provided**

The benefits for the defined benefit plan 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. Members become fully vested in their retirement benefits earned to date after five years of credited service.

**Contributions**

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2023 was 25.37% of annual payroll. Contributions to the plan from the District were \$10,395,178 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$76,684,640 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2022, the District's proportion was 0.223 percent, which was an increase of 0.021 percent from its proportion measured as of June 30, 2021.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees’ Retirement System (CalPERS) (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2023, the District recognized pension expense of \$12,228,604. At June 30, 2023, the District reported no deferred inflows of resources related to pensions and deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 9,054,370	\$ -
Differences between expected and actual experience	346,570	1,908,012
Changes in assumptions	5,672,694	-
Changes in proportion and differences between District contributions and proportionate share of contributions	5,584,298	-
District contributions subsequent to the measurement date	10,395,178	-
<b>Total</b>	<u>\$ 31,053,110</u>	<u>\$ 1,908,012</u>

The \$10,395,178 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2024	\$ 6,102,499	\$ 668,987
2025	5,281,732	668,987
2026	3,752,666	570,038
2027	5,521,035	-
<b>Total</b>	<u>\$ 20,657,932</u>	<u>\$ 1,908,012</u>

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Discount Rate	6.90%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees’ Retirement System (CalPERS) (continued)**

**Actuarial Assumptions (continued)**

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from 2000 to 2019.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Real Return Years 1 – 10*</b>
Global Equity – cap-weighted	30.0%	4.45%
Global Equity – non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	(5.0)%	(0.59)%
	<u>100.0%</u>	

\*An expected inflation of 2.30% used for this period. Figures are based on the 2021-22 CalPERS Asset Liability Management Study

**Discount Rate**

The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 11 – PENSION PLANS (continued)**

**B. California Public Employees' Retirement System (CalPERS) (continued)**

**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 calculated using the discount rate of 6.90 percent, 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 (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	<b>1% Decrease (5.90%)</b>	<b>Current Discount Rate (6.90%)</b>	<b>1% Increase (7.90%)</b>
District's proportionate share of the net pension liability	\$ 110,774,845	\$ 76,684,640	\$ 48,510,338

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

**B. Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2023.



**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)**

**C. Construction Commitments**

The district had the following remaining construction commitments as of June 30, 2023:

	<b>Remaining Construction Commitment</b>
Capital Projects	
New playground at The Promise Academy	\$ 334,668
New playground at Sierra Elementary	194,389
New playground at Nancy Cory Elementary	194,389
New playground at Lincoln Elementary	194,389
New playground at West Wind Elementary	200,220
Joshua Elementary modernization and seismic upgrades	10,732,889
Sierra Elementary paving upgrades and demo	131,209
<b>Total</b>	<b>\$ 11,982,153</b>

**NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES**

The District is a member of two joint powers authorities (JPAs). The first is the Antelope Valley Schools Transportation Agency (AVSTA) to provide student transportation services, and the other is the Self-Insurance Risk Management Authority (SIRMA) to provide liability and property insurance. The relationship is such that the JPAs are not component units of the District for financial reporting purposes.

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

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2023**

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**NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

**A. Refunded Debt**

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2023, the deferred outflows amount on refunding was \$1,104,980.

**B. Pension Plans**

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2023, total deferred outflows related to pensions was \$67,286,070 and total deferred inflows related to pensions was \$15,707,406.

**C. Other Postemployment Benefits**

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2023, total deferred outflows related to other postemployment benefits was \$12,342,324 and total deferred inflows related to other postemployment benefits was \$10,649,666.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**LANCASTER SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 169,494,927	\$ 185,946,120	\$ 187,517,086	\$ 1,570,966
Federal sources	47,287,252	47,255,001	39,562,378	(7,692,623)
Other state sources	30,195,088	61,193,748	69,678,434	8,484,686
Other local sources	10,424,929	11,840,146	23,204,103	11,363,957
Total Revenues	257,402,196	306,235,015	319,962,001	13,726,986
EXPENDITURES				
Certificated salaries	87,188,368	85,766,141	88,662,937	(2,896,796)
Classified salaries	44,997,339	43,570,864	40,764,902	2,805,962
Employee benefits	58,443,109	57,199,074	55,903,362	1,295,712
Books and supplies	43,342,128	52,721,412	12,806,812	39,914,600
Services and other operating expenditures	40,305,856	46,153,906	36,751,430	9,402,476
Capital outlay	461,652	7,467,552	6,961,666	505,886
Other outgo				
Excluding transfers of indirect costs	-	-	1,285,920	(1,285,920)
Transfers of indirect costs	(737,523)	(583,847)	(602,456)	18,609
Total Expenditures	274,000,929	292,295,102	242,534,573	49,760,529
Excess (Deficiency) of Revenues				
Over Expenditures	(16,598,733)	13,939,913	77,427,428	63,487,515
Other Financing Sources (Uses)				
Transfers out	(1,001,000)	(1,001,000)	(3,303,602)	(2,302,602)
Net Financing Sources (Uses)	(1,001,000)	(1,001,000)	(3,303,602)	(2,302,602)
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	(17,599,733)	12,938,913	74,123,826	61,184,913
Fund Balance - Ending	82,077,745	81,658,025	82,077,745	419,720
	\$ 64,478,012	\$ 94,596,938	\$ 156,201,571	\$ 61,604,633

\* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On-behalf payments of \$7,378,031 are not included in the actual revenues and expenditures reported in this schedule.
- Revenues and Expenditures of the Retiree Benefit Fund are included in the General Fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- Audit adjustments and reclassifications are not included in the revenues reported in this schedule.

**LANCASTER SCHOOL DISTRICT  
CHILD DEVELOPMENT FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
Federal sources	\$ -	\$ 300,000	\$ 1,266,810	\$ 966,810
Other state sources	5,485,234	5,485,234	5,683,348	198,114
Other local sources	-	69,965	152,359	82,394
<b>Total Revenues</b>	<u>5,485,234</u>	<u>5,855,199</u>	<u>7,102,517</u>	<u>1,247,318</u>
<b>EXPENDITURES</b>				
Certificated salaries	80,446	163,113	246,486	(83,373)
Classified salaries	2,297,723	2,544,086	2,489,882	54,204
Employee benefits	1,603,019	1,603,019	1,674,125	(71,106)
Books and supplies	863,845	703,646	656,084	47,562
Services and other operating expenditures	280,175	294,675	202,985	91,690
Capital outlay	25,000	80,000	201,038	(121,038)
Other outgo				
Transfers of indirect costs	335,026	277,536	289,268	(11,732)
<b>Total Expenditures</b>	<u>5,485,234</u>	<u>5,666,075</u>	<u>5,759,868</u>	<u>(93,793)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	189,124	1,342,649	1,153,525
<b>Fund Balance - Beginning</b>	1,037,913	1,037,913	1,037,913	-
<b>Fund Balance - Ending</b>	<u>\$ 1,037,913</u>	<u>\$ 1,227,037</u>	<u>\$ 2,380,562</u>	<u>\$ 1,153,525</u>

\* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Audit adjustments and reclassifications are not included in the revenues reported in this schedule.

**LANCASTER SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Total OPEB Liability</b>						
Service cost	\$ 3,936,039	\$ 4,291,694	\$ 4,150,824	\$ 3,054,659	\$ 2,830,791	\$ 2,755,028
Interest on total OPEB liability	1,715,520	1,156,349	1,106,061	1,256,001	1,144,622	1,151,499
Difference between expected and actual experience	-	(3,157,034)	-	(4,272,122)	-	-
Changes of assumptions	(461,389)	(5,143,090)	164,298	15,744,189	713,066	-
Benefits payments	<u>(1,879,456)</u>	<u>(2,208,059)</u>	<u>(2,256,819)</u>	<u>(1,625,296)</u>	<u>(1,611,026)</u>	<u>(1,549,063)</u>
Net change in total OPEB liability	3,310,714	(5,060,140)	3,164,364	14,157,431	3,077,453	2,357,464
Total OPEB liability - beginning	<u>47,432,721</u>	<u>52,492,911</u>	<u>49,328,547</u>	<u>35,171,116</u>	<u>32,093,663</u>	<u>29,736,199</u>
Total OPEB liability - ending	<u>\$ 50,743,435</u>	<u>\$ 47,432,771</u>	<u>\$ 52,492,911</u>	<u>\$ 49,328,547</u>	<u>\$ 35,171,116</u>	<u>\$ 32,093,663</u>
 Covered-employee payroll	 \$ 121,067,706	 \$ 112,446,247	 \$ 106,164,724	 \$ 104,025,726	 \$ 131,229,897	 \$ 131,229,897
 District's total OPEB liability as a percentage of covered-employee payroll	 41.91%	 42.18%	 49.44%	 47.42%	 26.80%	 24.46%

See accompanying notes to required supplementary information.

**LANCASTER SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.132%	0.139%	0.123%	0.129%	0.127%	0.123%	0.122%	0.120%	0.111%
District's proportionate share of the net pension liability	\$ 91,837,263	\$ 63,051,332	\$ 118,743,135	\$ 116,166,673	\$ 116,750,095	\$ 113,630,089	\$ 99,027,838	\$ 80,580,876	\$ 64,695,681
State's proportionate share of the net pension liability associated with the District	45,992,371	31,725,645	61,211,604	63,377,187	66,845,217	37,223,149	56,383,082	42,618,285	39,066,040
<b>Total</b>	<b>\$ 137,829,634</b>	<b>\$ 94,776,977</b>	<b>\$ 179,954,739</b>	<b>\$ 179,543,860</b>	<b>\$ 183,595,312</b>	<b>\$ 150,853,238</b>	<b>\$ 155,410,920</b>	<b>\$ 123,199,161</b>	<b>\$ 103,761,721</b>
District's covered payroll	\$ 78,417,199	\$ 72,983,028	\$ 67,890,603	\$ 70,046,972	\$ 67,854,491	\$ 66,137,928	\$ 61,971,165	\$ 54,687,658	\$ 47,387,231
District's proportionate share of the net pension liability as a percentage of its covered payroll	117.1%	86.4%	174.9%	165.8%	172.1%	171.8%	159.8%	147.3%	136.5%
Plan fiduciary net position as a percentage of the total pension liability	81.2%	87.2%	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**LANCASTER SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.223%	0.202%	0.195%	0.190%	0.188%	0.187%	0.179%	0.173%	0.166%
District's proportionate share of the net pension liability	\$ 76,684,640	\$ 41,116,676	\$ 59,714,324	\$ 55,279,562	\$ 50,052,298	\$ 44,560,909	\$ 35,428,988	\$ 25,515,732	\$ 18,803,266
District's covered payroll	\$ 34,029,048	\$ 29,240,870	\$ 24,262,070	\$ 26,259,041	\$ 24,780,974	\$ 23,807,160	\$ 21,524,133	\$ 19,284,955	\$ 17,387,231
District's proportionate share of the net pension liability as a percentage of its covered payroll	225.4%	140.6%	246.1%	210.5%	202.0%	187.2%	164.6%	132.3%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	69.8%	81.0%	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.



**LANCASTER SCHOOL DISTRICT**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 16,014,514	\$ 13,268,190	\$ 11,786,759	\$ 12,463,441	\$ 11,403,647	\$ 9,791,403	\$ 8,320,151	\$ 6,649,506	\$ 4,800,734
Contributions in relation to the contractually required contribution*	(16,014,514)	(13,268,190)	(11,786,759)	(12,463,441)	(11,403,647)	(9,791,403)	(8,320,151)	(6,649,506)	(4,800,734)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 83,845,623	\$ 78,417,199	\$ 72,983,028	\$ 67,890,603	\$ 70,046,972	\$ 67,854,491	\$ 66,137,928	\$ 61,971,165	\$ 54,687,658
Contributions as a percentage of covered payroll	19.10%	16.92%	16.15%	18.36%	16.28%	14.43%	12.58%	10.73%	8.78%

\*Amounts do not include on-behalf contributions

**LANCASTER SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS  
FOR THE YEAR ENDED JUNE 30, 2023**

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	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 10,395,178	\$ 7,796,055	\$ 6,052,860	\$ 5,531,751	\$ 4,742,908	\$ 3,848,733	\$ 3,306,335	\$ 2,549,964	\$ 2,270,032
Contributions in relation to the contractually required contribution*	(10,395,178)	(7,796,055)	(6,052,860)	(5,531,751)	(4,742,908)	(3,848,733)	(3,306,335)	(2,549,964)	(2,270,032)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 40,974,292	\$ 34,029,048	\$ 29,240,870	\$ 24,262,070	\$ 26,259,041	\$ 24,780,974	\$ 23,807,160	\$ 21,524,133	\$ 19,284,955
Contributions as a percentage of covered payroll	25.37%	22.91%	20.70%	22.80%	18.06%	15.53%	13.89%	11.85%	11.77%

\*Amounts do not include on-behalf contributions

**LANCASTER SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Changes in Total OPEB Liability and Related Ratios**

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

**Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuations for OPEB.

**Changes in Assumptions**

The discount rate changed from 3.54% to 3.65% since the previous measurement.

**Schedule of the District's Proportionate Share of the Net Pension Liability**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

**Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

**Changes in Assumptions**

There were no changes in economic assumptions since the previous valuations for CalSTRS. The discount rate changed from 7.15% to 6.90% and the inflation rate changed from 2.50% to 2.30% since the previous measurement for CalPERS.

**Schedule of District Contributions**

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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**NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2023, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Certificated salaries	\$ 85,766,141	\$ 88,662,937	\$ 2,896,796
Other outgo			
Excluding transfers of indirect costs	\$ -	\$ 1,285,920	\$ 1,285,920
Child Development Fund			
Certificated salaries	\$ 163,113	\$ 246,486	\$ 83,373
Employee benefits	\$ 1,603,019	\$ 1,674,125	\$ 71,106
Capital outlay	\$ 80,000	\$ 201,038	\$ 121,038
Other outgo			
Transfers of indirect costs	\$ 277,536	\$ 289,268	\$ 11,732

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## **SUPPLEMENTARY INFORMATION**

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**LANCASTER SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster</b>	<b>AL Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U. S. DEPARTMENT OF EDUCATION:</b>			
<i>Passed through California Department of Education:</i>			
Title I, Part A			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 5,350,151
Comprehensive Support and Improvement for LEAs	84.010	15438	508,662
Subtotal Title I, Part A			<u>5,858,813</u>
Title I, Migrant Education	84.011	14326	5,949
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	774,208
Title III			
Title III, English Learner Student Program	84.365	14346	591,848
Title III, Immigrant Education Program	84.365	15146	147
Subtotal Title III			<u>591,995</u>
Title IV, Part A			
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	81,077
Title IV, Part A, Student Support and Academic Enrichment Grant (SSAE)	84.424	15391	4,338
Subtotal Title IV, Part A			<u>85,415</u>
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	191,917
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,378,363
ARP IDEA Part B, Sec 611, Local Assistance Entitlement	84.027	15638	32,120
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	73,123
Supporting Inclusive Practices	84.027A	13693	2
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,079
Subtotal Special Education Cluster			<u>3,484,687</u>
Education for Homeless Children and Youth, Subtitle VII-B McKinney-Vento Act	84.196	14332	20,259
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	10,271,056
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	12,019,593
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	3,906,519
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	1,612,803
Expanded Learning Opportunities (ELO) Grant GEER II	84.425	15619	370,153
American Rescue Plan-Homeless Children and Youth (ARP-HCY) Program	84.425	15564	73,660
American Rescue Plan - Homeless Children and Youth II (ARP HYC II) Program	84.425	15566	108,641
Subtotal Education Stabilization Fund Discretionary Grants			<u>28,362,425</u>
<b>Total U. S. Department of Education</b>			<u><b>39,375,668</b></u>
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	1,653,074
National School Lunch Program	10.555	13391	6,639,397
Meal Supplements	10.555	*	41,302
USDA Commodities	10.555	*	595,747
Supply Chain Assistance (SCA) Funds	10.555	15655	350,468
Subtotal Child Nutrition Cluster			<u>9,279,988</u>
<i>Passed through California Department of Social Services:</i>			
CACFP Claims - Centers and Family Day Care	10.558	13393	160,593
<b>Total U. S. Department of Agriculture</b>			<u><b>9,440,581</b></u>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
<i>Passed through Los Angeles County Department of Public Health:</i>			
CDC Epidemiology and Laboratory Capacity for Infectious Diseases Grant	93.323	*	186,710
<b>Total U. S. Department of Health &amp; Human Services</b>			<u><b>186,710</b></u>
<b>Total Federal Expenditures</b>			<u><b>\$ 49,002,959</b></u>

\* - Pass-Through Entity Identifying Number not available or not applicable

**LANCASTER SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)  
FOR THE YEAR ENDED JUNE 30, 2023**

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	<b>Second Period Report</b>	<b>Annual Report</b>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	5,570.67	5,596.43
Special Education - Nonpublic Schools	0.97	1.16
Extended Year Special Education - Nonpublic Schools	0.16	0.16
Total TK/K through Third	<u>5,571.80</u>	<u>5,597.75</u>
Fourth through Sixth		
Regular ADA	4,216.46	4,219.19
Community Day School	0.97	1.41
Total Fourth through Sixth	<u>4,217.43</u>	<u>4,220.60</u>
Seventh through Eighth		
Regular ADA	2,674.85	2,672.36
Special Education - Nonpublic Schools	2.60	2.61
Extended Year Special Education - Nonpublic Schools	0.21	0.21
Community Day School	10.23	10.88
Total Seventh through Eighth	<u>2,687.89</u>	<u>2,686.06</u>
TOTAL SCHOOL DISTRICT	<u>12,477.12</u>	<u>12,504.41</u>

**LANCASTER SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2023**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2022-23 Actual Minutes</b>	<b>Number of Days</b>	<b>Status</b>
Kindergarten	36,000	42,720	180	Complied
Grade 1	50,400	53,620	180	Complied
Grade 2	50,400	53,620	180	Complied
Grade 3	50,400	53,620	180	Complied
Grade 4	54,000	56,420	180	Complied
Grade 5	54,000	56,420	180	Complied
Grade 6	54,000	56,420	180	Complied
Grade 7	54,000	60,140	180	Complied
Grade 8	54,000	60,140	180	Complied



**LANCASTER SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

	2024 (Budget)	2023	2022	2021
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 254,471,366	\$ 319,962,001	\$ 257,702,993	\$ 206,490,627
Expenditures And Other Financing Uses	264,685,607	245,838,175	220,758,963	190,862,623
Net change in Fund Balance	\$ (10,214,241)	\$ 74,123,826	\$ 36,944,030	\$ 15,628,004
Ending Fund Balance	\$ 145,987,330	\$ 156,201,571	\$ 82,077,745	\$ 45,133,715
Available Reserves*	\$ 50,816,049	\$ 47,743,674	\$ 45,209,417	\$ 31,019,791
Available Reserves As A Percentage Of Outgo	19.20%	19.42%	20.48%	16.25%
Long-term Liabilities	\$ 315,893,283	\$ 319,594,662	\$ 248,723,634	\$ 320,730,816
Average Daily Attendance At P-2***	12,477	12,477	12,148	13,500

The General Fund ending fund balance has increased by \$111,067,856 over the past two years. However, the fiscal year 2023-24 budget projects a decrease of \$10,214,241. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2023-24 fiscal year. Total long-term obligations have decreased by \$1,136,154 over the past two years.

Average daily attendance has decreased by 1,023 ADA over the past two years. No change in ADA is anticipated during the 2023-24 fiscal year.

\*Available reserves consist of all unassigned fund balance within the General Fund.

\*\*The actual amounts reported in this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule reflect an adjustment to on-behalf payments of \$7,378,031. Audit adjustments and reclassifications are not included in this schedule. The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Retiree Benefit Fund.

\*\*\*Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.

**LANCASTER SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Student Activity Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Post-Employment Benefits	Building Fund
June 30, 2023, annual financial and budget report fund balance	\$ 156,201,571	\$ 69,724	\$ 2,380,562	\$ 7,249,514	\$ 2,941,409	\$ 12	\$ 10,331,339
Adjustments and reclassifications:							
Increase (decrease) in total fund balances:							
Fair value adjustment - cash in county treasury	(6,967,831)	-	(332,739)	(277,404)	(146,256)	-	(525,318)
Cash in banks	-	198,043	-	-	-	-	-
Revolving cash	-	-	-	(1,326,546)	-	-	-
Accounts receivable	3,592,753	-	-	-	-	-	-
Accounts payable	(3,739,924)	-	-	-	-	-	-
Fund balance transfer (GASB 54)	12	-	-	-	-	(12)	-
Net adjustments and reclassifications	(7,114,990)	198,043	(332,739)	(1,603,950)	(146,256)	(12)	(525,318)
June 30, 2023, audited financial statement fund balance	\$ 149,086,581	\$ 267,767	\$ 2,047,823	\$ 5,645,564	\$ 2,795,153	\$ -	\$ 9,806,021

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Debt Service Fund
June 30, 2023, annual financial and budget report fund balance	\$ 7,085,469	\$ 3,491,743	\$ 6,718,311	\$ -	\$ 7,435,042	\$ 2,963,208	\$ 88,576
Adjustments and reclassifications:							
Increase (decrease) in total fund balances:							
Fair value adjustment - cash in county treasury	(339,633)	(172,015)	(329,992)	-	(359,322)	(141,820)	(3,595)
Cash in banks	-	-	-	9,138,972	-	-	-
Net adjustments and reclassifications	(339,633)	(172,015)	(329,992)	9,138,972	(359,322)	(141,820)	(3,595)
June 30, 2023, audited financial statement fund balance	\$ 6,745,836	\$ 3,319,728	\$ 6,388,319	\$ 9,138,972	\$ 7,075,720	\$ 2,821,388	\$ 84,981

	Retiree Benefit Fund
June 30, 2023, annual financial and budget report net position	\$ 12
Adjustments and reclassifications:	
Increase (decrease) in total net positions:	
Fair value adjustment - cash in county treasury	-
Net position transfer (GASB 54)	(12)
Net adjustments and reclassifications	(12)
June 30, 2023, audited financial statement net position	\$ -

See accompanying notes to supplementary information.

**LANCASTER SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2023**

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<b>Charter #</b>	<b>Charter School</b>	<b>Status</b>	<b>Included in Audit Report</b>
1376	iLEAD Lancaster Charter	Active	No
1225	Life Source International Charter	Active	No

See accompanying notes to supplementary information.

**LANCASTER SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2023**

	Student Activity Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Debt Service Fund	Non-Major Governmental Funds
<b>ASSETS</b>												
Cash and investments	\$ 267,767	\$ 5,481,150	\$ 2,880,052	\$ 10,344,501	\$ 6,688,011	\$ 3,387,288	\$ 6,498,164	\$ 9,425,084	\$ 7,075,720	\$ 2,792,978	\$ 84,239	\$ 54,924,954
Accounts receivable	-	1,422,216	21,763	127,110	57,825	38,058	45,763	-	-	28,410	742	1,741,887
Stores inventory	-	289,574	-	-	-	-	-	-	-	-	-	289,574
<b>Total Assets</b>	<b>\$ 267,767</b>	<b>\$ 7,192,940</b>	<b>\$ 2,901,815</b>	<b>\$ 10,471,611</b>	<b>\$ 6,745,836</b>	<b>\$ 3,425,346</b>	<b>\$ 6,543,927</b>	<b>\$ 9,425,084</b>	<b>\$ 7,075,720</b>	<b>\$ 2,821,388</b>	<b>\$ 84,981</b>	<b>\$ 56,956,415</b>
<b>LIABILITIES</b>												
Accrued liabilities	\$ -	\$ 1,547,376	\$ 106,662	\$ 665,590	\$ -	\$ 105,618	\$ 155,608	\$ 286,112	\$ -	\$ -	\$ -	\$ 2,866,966
<b>Total Liabilities</b>	<b>-</b>	<b>1,547,376</b>	<b>106,662</b>	<b>665,590</b>	<b>-</b>	<b>105,618</b>	<b>155,608</b>	<b>286,112</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,866,966</b>
<b>FUND BALANCES</b>												
Non-spendable	-	290,721	-	-	-	-	-	-	-	-	-	290,721
Restricted	267,767	5,354,843	-	9,806,021	6,745,836	3,319,728	6,388,319	9,138,972	7,075,720	2,821,388	84,981	51,003,575
Committed	-	-	2,795,153	-	-	-	-	-	-	-	-	2,795,153
<b>Total Fund Balances</b>	<b>267,767</b>	<b>5,645,564</b>	<b>2,795,153</b>	<b>9,806,021</b>	<b>6,745,836</b>	<b>3,319,728</b>	<b>6,388,319</b>	<b>9,138,972</b>	<b>7,075,720</b>	<b>2,821,388</b>	<b>84,981</b>	<b>54,089,449</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 267,767</b>	<b>\$ 7,192,940</b>	<b>\$ 2,901,815</b>	<b>\$ 10,471,611</b>	<b>\$ 6,745,836</b>	<b>\$ 3,425,346</b>	<b>\$ 6,543,927</b>	<b>\$ 9,425,084</b>	<b>\$ 7,075,720</b>	<b>\$ 2,821,388</b>	<b>\$ 84,981</b>	<b>\$ 56,956,415</b>

See accompanying notes to supplementary information.

**LANCASTER SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Student Activity Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Debt Service Fund	Non-Major Governmental Funds
<b>REVENUES</b>												
LCFF sources	\$ -	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
Federal sources	-	9,440,581	-	-	-	-	-	-	-	-	-	9,440,581
Other state sources	-	1,865,008	-	-	-	-	-	-	47,242	-	-	1,912,250
Other local sources	354,934	197,969	52,504	259,675	1,907,826	113,855	268,729	31,546	7,215,254	1,062,425	1,708	11,466,425
<b>Total Revenues</b>	<b>354,934</b>	<b>11,503,558</b>	<b>1,052,504</b>	<b>259,675</b>	<b>1,907,826</b>	<b>113,855</b>	<b>268,729</b>	<b>31,546</b>	<b>7,262,496</b>	<b>1,062,425</b>	<b>1,708</b>	<b>23,819,256</b>
<b>EXPENDITURES</b>												
Current												
Pupil services												
Food services	-	10,308,138	-	-	-	-	-	-	-	-	-	10,308,138
General administration												
All other general administration	-	313,188	-	-	-	-	-	-	-	-	-	313,188
Facilities acquisition and construction	-	-	1,203,030	7,032,548	8,250	747,773	2,140,268	315,220	-	-	-	11,447,089
Ancillary services	285,210	-	-	-	-	-	-	-	-	-	-	285,210
Debt service												
Principal	-	-	-	-	-	-	-	-	2,462,307	350,000	-	2,812,307
Interest and other	-	-	-	258,686	-	-	-	186,792	4,873,807	446,216	3,310	5,768,811
<b>Total Expenditures</b>	<b>285,210</b>	<b>10,621,326</b>	<b>1,203,030</b>	<b>7,291,234</b>	<b>8,250</b>	<b>747,773</b>	<b>2,140,268</b>	<b>502,012</b>	<b>7,336,114</b>	<b>796,216</b>	<b>3,310</b>	<b>30,934,743</b>
<b>Excess (Deficiency) of Revenues</b>												
<b>Over Expenditures</b>	<b>69,724</b>	<b>882,232</b>	<b>(150,526)</b>	<b>(7,031,559)</b>	<b>1,899,576</b>	<b>(633,918)</b>	<b>(1,871,539)</b>	<b>(470,466)</b>	<b>(73,618)</b>	<b>266,209</b>	<b>(1,602)</b>	<b>(7,115,487)</b>
<b>Other Financing Sources (Uses)</b>												
Transfers in	-	-	-	-	-	-	2,000,000	303,602	-	-	-	2,303,602
Other sources	-	-	-	7,305,000	-	-	-	-	389,228	-	-	7,694,228
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,305,000</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>	<b>303,602</b>	<b>389,228</b>	<b>-</b>	<b>-</b>	<b>9,997,830</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>69,724</b>	<b>882,232</b>	<b>(150,526)</b>	<b>273,441</b>	<b>1,899,576</b>	<b>(633,918)</b>	<b>128,461</b>	<b>(166,864)</b>	<b>315,610</b>	<b>266,209</b>	<b>(1,602)</b>	<b>2,882,343</b>
<b>Fund Balance - Beginning</b>	<b>198,043</b>	<b>4,763,332</b>	<b>2,945,679</b>	<b>9,532,580</b>	<b>4,846,260</b>	<b>3,953,646</b>	<b>6,259,858</b>	<b>9,305,836</b>	<b>6,760,110</b>	<b>2,555,179</b>	<b>86,583</b>	<b>51,207,106</b>
<b>Fund Balance - Ending</b>	<b>\$ 267,767</b>	<b>\$ 5,645,564</b>	<b>\$ 2,795,153</b>	<b>\$ 9,806,021</b>	<b>\$ 6,745,836</b>	<b>\$ 3,319,728</b>	<b>\$ 6,388,319</b>	<b>\$ 9,138,972</b>	<b>\$ 7,075,720</b>	<b>\$ 2,821,388</b>	<b>\$ 84,981</b>	<b>\$ 54,089,449</b>

See accompanying notes to supplementary information.

**LANCASTER SCHOOL DISTRICT  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
JUNE 30, 2023**

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The Lancaster School District was established in 1885 and consists of an area comprising approximately eighty-three square miles. The District operates twelve Kindergarten through fifth grade elementary schools, five middle schools, and one community day school. There were no changes in boundaries for the year ended June 30, 2023.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Keith Giles	President	November 2024
Duane Winn	Clerk	November 2026
Rosemary Mann	Member	November 2024
Pamela Starlson	Member	November 2026
Greg Tepe	Member	November 2024

**DISTRICT ADMINISTRATORS**

Dr. Paul Marietti  
*Superintendent*

Dr. Larry Freise  
*Assistant Superintendent, Business Services*

Bart Hoffman  
*Assistant Superintendent, Educational Services*

Michael Davis  
*Assistant Superintendent, Human Resources Services*

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2023**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2023 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2023. The District did not elect to use the 10 percent de minimis indirect cost rate.

	<b>AL</b>	
	<b>Number</b>	<b>Amount</b>
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 50,269,769
ARP California State Preschool Program One-time Stipend	93.575	(300,000)
ARP California State Preschool Program Rate Supplements	93.575	<u>(966,810)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$49,002,959</u>

**Schedule of Average Daily Attendance**

Average daily attendance (ADA) 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.

**Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

**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.

**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 the Charter School is included in the District audit.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION, continued**  
**JUNE 30, 2023**

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**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

**Combining Statements – Non-Major Funds**

These statements provide information on the District's non-major funds.

**Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.



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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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**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 Auditors' Report

Governing Board  
Lancaster School District  
Lancaster, 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 Lancaster School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Lancaster School District's basic financial statements, and have issued our report thereon dated December 14, 2023.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lancaster School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California  
December 14, 2023

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

Governing Board  
Lancaster School District  
Lancaster, California

**Report on Compliance for Each Major Federal Program*****Opinion on Each Major Federal Program***

We have audited Lancaster School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lancaster School District's major federal programs for the year ended June 30, 2023. Lancaster School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lancaster School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lancaster School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lancaster School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Lancaster School District's federal programs.

## ***Auditor's Responsibilities for the Audit for Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lancaster School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Lancaster School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lancaster School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lancaster School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lancaster School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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.

### **Report on Internal Control Over Compliance (continued)**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is written in a cursive, flowing style.

San Diego, California  
December 14, 2023

**REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER  
COMPLIANCE FOR STATE PROGRAMS**Independent Auditors' Report

Governing Board  
Lancaster School District  
Lancaster, California

**Report on State Compliance*****Opinion on State Compliance***

We have audited Lancaster School District's compliance with the requirements specified in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to Lancaster School District's state program requirements as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report for the year ended June 30, 2023.

In our opinion, Lancaster School District complied, in all material respects, with the laws and regulations of the applicable laws and regulations of the applicable state programs for the year ended June 30, 2023.

***Basis for Opinion on State Compliance***

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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Lancaster School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Lancaster School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Lancaster School District's state programs.

## **Auditor's Responsibilities for the Audit of State Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lancaster School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Lancaster School District's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lancaster School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lancaster School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Lancaster School District's internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine Lancaster School District's compliance with the state laws and regulations related to the following items:

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
<b>Local Education Agencies Other Than Charter Schools</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Not Applicable
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	Not Applicable
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
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes



**Auditor's Responsibilities for the Audit of State Compliance (continued)**

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
<b>School Districts, County Offices of Education, and Charter Schools</b>	
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
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
Transitional Kindergarten	Yes
<b>Charter Schools</b>	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

The term "Not Applicable" is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies or material weaknesses in internal control over compliance that we identified during the audit.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Finding #2023-001. Our opinion on state compliance is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Lancaster School District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Lancaster School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## ***Report on 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 state 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 state 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 state 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 Auditor's Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is fluid and cursive.

San Diego, California  
December 14, 2023

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**LANCASTER SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
84.425, 84.425U	Education Stabilization Fund	
	Discretionary Grants	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>1,470,089</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

**STATE AWARDS**

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2022-23 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**LANCASTER SCHOOL DISTRICT  
FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

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**FIVE DIGIT CODE**

20000

30000

60000

**AB 3627 FINDING TYPE**

Inventory of Equipment

Internal Control

Miscellaneous

*There were no financial statement findings for the year ended June 30, 2023.*

**LANCASTER SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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**FIVE DIGIT CODE**

50000

**AB 3627 FINDING TYPE**

Federal Compliance

*There were no federal award findings or questioned costs for the year ended June 30, 2023.*

**LANCASTER SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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**FIVE DIGIT CODE**

10000  
40000  
42000  
43000  
60000  
61000  
62000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

Attendance  
State Compliance  
Charter School Facilities Programs  
Apprenticeship: Related and Supplemental Instruction  
Miscellaneous  
Classroom Teacher Salaries  
Local Control Accountability Plan  
Instructional Materials  
Teacher Misassignments  
School Accountability Report Card

**FINDING #2023-001: CALIFORNIA CLEAN ENERGY JOBS ACT (40000)**

**Criteria:** Public Resource Code (PRC) Section 26240(b) requires an entity to submit a report of its project expenditures to the Citizens Oversight Board, not sooner than one year but no later than 15 months after an entity completes its first eligible project with a grant, loan, or other assistance from the Job Creation Fund.

**Condition:** Based on review and testing of the final expenditure report for the CA Clean Energy Jobs Program, it was noted that the final expenditure report was not submitted within the required deadline of 12 - 15 months after the project completion date. The District's final report was submitted on June 27, 2022, 21 months after the reported completion date of September 30, 2020.

**Effect:** The District is not in compliance with reporting requirements underlined under PRC Section 26240(b).

**Cause:** Lack of adequate oversight over reporting requirements.

**Questioned Costs:** No questioned costs.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** No recommendation is applicable, as the Proposition 39 program has ended.

**Corrective Action Plan:** The District is working with its vendor to determine the cause of the delinquent filing. The District will work closely with its vendors for all future reporting deadlines.

**LANCASTER SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

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*There were no findings or questioned costs for the year ended June 30, 2022.*