

LANCASTER SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2025



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FINANCIAL SECTION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTSIndependent 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, 2025, 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, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Emphasis of Matter*Change in Accounting Principle*

As described in Note 1 to the financial statements, the Lancaster School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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.

Responsibilities of Management for the Financial Statements (continued)

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 judgment 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 judgment 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 judgment, 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Local Education Agency Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2026 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.



San Diego, California
February 23, 2026

LANCASTER SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

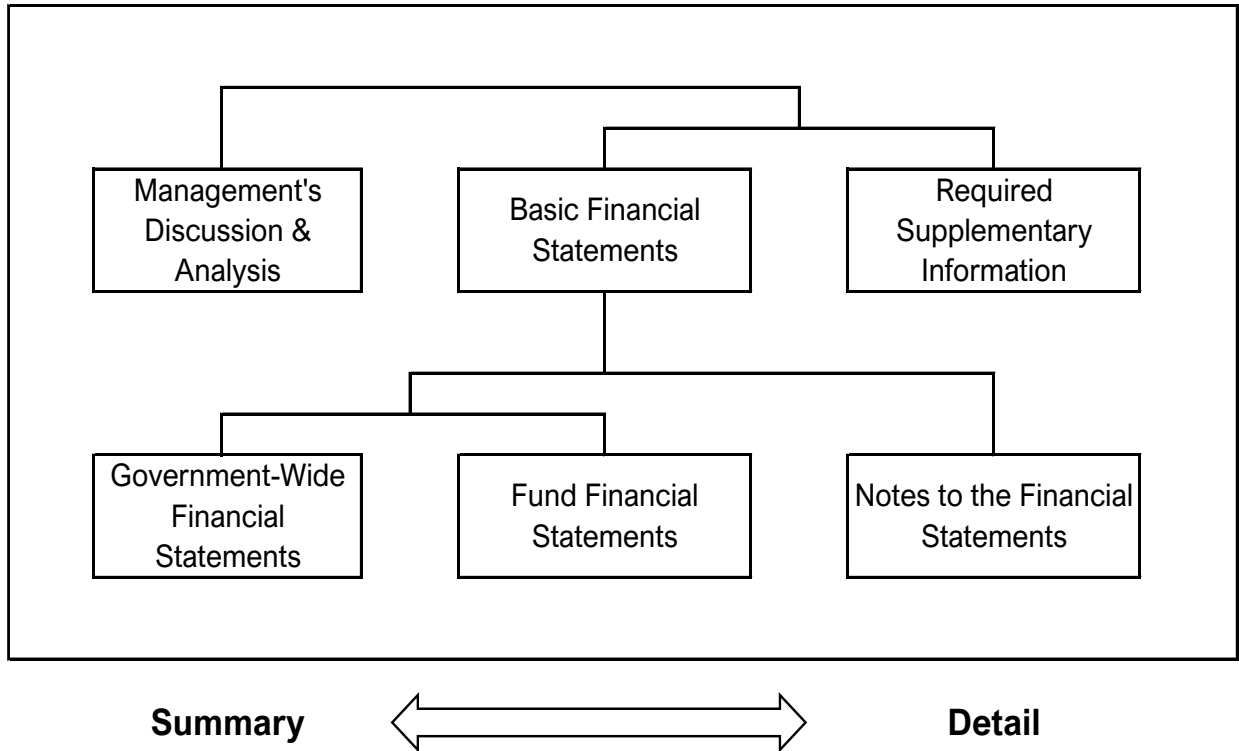
Our discussion and analysis of Lancaster School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2025. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$128,020,606 at June 30, 2025. This was a decrease of \$7,699,437 from the prior year, after restatement.
- Overall revenues were \$337,203,451 which were exceeded by expenses of \$344,902,888.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**LANCASTER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

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, 2025**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$128,020,606 at June 30, 2025, as reflected in the table below. Of this amount, \$(127,998,642) 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.

	Governmental Activities		
	2025	2024	Net Change
ASSETS			
Current and other assets	\$ 265,430,614	\$ 241,925,150	\$ 23,505,464
Capital assets	205,838,202	191,012,951	14,825,251
Total Assets	471,268,816	432,938,101	38,330,715
DEFERRED OUTFLOWS OF RESOURCES	87,293,531	93,610,958	(6,317,427)
LIABILITIES			
Current liabilities	33,479,785	37,257,120	(3,777,335)
Long-term liabilities	366,934,790	331,584,510	35,350,280
Total Liabilities	400,414,575	368,841,630	31,572,945
DEFERRED INFLOWS OF RESOURCES	30,127,166	21,295,864	8,831,302
NET POSITION			
Net investment in capital assets	123,228,599	111,843,368	11,385,231
Restricted	132,790,649	131,545,293	1,245,356
Unrestricted	(127,998,642)	(106,977,096)	(21,021,546)
Total Net Position	\$ 128,020,606	\$ 136,411,565	\$ (8,390,959)

**LANCASTER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

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.

	Governmental Activities		
	2025	2024	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 3,094,634	\$ 1,219,880	\$ 1,874,754
Operating grants and contributions	88,750,823	127,345,455	(38,594,632)
Capital grants and contributions	-	1,118,810	(1,118,810)
General revenues			
Property taxes	37,992,195	35,484,819	2,507,376
Unrestricted federal and state aid	183,528,741	174,238,387	9,290,354
Other	23,837,058	97,341	23,739,717
Total Revenues	337,203,451	339,504,692	(2,301,241)
EXPENSES			
Instruction	201,871,749	183,283,032	18,588,717
Instruction-related services	27,403,471	26,816,189	587,282
Pupil services	47,246,429	45,735,187	1,511,242
General administration	16,078,340	18,381,118	(2,302,778)
Plant services	32,221,472	31,221,772	999,700
Ancillary and community services	5,468,041	2,620,990	2,847,051
Debt service	4,478,570	3,775,354	703,216
Other outgo	4,317,082	1,156,386	3,160,696
Enterprise activities	5,817,734	5,678,858	138,876
Total Expenses	344,902,888	318,668,886	26,234,002
Change in net position	(7,699,437)	20,835,806	(28,535,243)
Net Position - Beginning, as Restated*	135,720,043	115,575,759	20,144,284
Net Position - Ending	\$ 128,020,606	\$ 136,411,565	\$ (8,390,959)

**Beginning net position was restated for the 2025 year only.*

The cost of all our governmental activities this year was \$344,902,888 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$37,992,195 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, 2025**

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.

	Net Cost of Services	
	2025	2024
Instruction	\$ 159,608,354	\$ 100,392,616
Instruction-related services	19,106,801	20,703,135
Pupil services	21,115,152	20,277,694
General administration	11,797,914	12,629,832
Plant services	29,797,756	26,275,280
Ancillary and community services	(1,376,663)	(1,526,980)
Debt service	4,478,570	3,775,354
Transfers to other agencies	2,711,813	778,952
Enterprise activities	5,817,734	5,678,858
Total	\$ 253,057,431	\$ 188,984,741

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 \$238,331,390, which is more than last year's ending fund balance of \$208,623,109. The District's General Fund had \$19,735,537 less in operating revenues than expenditures for the year ended June 30, 2025. The District's Child Development Fund had \$1,482,421 more in operating revenues than expenditures for the year ended June 30, 2025. The District's Cafeteria Fund had \$2,089,140 more in operating revenues than expenditures for the year ended June 30, 2025. The District's Building Fund had \$2,734,010 less in operating revenues than expenditures for the year ended June 30, 2025, additionally, the Building Fund had \$48,000,000 in other financing sources for a total increase in fund balance of \$45,265,990.

CURRENT YEAR BUDGET 2024-2025

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, 2025**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2024-2025 the District had invested \$205,838,202 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2025	2024	Net Change
CAPITAL ASSETS			
Land	\$ 9,507,508	\$ 9,507,508	\$ -
Construction in progress	20,133,188	31,854,785	(11,721,597)
Land improvements	27,285,834	25,660,859	1,624,975
Buildings & improvements	255,113,391	229,020,595	26,092,796
Furniture & equipment	50,779,605	41,808,898	8,970,707
Less: Accumulated depreciation	(156,981,324)	(146,839,694)	(10,141,630)
Total	\$ 205,838,202	\$ 191,012,951	\$ 14,825,251

Long-Term Liabilities

At year-end, the District had \$366,934,790 in long-term liabilities, an increase of 10.43% from last year's restated 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		
	2025	2024	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 122,429,207	\$ 75,363,839	\$ 47,065,368
Total certificates of participation	5,523,408	5,920,990	(397,582)
Total special tax bonds	9,654,154	9,659,891	(5,737)
Annuity payable	1,883,000	1,201,000	682,000
Compensated absences*	2,459,375	2,020,808	438,567
Total OPEB liability	50,831,108	52,269,420	(1,438,312)
Net pension liability	179,016,658	188,845,137	(9,828,479)
Less: current portion of long-term liabilities	(4,862,120)	(3,005,053)	(1,857,067)
Total	\$ 366,934,790	\$ 332,276,032	\$ 34,658,758

*Compensated Absences for 2024 was restated in order to record the District's compensated absences in accordance with GASB Statement No. 101 which supersedes GASB Statement No. 16 for the year ended June 30, 2025.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Several economic and fiscal factors could influence the District's financial condition in the coming year, including continued enrollment declines, uncertain Federal and State revenues, high pension obligations, and a cooling California economy.

**LANCASTER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Long-Term Declining Enrollment

California's K–12 system continues to experience enrollment decline. Statewide enrollment fell another 0.5% in 2024–25 to about 5.8 million students, roughly 420,000 fewer than a decade ago. The Department of Finance projects an additional 586,000-student decline by 2033–34. Lower birth rates, high housing costs, and out-migration are key drivers, along with growing competition from charter and private schools. Because many costs—such as staffing and facilities—cannot easily adjust, revenue loss from declining Average Daily Attendance (ADA) creates structural fiscal challenges that require multi-year planning.

Revenue Uncertainties

- **Status of Proposition 98:** The 2025–26 State Budget sets the Proposition 98 guarantee at \$114.6 billion, slightly below earlier projections. To maintain K–12 funding commitments amid weaker tax receipts, the State relied on reserve drawdowns, internal borrowing, and limited deferrals. The outlook remains fragile since Proposition 98 revenues are highly sensitive to income-tax and capital-gains fluctuations. A market slowdown could trigger future adjustments. The Legislative Analyst's Office urges districts to budget cautiously and preserve flexibility given ongoing volatility.
- **Federal Funding Uncertainties:** Federal funding for K–12 education remains uncertain heading into 2025–26. Several large federal programs—including Title I, Title II, IDEA, and after-school and enrichment grants—face potential reductions or delays under current federal budget proposals and continuing appropriations negotiations. The U.S. Department of Education has also paused or delayed disbursement of certain previously approved formula and competitive grants, creating short-term cash-flow and planning challenges for districts. Analyses by nonpartisan agencies such as the Congressional Budget Office and the Learning Policy Institute note that up to \$5–6 billion in K-12 formula funds nationwide remain at risk of reduction or deferral if congressional appropriations are not finalized. While districts are expected to continue receiving baseline allocations during temporary funding resolutions, long-term federal support levels for education could decline modestly in real terms, requiring districts to plan for possible funding interruptions or reductions in future years.

Pension Liabilities and Employer Rates

The District participates in CalSTRS and CalPERS, both of which remain underfunded and continue to exert upward pressure on budgets. For 2025–26, the CalSTRS employer rate is 19.10%, and the CalPERS Schools Pool rate is 26.81%. These elevated rates—well above pre-2014 levels—will likely persist through the decade as both systems address unfunded liabilities. Districts must continue to account for escalating pension costs in long-range projections.

Economic and Market Conditions

California's economy has cooled following its post-pandemic rebound. High interest rates, weaker venture investment, and commercial-real-estate softness have slowed growth, especially in tech-dependent regions. The UCLA Anderson Forecast (Fall 2025) expects subdued growth into 2026, with unemployment near 5%. Inflation has eased, but interest-rate uncertainty continues to constrain housing and business investment.

Because the State's tax base depends heavily on capital-gains income, stock-market volatility remains a major risk to General Fund and Proposition 98 revenues. Fiscal advisors therefore recommend that districts maintain prudent reserves and avoid long-term commitments based on one-time revenue gains.

**LANCASTER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Summary

Declining enrollment, volatile revenues, persistent pension costs, and broader economic uncertainty all contribute to a challenging fiscal environment for California school districts. The District's 2025–26 budget reflects these conditions through conservative revenue assumptions, strong reserves, and continued monitoring of State fiscal trends.

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, 2025**

	Governmental Activities
ASSETS	
Cash and investments	\$ 242,551,718
Accounts receivable	22,285,316
Inventory	198,286
Prepaid expenses	395,294
Capital assets:	
Capital assets, not depreciated	29,640,696
Capital assets, net of accumulated depreciation	176,197,506
Total Assets	<u>471,268,816</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	75,733,100
Deferred outflows related to OPEB	10,605,111
Deferred amount on refunding	955,320
Total Deferred Outflows of Resources	<u>87,293,531</u>
LIABILITIES	
Accrued liabilities	25,219,082
Unearned revenue	3,398,583
Long-term liabilities, current portion	4,862,120
Long-term liabilities, non-current portion	366,934,790
Total Liabilities	<u>400,414,575</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	13,576,732
Deferred inflows related to OPEB	16,550,434
Total Deferred Inflows of Resources	<u>30,127,166</u>
NET POSITION	
Net investment in capital assets	123,228,599
Restricted:	
Capital projects	22,164,196
Debt service	13,024,328
Educational programs	89,310,771
Food service	8,079,048
Associated student body	212,306
Unrestricted	(127,998,642)
Total Net Position	<u>\$ 128,020,606</u>

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

**LANCASTER SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 201,871,749	\$ 366,747	\$ 41,896,648	\$ (159,608,354)
Instruction-related services				
Instructional supervision and administration	6,535,231	118,952	2,740,812	(3,675,467)
School site administration	20,868,240	1,101,566	4,335,340	(15,431,334)
Pupil services				
Home-to-school transportation	9,799,698	-	347,305	(9,452,393)
Food services	16,068,360	8,555	15,582,245	(477,560)
All other pupil services	21,378,371	836,707	9,356,465	(11,185,199)
General administration				
Centralized data processing	3,407,433	27,528	83,043	(3,296,862)
All other general administration	12,670,907	267,200	3,902,655	(8,501,052)
Plant services	32,221,472	261,379	2,162,337	(29,797,756)
Ancillary services	226,237	-	224,637	(1,600)
Community services	5,241,804	106,000	6,514,067	1,378,263
Enterprise activities	5,817,734	-	-	(5,817,734)
Interest on long-term debt	4,478,570	-	-	(4,478,570)
Other outgo	4,317,082	-	1,605,269	(2,711,813)
Total Governmental Activities	\$ 344,902,888	\$ 3,094,634	\$ 88,750,823	(253,057,431)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				26,286,627
Property taxes, levied for debt service				9,553,786
Property taxes, levied for other specific purposes				2,151,782
Federal and state aid not restricted for specific purposes				183,528,741
Interest and investment earnings				16,730,744
Miscellaneous				7,106,314
Subtotal, General Revenue				245,357,994
CHANGE IN NET POSITION				(7,699,437)
Net Position - Beginning, as Restated				135,720,043
Net Position - Ending				\$ 128,020,606

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

**LANCASTER SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2025**

	General Fund	Child Development Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 145,671,832	\$ 5,733,641	\$ 11,372,399	\$ 46,046,155	\$ 33,727,691	\$ 242,551,718
Accounts receivable	11,188,487	5,838,193	273,062	392,624	4,592,950	22,285,316
Stores inventory	-	-	198,286	-	-	198,286
Prepaid expenditures	395,294	-	-	-	-	395,294
Total Assets	\$ 157,255,613	\$ 11,571,834	\$ 11,843,747	\$ 46,438,779	\$ 38,320,641	\$ 265,430,614
LIABILITIES						
Accrued liabilities	\$ 14,637,539	\$ 3,782,524	\$ 3,273,272	\$ 678,084	\$ 1,329,222	\$ 23,700,641
Unearned revenue	2,565,338	833,245	-	-	-	3,398,583
Total Liabilities	17,202,877	4,615,769	3,273,272	678,084	1,329,222	27,099,224
FUND BALANCES						
Nonspendable	410,294	-	491,427	-	-	901,721
Restricted	82,354,706	6,956,065	8,079,048	45,760,695	36,919,271	180,069,785
Committed	38,919,130	-	-	-	72,148	38,991,278
Unassigned	18,368,606	-	-	-	-	18,368,606
Total Fund Balances	140,052,736	6,956,065	8,570,475	45,760,695	36,991,419	238,331,390
Total Liabilities and Fund Balances	\$ 157,255,613	\$ 11,571,834	\$ 11,843,747	\$ 46,438,779	\$ 38,320,641	\$ 265,430,614

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, 2025**

Total Fund Balance - Governmental Funds \$ 238,331,390

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	\$ 362,819,526	
Accumulated depreciation	(156,981,324)	205,838,202

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:

955,320

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 unmaturing interest owing at the end of the period was:

(1,518,441)

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	\$ 122,429,207	
Total certificates of participation	5,523,408	
Total special tax bonds	9,654,154	
Annuity payable	1,883,000	
Compensated absences	2,459,375	
Total OPEB liability	50,831,108	
Net pension liability	179,016,658	(371,796,910)

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	\$ 75,733,100	
Deferred inflows of resources related to pensions	(13,576,732)	62,156,368

(continued on the next page)

LANCASTER SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION, continued
JUNE 30, 2025

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	\$ 10,605,111	
Deferred inflows of resources related to OPEB	<u>(16,550,434)</u>	(5,945,323)
Total Net Position - Governmental Activities		<u>\$ 128,020,606</u>

**LANCASTER SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025**

	General Fund	Child Development Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	\$ 201,468,336	\$ -	\$ -	\$ -	\$ -	\$ 201,468,336
Federal sources	20,076,151	-	13,028,087	-	-	33,104,238
Other state sources	46,524,003	10,044,188	2,944,512	-	4,326,352	63,839,055
Other local sources	33,080,498	478,067	726,778	(721,408)	17,500,837	51,064,772
Total Revenues	301,148,988	10,522,255	16,699,377	(721,408)	21,827,189	349,476,401
EXPENDITURES						
Current						
Instruction	202,561,496	6,146,325	-	-	-	208,707,821
Instruction-related services						
Instructional supervision and administration	5,997,860	545,382	-	-	-	6,543,242
School site administration	19,701,013	1,051,942	-	-	-	20,752,955
Pupil services						
Home-to-school transportation	9,065,731	-	-	-	-	9,065,731
Food services	801,144	14,742	14,361,469	-	-	15,177,355
All other pupil services	22,766,055	317,821	-	-	-	23,083,876
General administration						
Centralized data processing	3,188,867	-	-	-	-	3,188,867
All other general administration	10,916,204	505,376	248,768	-	-	11,670,348
Plant services	30,299,949	140,454	-	-	-	30,440,403
Facilities acquisition and construction	4,252,669	317,792	-	1,509,597	16,324,181	22,404,239
Ancillary services	-	-	-	-	226,237	226,237
Community services	5,140,579	-	-	-	-	5,140,579
Enterprise activities	1,876,109	-	-	-	-	1,876,109
Transfers to other agencies	4,316,849	-	-	-	-	4,316,849
Debt service						
Principal	-	-	-	-	2,427,104	2,427,104
Interest and other	-	-	-	503,005	5,510,538	6,013,543
Total Expenditures	320,884,525	9,039,834	14,610,237	2,012,602	24,488,060	371,035,258
Excess (Deficiency) of Revenues Over Expenditures	(19,735,537)	1,482,421	2,089,140	(2,734,010)	(2,660,871)	(21,558,857)
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	4,504,634	4,504,634
Other sources	-	-	-	48,000,000	3,267,138	51,267,138
Transfers out	(4,100,000)	-	-	-	(404,634)	(4,504,634)
Net Financing Sources (Uses)	(4,100,000)	-	-	48,000,000	7,367,138	51,267,138
NET CHANGE IN FUND BALANCE	(23,835,537)	1,482,421	2,089,140	45,265,990	4,706,267	29,708,281
Fund Balance - Beginning	163,888,273	5,473,644	6,481,335	494,705	32,285,152	208,623,109
Fund Balance - Ending	\$ 140,052,736	\$ 6,956,065	\$ 8,570,475	\$ 45,760,695	\$ 36,991,419	\$ 238,331,390

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, 2025**

Net Change in Fund Balances - Governmental Funds \$ 29,708,281

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:	\$	24,966,881	
Depreciation expense:		<u>(10,141,630)</u>	14,825,251

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: 5,330,000

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: (51,267,138)

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: (568,415)

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. (933,764)

(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, 2025**

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: (438,567)

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: (4,053,535)

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: 246,427

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: (682,000)

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: 208,853

Change in Net Position of Governmental Activities \$ (7,699,437)

**LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

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, 2025

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*).

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*).

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Major Governmental Funds (continued)

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).

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.

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).

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, 2025

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, 2025**

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:

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

**LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

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

In accordance with GASB Statement No. 101, *Compensated Absences*, accumulated unpaid employee vacation and sick leave benefits are accrued as a liability in the government-wide financial statements as the benefits are earned, provided they accumulate and are more likely than not to be used or paid. The measurement of this liability includes estimated salary amounts and the employer's share of related taxes and benefits, as applicable, that are directly related to these compensated absences.

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 resources. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. For accumulated sick leave benefits, a liability is recognized for the portion that employees have earned and that are more likely than not to be used or paid. The District's policy for sick leave recognition aligns with this criterion, accruing the liability based on historical usage patterns and other relevant factors.

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, 2024
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025

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, 2025**

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, 2025

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, 2025

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, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

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 implemented this Statement as of June 30, 2025.

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. This statement is effective for periods beginning after June 15, 2024. The District has implemented this Statement as of June 30, 2025.

GASB Statement No. 103 – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The statement is effective for periods beginning after June 15, 2025. The District has not yet determined the impact on the financial statements.

GASB Statement No. 104 – In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The statement is effective for periods beginning after June 15, 2025. The District has not yet determined the impact on the financial statements.

**LANCASTER SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2025**

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities
Investment in county treasury	\$ 242,809,181
Fair value adjustment	(5,844,870)
Cash on hand and in banks	2,002,813
Cash with fiscal agent	3,276,453
Cash in revolving fund	308,141
Total	\$ 242,551,718

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, 2025

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 \$236,964,311. The average weighted maturity for this pool is 556 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.

**LANCASTER SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2025**

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, 2025, the District's bank balance of \$592,243 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, 2025 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	<u>\$ 236,964,311</u>
Total	<u>\$ 236,964,311</u>

**LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2025 consisted of the following:

	General Fund	Child Development Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government						
Categorical aid	\$ 7,501,025	\$ -	\$ 193,463	\$ -	\$ -	\$ 7,694,488
State Government						
Categorical aid	2,349,582	5,731,067	-	-	-	8,080,649
Local Government						
Other local sources	1,337,880	107,126	79,599	392,624	4,592,950	6,510,179
Total	\$ 11,188,487	\$ 5,838,193	\$ 273,062	\$ 392,624	\$ 4,592,950	\$ 22,285,316

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	Balance July 01, 2024	Additions	Deletions	Balance June 30, 2025
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 9,507,508	\$ -	\$ -	\$ 9,507,508
Construction in progress	31,854,785	13,977,521	25,699,118	20,133,188
Total capital assets not being depreciated	41,362,293	13,977,521	25,699,118	29,640,696
Capital assets being depreciated				
Land improvements	25,660,859	1,624,975	-	27,285,834
Buildings & improvements	229,020,595	26,092,796	-	255,113,391
Furniture & equipment	41,808,898	8,970,707	-	50,779,605
Total capital assets being depreciated	296,490,352	36,688,478	-	333,178,830
Less: Accumulated depreciation				
Land improvements	17,433,629	939,240	-	18,372,869
Buildings & improvements	101,844,688	5,088,483	-	106,933,171
Furniture & equipment	27,561,377	4,113,907	-	31,675,284
Total accumulated depreciation	146,839,694	10,141,630	-	156,981,324
Total capital assets being depreciated, net	149,650,658	26,546,848	-	176,197,506
Governmental Activities				
Capital Assets, net	\$ 191,012,951	\$ 40,524,369	\$ 25,699,118	\$ 205,838,202

Depreciation expense was allocated to governmental functions as follows:

Governmental Activities	
Instruction	\$ 6,951,662
Instructional supervision and administration	191,261
School site administration	875,026
Home-to-school transportation	733,967
Food services	276,507
All other pupil services	20,757
Centralized data processing	91,641
All other general administration	332,374
Plant services	629,585
Community services	38,850
Total	\$ 10,141,630

**LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2025 consisted of the following:

	Interfund Transfers In	
	Non-Major Governmental Funds	Total
Interfund Transfers Out		
General Fund	\$ 4,100,000	\$ 4,100,000
Non-Major Governmental Funds	404,634	404,634
Total	\$ 4,504,634	\$ 4,504,634

The General Fund transferred to the Non-Major Deferred Maintenance Fund for capital outlay projects.	\$ 1,547,849
The General Fund transferred to the Non-Major Special Reserve Fund for Capital Outlay Projects for capital outlay projects.	952,151
The General Fund transferred to the Non-Major Capital Projects Fund for Blended Component Units for capital outlay projects.	1,600,000
The Non-Major Debt Service Fund for Blended Component Units transferred to the Non-Major Capital Projects Fund for Blended Component Units for debt service.	404,634
Total	\$ 4,504,634

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2025 consisted of the following:

	General Fund	Child Development Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Governmental Activities
Payroll	\$ 6,581,289	\$ 3,487,309	\$ 3,250,233	\$ -	\$ 2,924	\$ -	\$ 13,321,755
Construction	-	-	-	678,084	1,279,513	-	1,957,597
Vendors payable	8,056,250	295,215	23,039	-	46,785	-	8,421,289
Unmatured interest	-	-	-	-	-	1,518,441	1,518,441
Total	\$ 14,637,539	\$ 3,782,524	\$ 3,273,272	\$ 678,084	\$ 1,329,222	\$ 1,518,441	\$ 25,219,082

NOTE 7 – UNEARNED REVENUES

Unearned revenues at June 30, 2025 consisted of the following:

	General Fund	Child Development Fund	Governmental Activities
Federal sources	\$ 2,123,387	\$ -	\$ 2,123,387
State categorical sources	441,951	833,245	1,275,196
Total	\$ 2,565,338	\$ 833,245	\$ 3,398,583

**LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2025 consisted of the following:

	Restated Balance July 01, 2024	Additions	Deductions	Balance June 30, 2025	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 73,714,680	\$ 48,933,764	\$ 4,955,000	\$ 117,693,444	\$ 2,502,048
Unamortized premium	1,649,159	3,267,138	180,534	4,735,763	180,534
Total general obligation bonds	75,363,839	52,200,902	5,135,534	122,429,207	2,682,582
Certificates of participation	5,650,000	-	375,000	5,275,000	390,000
Unamortized premium	270,990	-	22,582	248,408	22,582
Total certificates of participation	5,920,990	-	397,582	5,523,408	412,582
Special Tax Bonds	9,505,000	-	-	9,505,000	-
Unamortized premium	154,891	-	5,737	149,154	5,737
Total special tax bonds	9,659,891	-	5,737	9,654,154	5,737
Annuity payable	1,201,000	1,170,500	488,500	1,883,000	654,500
Compensated absences*	2,020,808	438,567	-	2,459,375	1,106,719
Total OPEB liability	52,269,420	-	1,438,312	50,831,108	-
Net pension liability	188,845,137	-	9,828,479	179,016,658	-
Total	\$ 335,281,085	\$ 53,809,969	\$ 17,294,144	\$ 371,796,910	\$ 4,862,120

*The change in the compensated absences liability is presented as a net change.

- 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.

A. Bonded Debt

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
					Outstanding July 01, 2024	Additions	Deductions	Outstanding June 30, 2025	
1999 Election - Series 2001	2001	2027	4.00% - 5.63%	\$ 11,500,262	\$ 13,693,311	\$ 805,994	\$ 3,965,000	\$ 10,534,305	
2012 Election - Series 2013B	2013	2031	1.00% - 4.38%	12,305,000	8,840,000	-	710,000	8,130,000	
2012 Election - Series 2018C	2018	2048	2.00% - 5.00%	11,000,000	10,990,000	-	45,000	10,945,000	
2012 Election - Series 2020D	2020	2048	2.96% - 4.00%	15,184,908	14,511,369	127,770	-	14,639,139	
2021A Refunding	2021	2039	0.296% - 2.842%	18,940,000	18,375,000	-	235,000	18,140,000	
2012 Election - Series 2022E	2022	2048	4.125% - 5.00%	7,305,000	7,305,000	-	-	7,305,000	
2024 Election - Series 2025A	2025	2056	5.00%	48,000,000	-	48,000,000	-	48,000,000	
					\$ 73,714,680	\$ 48,933,764	\$ 4,955,000	\$ 117,693,444	

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. Election of 1999, series 1999 has been paid in full.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

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, 2025, deferred outflow of resources of \$859,287 remain to be amortized. 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.

On November 5, 2024, the voters authorized at election the issuance and sale of \$122,100,000 of general obligation bonds. On March 25, 2025, the District issued the first series against the authorization, Series 2025A. Series 2025A was issued in the amount of \$48,000,000 in current interest term bonds with an interest rate of 5.00%.

**LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. Bonded Debt (continued)

The bonds mature through 2056 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 2,502,048	\$ 8,001,998	\$ 10,504,046
2027	2,685,337	8,849,030	11,534,367
2028	1,645,000	4,251,817	5,896,817
2029	3,190,000	4,146,336	7,336,336
2030	1,765,000	4,038,417	5,803,417
2031 - 2035	12,220,000	19,029,410	31,249,410
2036 - 2040	20,067,296	17,868,747	37,936,043
2041 - 2045	18,042,612	15,103,331	33,145,943
2046 - 2050	23,385,000	8,375,816	31,760,816
2051 - 2055	21,210,000	3,526,000	24,736,000
2056	2,700,000	67,500	2,767,500
Accretion	8,281,151	(8,281,151)	-
Total	\$ 117,693,444	\$ 84,977,251	\$ 202,670,695

B. Certificates of Participation (COPs)

<u>Series</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Certificates Outstanding July 01, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Certificates Outstanding June 30, 2025</u>
2018 Refunding Certificates	2017	2036	2.00% - 5.00%	\$ 7,660,000	\$ 5,650,000	\$ -	\$ 375,000	\$ 5,275,000
					\$ 5,650,000	\$ -	\$ 375,000	\$ 5,275,000

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, 2025**

NOTE 8 – LONG-TERM LIABILITIES (continued)

B. Certificates of Participation (COPs) (continued)

The COP matures through 2036 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 390,000	\$ 190,656	\$ 580,656
2027	410,000	175,056	585,056
2028	425,000	158,656	583,656
2029	440,000	141,656	581,656
2030	465,000	119,656	584,656
2031 - 2035	2,580,000	331,369	2,911,369
2036	565,000	17,656	582,656
Total	\$ 5,275,000	\$ 1,134,705	\$ 6,409,705

C. Special Tax Bonds

<u>Series</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Bonds</u>			<u>Bonds</u>
					<u>Outstanding July 01, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2025</u>
Special Tax Bonds - 2022 Series A	2022	2051	4.00% - 5.00%	\$ 9,505,000	\$ 9,505,000	\$ -	\$ -	\$ 9,505,000
					<u>\$ 9,505,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,505,000</u>

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:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ -	\$ 417,150	\$ 417,150
2027	20,000	416,650	436,650
2028	35,000	415,275	450,275
2029	55,000	413,025	468,025
2030	85,000	409,525	494,525
2031 - 2035	805,000	1,950,875	2,755,875
2036 - 2040	3,290,000	1,534,175	4,824,175
2041 - 2045	2,925,000	708,531	3,633,531
2046 - 2050	1,895,000	279,984	2,174,984
2051	395,000	8,147	403,147
Total	\$ 9,505,000	\$ 6,553,337	\$ 16,058,337

**LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

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>
2026	\$ 654,500
2027	504,000
2028	364,000
2029	255,500
2030	105,000
Total	<u>\$ 1,883,000</u>

E. Compensated Absences

The restated beginning total unpaid employee compensated absences was \$2,020,808 and increased by a net amount of \$438,567 during the year ended June 30, 2025. The ending compensated absences at June 30, 2025 amounted to \$2,459,375. 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 \$52,269,420 and decreased by \$1,438,312 during the year ended June 30, 2025. The ending total OPEB liability at June 30, 2025 was \$50,831,108. See Note 10 for additional information regarding the total OPEB liability.

G. Net Pension Liability

The District's beginning net pension liability was \$188,845,137 and decreased by \$9,828,479 during the year ended June 30, 2025. The ending net pension liability at June 30, 2025 was \$179,016,658. See Note 11 for additional information regarding the net pension liability.

**LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2025:

	General Fund	Child Development Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable						
Revolving cash	\$ 15,000	\$ -	\$ 293,141	\$ -	\$ -	\$ 308,141
Stores inventory	-	-	198,286	-	-	198,286
Prepaid expenditures	395,294	-	-	-	-	395,294
Total non-spendable	410,294	-	491,427	-	-	901,721
Restricted						
Educational programs	82,354,706	6,956,065	-	-	-	89,310,771
Food service	-	-	8,079,048	-	-	8,079,048
Associated student body	-	-	-	-	212,306	212,306
Capital projects	-	-	-	45,760,695	22,164,196	67,924,891
Debt service	-	-	-	-	14,542,769	14,542,769
Total restricted	82,354,706	6,956,065	8,079,048	45,760,695	36,919,271	180,069,785
Committed						
Textbook adoption	2,250,000	-	-	-	-	2,250,000
Early literacy	1,000,000	-	-	-	-	1,000,000
One month payroll	18,077,459	-	-	-	-	18,077,459
LCFF and EPA overpayment	9,582,921	-	-	-	-	9,582,921
Playground replacement	508,750	-	-	-	-	508,750
Technology upgrades	1,000,000	-	-	-	-	1,000,000
Middle school sports center	3,500,000	-	-	-	-	3,500,000
STRS and PERS future	3,000,000	-	-	-	-	3,000,000
Deferred maintenance	-	-	-	-	72,148	72,148
Total committed	38,919,130	-	-	-	72,148	38,991,278
Unassigned	18,368,606	-	-	-	-	18,368,606
Total	\$ 140,052,736	\$ 6,956,065	\$ 8,570,475	\$ 45,760,695	\$ 36,991,419	\$ 238,331,390

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, 2025**

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.

	<u>Certificated</u>	<u>Classified</u>	<u>Management</u>
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 \$1,923,714 to the Plan, all of which was used for current premiums. There is no actuarially determined contribution, nor any contribution requirement established by statute or contract. The District’s contribution is currently based on a projected pay as-you-go funding method, that is, benefits are payable when due.

D. Plan Membership

Membership of the Plan consisted of the following:

Inactive employees receiving benefits	<u>93</u>
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	<u>2,128</u>
Total number of participants**	<u>2,221</u>

*Information not provided

**As of the June 30, 2024 valuation date

**LANCASTER SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2025**

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

E. Total OPEB Liability

The Lancaster School District’s total OPEB liability of \$50,831,108 was measured as of June 30, 2025 and was determined by an actuarial valuation as of June 30, 2024.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2025 was determined by an actuarial valuation as of June 30, 2024 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period ending June 30, 2025.

Economic assumptions:

Inflation rate	2.50%
Salary increases rate	2.75%
Discount rate	5.20%
Healthcare cost trend rate	4.00%

Non-economic assumptions:

Mortality:

Certificated	2020 CalSTRS Mortality Table
Classified	2021 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: 2021 CalPERS 2.0%@55 Rates for Schools Employees
	Hired 2013 and later: 2021 CalPERS 2.0%@62 Rates for Schools Employees
Management	Hired 2012 and earlier: 2021 CalPERS 2.0%@55 Rates for Schools Employees
	Hired 2013 and later: 2021 CalPERS 2.0%@62 Rates for Schools Employees

The actuarial assumptions used in the June 30, 2024 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, 2025**

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

G. Changes in Total OPEB Liability

	<u>June 30, 2025</u>
Total OPEB Liability	
Service cost	\$ 4,369,742
Interest on total OPEB liability	2,102,253
Changes of assumptions	(5,986,593)
Benefits payments	<u>(1,923,714)</u>
Net change in total OPEB liability	(1,438,312)
Total OPEB liability - beginning	<u>52,269,420</u>
Total OPEB liability - ending	<u>\$ 50,831,108</u>
Covered-employee payroll	\$ 154,258,393
District's total OPEB liability as a percentage of covered-employee payroll	32.95%

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:

	1% Decrease (4.20%)	Valuation Discount Rate (5.20%)	1% Increase (6.20%)
Total OPEB liability	\$ 55,576,660	\$ 50,831,108	\$ 47,243,012

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:

	1% Decrease (3.00%)	Healthcare Cost Trend Rate (4.00%)	1% Increase (5.00%)
Total OPEB liability	\$ 44,439,045	\$ 50,831,108	\$ 58,016,512

**LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

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, 2025, the Lancaster School District recognized OPEB expense of \$5,977,249. At June 30, 2025, 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	\$ 381,385	\$ 4,842,848
Changes in assumptions	10,223,726	11,707,586
Total	<u>\$ 10,605,111</u>	<u>\$ 16,550,434</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>
2026	\$ 1,093,051	\$ 1,587,797
2027	1,093,051	1,587,797
2028	1,093,051	1,587,797
2029	1,093,051	1,587,797
2030	1,093,051	1,587,797
Thereafter	5,139,856	8,611,449
Total	<u>\$ 10,605,111</u>	<u>\$ 16,550,434</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>
CalSTRS Pension	\$ 89,925,991	\$ 40,269,285	\$ 12,939,113	\$ 10,878,805
CalPERS Pension	89,090,667	35,463,815	637,619	22,927,593
Total	<u>\$ 179,016,658</u>	<u>\$ 75,733,100</u>	<u>\$ 13,576,732</u>	<u>\$ 33,806,398</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 annual comprehensive financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, CA 95851-0275.

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 2025, 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 2025 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 \$18,437,075 for the year ended June 30, 2025.

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 \$8,330,915 to CalSTRS.

**LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

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, 2025, 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	\$ 89,925,991
State's proportionate share of the net pension liability associated with the District	<u>41,258,988</u>
Total	<u>\$ 131,184,979</u>

The net pension liability was measured as of June 30, 2024, 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, 2023 and rolling forward the total pension liability to June 30, 2024. 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, 2024, the District’s proportion was 0.134 percent, which was a decrease of 0.003 percent from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the District recognized pension expense of \$10,878,805. In addition, the District recognized pension expense and revenue of \$(3,942,035) for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 362,848
Differences between expected and actual experience	10,171,787	3,932,413
Changes in assumptions	393,643	6,141,633
Changes in proportion and differences between District contributions and proportionate share of contributions	11,266,780	2,502,219
District contributions subsequent to the measurement date	<u>18,437,075</u>	<u>-</u>
Total	<u>\$ 40,269,285</u>	<u>\$ 12,939,113</u>

**LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

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 \$18,437,075 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>
2026	\$ 5,458,599	\$ 9,375,375
2027	5,250,526	(4,272,251)
2028	5,206,791	2,796,491
2029	3,419,207	2,559,504
2030	1,914,658	1,453,041
2031	582,429	1,026,953
Total	<u>\$ 21,832,210</u>	<u>\$ 12,939,113</u>

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024 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 Growth	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-2021 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2022.

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 2024 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, 2024, are summarized in the table on the following page.

**LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial Assumptions (continued)

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Public Equity	38%	5.25%
Real Estate	15%	4.05%
Private Equity	14%	6.75%
Fixed Income	14%	2.45%
Risk Mitigating Strategies	10%	2.25%
Inflation Sensitive	7%	3.65%
Cash/Liquidity	2%	0.05%
	<u>100%</u>	

*Real return is net of assumed 2.75% inflation.

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:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District’s proportionate share of the net pension liability	\$ 159,948,913	\$ 89,925,991	\$ 31,453,946

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, 2025

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 annual comprehensive 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 Q 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 8.0% 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 2025 was 27.05% of annual payroll. Contributions to the plan from the District were \$15,615,750 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of \$89,090,667 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023 and rolling forward the total pension liability to June 30, 2024. 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, 2024, the District's proportion was 0.249 percent, which was an increase of 0.026 percent from its proportion measured as of June 30, 2023.

**LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

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, 2025, the District recognized pension expense of \$22,927,593. At June 30, 2025, 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	\$ 3,460,658	\$ -
Differences between expected and actual experience	7,468,950	637,619
Changes in assumptions	1,969,205	-
Changes in proportion and differences between District contributions and proportionate share of contributions	6,949,252	-
District contributions subsequent to the measurement date	15,615,750	-
Total	<u>\$ 35,463,815</u>	<u>\$ 637,619</u>

The \$15,615,750 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>
2026	\$ 9,469,561	\$ 637,619
2027	9,447,756	-
2028	2,025,752	-
2029	(1,095,004)	-
Total	<u>\$ 19,848,065</u>	<u>\$ 637,619</u>

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024 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, 2025**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2023, 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.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*
Global Equity – cap-weighted	30.0%	4.54%
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)%
	100.0%	

*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, 2025**

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:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District’s proportionate share of the net pension liability	\$ 132,344,929	\$ 89,090,667	\$ 53,359,203

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, 2025.

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, 2025.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

C. Construction Commitments

As of June 30, 2025, the District had commitments with respect to unfinished capital projects of \$10,947,264.

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.

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, 2025, the deferred outflows amount on refunding was \$955,320.

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, 2025, total deferred outflows related to pensions was \$75,733,100 and total deferred inflows related to pensions was \$13,576,732.

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, 2025, total deferred outflows related to other postemployment benefits was \$10,605,111 and total deferred inflows related to other postemployment benefits was \$16,550,434.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of the Governmental Activities has been restated due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. GASB 101 establishes recognition and measurement guidance for liabilities related to compensated absences, requiring that the liability be recognized when leave is attributable to services already rendered and it is probable that the leave will be used or paid. This standard supersedes certain provisions of GASB Statement No. 16.

The cumulative effect of applying GASB 101 required a restatement of the beginning net position, as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ 136,411,565
Restatement	<u>(691,522)</u>
Net Position - Beginning, as Restated	<u>\$ 135,720,043</u>

REQUIRED SUPPLEMENTARY INFORMATION

**LANCASTER SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 193,437,279	\$ 191,492,671	\$ 201,468,336	\$ 9,975,665
Federal sources	15,021,666	18,253,340	20,076,151	1,822,811
Other state sources	45,700,344	53,456,275	38,193,088	(15,263,187)
Other local sources	16,621,857	16,406,403	33,080,497	16,674,094
Total Revenues	270,781,146	279,608,689	292,818,072	13,209,383
EXPENDITURES				
Certificated salaries	97,606,750	104,037,986	104,217,442	(179,456)
Classified salaries	47,834,242	47,067,724	56,523,762	(9,456,038)
Employee benefits	66,057,030	68,021,650	68,990,573	(968,923)
Books and supplies	31,718,750	32,052,743	16,321,989	15,730,754
Services and other operating expenditures	38,155,236	54,066,692	52,732,812	1,333,880
Capital outlay	7,656,101	15,428,459	11,852,487	3,575,972
Other outgo				
Excluding transfers of indirect costs	-	2,439,788	4,316,849	(1,877,061)
Transfers of indirect costs	(810,706)	(808,002)	(754,144)	(53,858)
Total Expenditures	288,217,403	322,307,040	314,201,770	8,105,270
Excess (Deficiency) of Revenues Over Expenditures	(17,436,257)	(42,698,351)	(21,383,698)	21,314,653
Other Financing Sources (Uses)				
Transfers out	(2,500,000)	(2,500,000)	(4,100,000)	(1,600,000)
Net Financing Sources (Uses)	(2,500,000)	(2,500,000)	(4,100,000)	(1,600,000)
NET CHANGE IN FUND BALANCE	(19,936,257)	(45,198,351)	(25,483,698)	19,714,653
Fund Balance - Beginning	163,888,261	163,888,261	163,888,261	-
Fund Balance - Ending	\$ 143,952,004	\$ 118,689,910	\$ 138,404,563	\$ 19,714,653

* 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 \$8,330,915 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, 2025**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Federal sources	\$ 300,000	\$ 300,000	\$ -	\$ (300,000)
Other state sources	11,405,659	9,580,884	10,044,188	463,304
Other local sources	222,896	270,879	478,067	207,188
Total Revenues	11,928,555	10,151,763	10,522,255	370,492
EXPENDITURES				
Certificated salaries	431,874	431,874	429,855	2,019
Classified salaries	2,819,362	1,634,908	3,982,082	(2,347,174)
Employee benefits	1,944,719	1,334,557	2,436,829	(1,102,272)
Books and supplies	1,925,492	890,140	917,055	(26,915)
Services and other operating expenditures	1,386,626	1,394,219	452,935	941,284
Capital outlay	2,574,417	2,874,274	315,702	2,558,572
Other outgo				
Transfers of indirect costs	511,356	344,848	505,376	(160,528)
Total Expenditures	11,593,846	8,904,820	9,039,834	(135,014)
NET CHANGE IN FUND BALANCE	334,709	1,246,943	1,482,421	235,478
Fund Balance - Beginning	5,473,644	5,473,644	5,473,644	-
Fund Balance - Ending	\$ 5,808,353	\$ 6,720,587	\$ 6,956,065	\$ 235,478

See accompanying notes to required supplementary information.

**LANCASTER SCHOOL DISTRICT
CAFETERIA FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Federal sources	\$ 9,822,126	\$ 10,072,126	\$ 13,028,087	\$ 2,955,961
Other state sources	2,941,817	2,941,817	2,944,512	2,695
Other local sources	540,599	540,599	726,778	186,179
Total Revenues	13,304,542	13,554,542	16,699,377	3,144,835
EXPENDITURES				
Classified salaries	4,446,165	4,897,165	5,328,808	(431,643)
Employee benefits	3,011,555	3,011,555	2,609,442	402,113
Books and supplies	4,406,200	4,521,270	6,067,125	(1,545,855)
Services and other operating expenditures	606,160	661,400	356,094	305,306
Other outgo				
Transfers of indirect costs	299,350	463,152	248,768	214,384
Total Expenditures	12,769,430	13,554,542	14,610,237	(1,055,695)
NET CHANGE IN FUND BALANCE	535,112	-	2,089,140	2,089,140
Fund Balance - Beginning	6,481,335	6,481,335	6,481,335	-
Fund Balance - Ending	\$ 7,016,447	\$ 6,481,335	\$ 8,570,475	\$ 2,089,140

See accompanying notes to required supplementary information.

**LANCASTER SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<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>
Total OPEB Liability								
Service cost	\$ 4,369,742	\$ 3,972,235	\$ 3,936,039	\$ 4,291,694	\$ 4,150,824	\$ 3,054,659	\$ 2,830,791	\$ 2,755,028
Interest on total OPEB liability	2,102,253	1,885,555	1,715,520	1,156,349	1,106,061	1,256,001	1,144,622	1,151,499
Difference between expected and actual experience	-	448,889	-	(3,157,084)	-	(4,272,122)	-	-
Changes of assumptions	(5,986,593)	(2,639,649)	(461,389)	(5,143,090)	164,298	15,744,189	713,066	-
Benefits payments	<u>(1,923,714)</u>	<u>(2,141,045)</u>	<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	(1,438,312)	1,525,985	3,310,714	(5,060,190)	3,164,364	14,157,431	3,077,453	2,357,464
Total OPEB liability - beginning	<u>52,269,420</u>	<u>50,743,435</u>	<u>47,132,721</u>	<u>52,192,911</u>	<u>49,028,547</u>	<u>34,871,116</u>	<u>31,793,663</u>	<u>29,436,199</u>
Total OPEB liability - ending	<u>\$ 50,831,108</u>	<u>\$ 52,269,420</u>	<u>\$ 50,443,435</u>	<u>\$ 47,132,721</u>	<u>\$ 52,192,911</u>	<u>\$ 49,028,547</u>	<u>\$ 34,871,116</u>	<u>\$ 31,793,663</u>
Covered-employee payroll	\$ 154,258,393	\$ 142,154,003	\$ 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	32.95%	36.77%	41.67%	41.92%	49.16%	47.13%	26.57%	24.23%

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, 2025**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<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>
District's proportion of the net pension liability	0.134%	0.137%	0.132%	0.139%	0.123%	0.129%	0.127%	0.123%	0.122%	0.120%
District's proportionate share of the net pension liability	\$ 89,925,991	\$ 104,319,955	\$ 91,837,263	\$ 63,051,332	\$ 118,743,135	\$ 116,166,673	\$ 116,750,095	\$ 113,630,089	\$ 99,027,838	\$ 80,580,876
State's proportionate share of the net pension liability associated with the District	<u>41,258,988</u>	<u>49,983,527</u>	<u>45,992,371</u>	<u>31,725,645</u>	<u>61,211,604</u>	<u>63,377,187</u>	<u>66,845,217</u>	<u>37,223,149</u>	<u>56,383,082</u>	<u>42,618,285</u>
Total	<u>\$ 131,184,979</u>	<u>\$ 154,303,482</u>	<u>\$ 137,829,634</u>	<u>\$ 94,776,977</u>	<u>\$ 179,954,739</u>	<u>\$ 179,543,860</u>	<u>\$ 183,595,312</u>	<u>\$ 150,853,238</u>	<u>\$ 155,410,920</u>	<u>\$ 123,199,161</u>
District's covered payroll	\$ 91,922,361	\$ 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
District's proportionate share of the net pension liability as a percentage of its covered payroll	97.83%	124.42%	117.11%	86.39%	174.90%	165.84%	172.06%	171.81%	159.80%	147.35%
Plan fiduciary net position as a percentage of the total pension liability	83.55%	80.62%	81.20%	87.21%	71.82%	72.56%	70.99%	69.46%	70.04%	74.02%

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, 2025**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<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>
District's proportion of the net pension liability	0.249%	0.223%	0.223%	0.202%	0.195%	0.190%	0.188%	0.187%	0.179%	0.173%
District's proportionate share of the net pension liability	\$ 89,090,667	\$ 84,525,182	\$ 76,684,640	\$ 41,116,676	\$ 59,714,324	\$ 55,279,562	\$ 50,052,298	\$ 44,560,909	\$ 35,428,988	\$ 25,515,732
District's covered payroll	\$ 50,231,642	\$ 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
District's proportionate share of the net pension liability as a percentage of its covered payroll	177.36%	206.29%	225.35%	140.61%	246.12%	210.52%	201.98%	187.17%	164.60%	132.31%
Plan fiduciary net position as a percentage of the total pension liability	72.29%	69.96%	69.76%	80.97%	70.00%	70.05%	70.85%	71.87%	73.90%	79.43%

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, 2025**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<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>
Contractually required contribution	\$ 18,437,075	\$ 17,557,171	\$ 16,014,514	\$ 13,268,190	\$ 11,786,759	\$ 12,463,441	\$ 11,403,647	\$ 9,791,403	\$ 8,320,151	\$ 6,649,506
Contributions in relation to the contractually required contribution*	(18,437,075)	(17,557,171)	(16,014,514)	(13,268,190)	(11,786,759)	(12,463,441)	(11,403,647)	(9,791,403)	(8,320,151)	(6,649,506)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 96,529,188	\$ 91,922,361	\$ 83,845,623	\$ 78,417,199	\$ 72,983,028	\$ 67,890,603	\$ 70,046,972	\$ 67,854,491	\$ 66,137,928	\$ 61,971,165
Contributions as a percentage of covered payroll	19.10%	19.10%	19.10%	16.92%	16.15%	18.36%	16.28%	14.43%	12.58%	10.73%

*Amounts do not include on-behalf contributions

**LANCASTER SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<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>
Contractually required contribution	\$ 15,615,750	\$ 13,401,802	\$ 10,395,178	\$ 7,796,055	\$ 6,052,860	\$ 5,531,751	\$ 4,742,908	\$ 3,848,733	\$ 3,306,335	\$ 2,549,964
Contributions in relation to the contractually required contribution*	(15,615,750)	(13,401,802)	(10,395,178)	(7,796,055)	(6,052,860)	(5,531,751)	(4,742,908)	(3,848,733)	(3,306,335)	(2,549,964)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 57,729,205	\$ 50,231,642	\$ 40,974,292	\$ 34,029,048	\$ 29,240,870	\$ 24,262,070	\$ 26,259,041	\$ 24,780,974	\$ 23,807,160	\$ 21,524,133
Contributions as a percentage of covered payroll	27.05%	26.68%	25.37%	22.91%	20.70%	22.80%	18.06%	15.53%	13.89%	11.85%

*Amounts do not include on-behalf contributions

**LANCASTER SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

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 3.93% to 5.20% 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. 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 or CalPERS.

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS or CalPERS.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. 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, 2025

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2025, 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:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 104,037,986	\$ 104,217,442	\$ 179,456
Classified salaries	\$ 47,067,724	\$ 56,523,762	\$ 9,456,038
Employee benefits	\$ 68,021,650	\$ 68,990,573	\$ 968,923
Other outgo			
Excluding transfers of indirect costs	\$ 2,439,788	\$ 4,316,849	\$ 1,877,061
Transfers of indirect costs	\$ (808,002)	\$ (754,144)	\$ 53,858
Child Development Fund			
Classified salaries	\$ 1,634,908	\$ 3,982,082	\$ 2,347,174
Employee benefits	\$ 1,334,557	\$ 2,436,829	\$ 1,102,272
Books and supplies	\$ 890,140	\$ 917,055	\$ 26,915
Other outgo			
Transfers of indirect costs	\$ 344,848	\$ 505,376	\$ 160,528
Cafeteria Fund			
Classified salaries	\$ 4,897,165	\$ 5,328,808	\$ 431,643
Books and supplies	\$ 4,521,270	\$ 6,067,125	\$ 1,545,855

SUPPLEMENTARY INFORMATION

**LANCASTER SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<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	\$ 11,497,873
Comprehensive Support and Improvement for LEAs	84.010	15438	816,322
Subtotal Title I, Part A			<u>12,314,195</u>
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	847,146
Title III			
Title III, English Learner Student Program	84.365	14346	265,635
Title III, Immigrant Education Program	84.365	15146	27,517
Subtotal Title III			<u>293,152</u>
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	757,897
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,324,050
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	159,344
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	129,965
IDEA Capacity Building, Part B, Sec 611	84.027A	13693	2,139
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	831
Subtotal Special Education Cluster			<u>3,616,329</u>
Education for Homeless Children and Youth, Subtitle VII-B McKinney-Vento Act	84.196	14332	79,060
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	4,300
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	19,928
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425	15620	512,455
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425	15621	1,328,984
After School Education and Safety (ASES) Rate Increase: ESSER III State Reserve Summer	84.425	15652	302,706
Subtotal Education Stabilization Fund Discretionary Grants			<u>2,168,373</u>
Total U. S. Department of Education			<u>20,076,152</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	4,049,329
National School Lunch Program	10.555	13391	7,148,924
USDA Commodities	10.555	*	630,379
Subtotal Child Nutrition Cluster			<u>11,828,632</u>
<i>Passed through California Department of Social Services:</i>			
Child and Adult Care Food Program (CACFP)			
CACFP Claims - Centers and Family Day Care	10.558	13393	1,199,454
Total U. S. Department of Agriculture			<u>13,028,086</u>
Total Federal Expenditures			<u>\$ 33,104,238</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, 2025**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	5,709.66	5,727.88
Special Education - Nonpublic Schools	0.98	1.18
Extended Year Special Education - Nonpublic Schools	0.11	0.11
Total TK/K through Third	5,710.75	5,729.17
Fourth through Sixth		
Regular ADA	4,226.26	4,213.70
Special Education - Nonpublic Schools	3.44	3.86
Extended Year Special Education - Nonpublic Schools	0.30	0.30
Community Day School	2.99	4.91
Total Fourth through Sixth	4,232.99	4,222.77
Seventh through Eighth		
Regular ADA	2,653.22	2,641.73
Extended Year Special Education - Nonpublic Schools	0.08	0.08
Community Day School	15.16	16.51
Total Seventh through Eighth	2,668.46	2,658.32
TOTAL SCHOOL DISTRICT	12,612.20	12,610.26

**LANCASTER SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE YEAR ENDED JUNE 30, 2025**

Grade Level	Minutes Requirement	Actual Instructional Minutes	Number of Days	Status
Kindergarten	36,000	53,785	180	Complied
Grade 1	50,400	53,785	180	Complied
Grade 2	50,400	53,785	180	Complied
Grade 3	50,400	53,785	180	Complied
Grade 4	54,000	56,287	180	Complied
Grade 5	54,000	56,287	180	Complied
Grade 6	54,000	56,287	180	Complied
Grade 7	54,000	57,939	180	Complied
Grade 8	54,000	57,939	180	Complied

**LANCASTER SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

	2026 (Budget)	2025	2024	2023
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 280,328,141	\$ 292,818,072	\$ 291,930,528	\$ 319,962,001
Expenditures And Other Financing Uses	293,536,545	318,301,770	284,243,838	245,838,175
Net change in Fund Balance	\$ (13,208,404)	\$ (25,483,698)	\$ 7,686,690	\$ 74,123,826
Ending Fund Balance	\$ 125,196,159	\$ 138,404,563	\$ 163,888,261	\$ 156,201,571
Available Reserves*	\$ 15,866,655	\$ 18,368,606	\$ 43,752,971	\$ 47,743,674
Available Reserves As A Percentage Of Outgo	5.41%	5.77%	15.39%	19.42%
Long-term Liabilities	\$ 366,934,790	\$ 371,796,910	\$ 334,589,563	\$ 319,594,662
Average Daily Attendance At P-2	12,703	12,612	12,623	12,477

The General Fund ending fund balance has decreased by \$17,797,008 over the past two years. The fiscal year 2025-26 budget projects a further decrease of \$13,208,404. 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 two of the past three years but anticipates incurring an operating deficit during the 2025-26 fiscal year. Total long-term obligations have increased by \$52,202,248 over the past two years.

Average daily attendance has increased by 135 ADA over the past two years. An additional increase of 91 ADA is anticipated during the 2025-26 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 CalSTRS on-behalf payments of \$8,330,915. 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.

**LANCASTER SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

	General Fund	Student Activity Fund	Capital Projects Fund for Blended Component Units
June 30, 2025, annual financial and budget report fund balance	\$ 138,404,563	\$ 28,775	\$ 1,587,647
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Cash in banks - student body	-	183,531	-
Cash with fiscal agent	-	-	3,262,733
Accounts payable	1,648,160	-	-
Fund balance transfer (GASB 54)	13	-	-
Net adjustments and reclassifications	<u>1,648,173</u>	<u>183,531</u>	<u>3,262,733</u>
June 30, 2025, audited financial statement fund balance	<u>\$ 140,052,736</u>	<u>\$ 212,306</u>	<u>\$ 4,850,380</u>

	Retiree Benefit Fund
June 30, 2025, annual financial and budget report net position	\$ 13
Adjustments and reclassifications:	
Increase (decrease) in total net position:	
Net position transfer (GASB 54)	(13)
Net adjustments and reclassifications	<u>(13)</u>
June 30, 2025, audited financial statement net position	<u>\$ -</u>

**LANCASTER SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2025**

Charter #	Charter School	Status	Included in Audit Report
1225	Life Source International Charter	Closed	No
1376	iLEAD Lancaster Charter	Active	No

**LANCASTER SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2025**

	Student Activity Fund	Deferred Maintenance 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
ASSETS										
Cash and investments	\$ 212,306	\$ 115,683	\$ 7,770,473	\$ 5,267,250	\$ 2,595,227	\$ 3,250,716	\$ 11,192,308	\$ 3,236,729	\$ 86,999	\$ 33,727,691
Accounts receivable	-	-	2,174,384	539,925	18,986	1,829,672	-	29,300	683	4,592,950
Total Assets	\$ 212,306	\$ 115,683	\$ 9,944,857	\$ 5,807,175	\$ 2,614,213	\$ 5,080,388	\$ 11,192,308	\$ 3,266,029	\$ 87,682	\$ 38,320,641
LIABILITIES										
Accrued liabilities	\$ -	\$ 43,535	\$ 173,473	\$ 344,303	\$ 534,653	\$ 230,008	\$ -	\$ -	\$ 3,250	\$ 1,329,222
Total Liabilities	-	43,535	173,473	344,303	534,653	230,008	-	-	3,250	1,329,222
FUND BALANCES										
Restricted	212,306	-	9,771,384	5,462,872	2,079,560	4,850,380	11,192,308	3,266,029	84,432	36,919,271
Committed	-	72,148	-	-	-	-	-	-	-	72,148
Total Fund Balances	212,306	72,148	9,771,384	5,462,872	2,079,560	4,850,380	11,192,308	3,266,029	84,432	36,991,419
Total Liabilities and Fund Balances	\$ 212,306	\$ 115,683	\$ 9,944,857	\$ 5,807,175	\$ 2,614,213	\$ 5,080,388	\$ 11,192,308	\$ 3,266,029	\$ 87,682	\$ 38,320,641

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, 2025**

	Student Activity Fund	Deferred Maintenance 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
REVENUES										
Other state sources	\$ -	\$ -	\$ -	\$ 4,280,202	\$ -	\$ -	\$ 46,150	\$ -	\$ -	\$ 4,326,352
Other local sources	300,734	99,917	5,633,818	114,440	469,701	1,045,779	8,627,982	1,204,763	3,703	17,500,837
Total Revenues	300,734	99,917	5,633,818	4,394,642	469,701	1,045,779	8,674,132	1,204,763	3,703	21,827,189
EXPENDITURES										
Current										
Facilities acquisition and construction	-	3,028,450	3,783,357	2,122,262	4,908,330	2,481,782	-	-	-	16,324,181
Ancillary services	226,237	-	-	-	-	-	-	-	-	226,237
Debt service										
Principal	-	-	-	-	-	-	2,052,104	375,000	-	2,427,104
Interest and other	-	-	-	-	-	404,867	4,895,165	207,256	3,250	5,510,538
Total Expenditures	226,237	3,028,450	3,783,357	2,122,262	4,908,330	2,886,649	6,947,269	582,256	3,250	24,488,060
Excess (Deficiency) of Revenues Over Expenditures	74,497	(2,928,533)	1,850,461	2,272,380	(4,438,629)	(1,840,870)	1,726,863	622,507	453	(2,660,871)
Other Financing Sources (Uses)										
Transfers in	-	1,547,849	-	-	952,151	2,004,634	-	-	-	4,504,634
Other sources	-	-	-	-	-	-	3,267,138	-	-	3,267,138
Transfers out	-	-	-	-	-	-	-	(404,634)	-	(404,634)
Net Financing Sources (Uses)	-	1,547,849	-	-	952,151	2,004,634	3,267,138	(404,634)	-	7,367,138
NET CHANGE IN FUND BALANCE	74,497	(1,380,684)	1,850,461	2,272,380	(3,486,478)	163,764	4,994,001	217,873	453	4,706,267
Fund Balance - Beginning	137,809	1,452,832	7,920,923	3,190,492	5,566,038	4,686,616	6,198,307	3,048,156	83,979	32,285,152
Fund Balance - Ending	\$ 212,306	\$ 72,148	\$ 9,771,384	\$ 5,462,872	\$ 2,079,560	\$ 4,850,380	\$ 11,192,308	\$ 3,266,029	\$ 84,432	\$ 36,991,419

See accompanying notes to supplementary information.

**LANCASTER SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2025**

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 District did not elect to use the de minimis indirect cost rate of up to 15 percent.

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.

Combining Statements – Non-Major Funds

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

OTHER INFORMATION

**LANCASTER SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2025**

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, 2025.

GOVERNING BOARD

Member	Office	Term Expires
Pamela Starlson	President	November 2026
Greg Tepe	Vice President	November 2028
Keith Giles	Clerk	November 2028
Duane Winn	Member	November 2026
Jullie Eutsler	Member	November 2028

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

OTHER INDEPENDENT AUDITORS' REPORTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**Independent 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, 2025, 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 February 23, 2026.

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*.

We noted certain matters that we reported to management of the District in a separate letter dated February 23, 2026.

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 style.

San Diego, California
February 23, 2026

**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, 2025. 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, 2025.

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 judgment 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 judgment 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
February 23, 2026

**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 *2024-2025 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, 2025.

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, 2025.

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 *2024-2025 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 that 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, it would influence the judgment 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 judgment 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, we express no such opinion; and
- Select and test transactions and records to determine Lancaster School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	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 or Programs	Not Applicable
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes

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

PROGRAM NAME	PROCEDURES PERFORMED
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	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
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools	
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 and material weaknesses in internal control over compliance that we identify 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 Findings #2025-001 and #2025-002. 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 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 a material noncompliance with a compliance requirement 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 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, 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 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 written in a cursive, flowing style.

San Diego, California
February 23, 2026

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**LANCASTER SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2025**

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>
<u>84.027, 84.027A, 84.173, 84.173A</u>	<u>Special Education Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>10.558</u>	<u>Child and Adult Care Food Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 993,127</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 <i>2024-25 Guide for Annual Audits of California K-12 Local Education Agencies ?</i>	<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, 2025**

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, 2025.

**LANCASTER SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

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, 2025.

**LANCASTER SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

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 #2025-001: AFTER SCHOOL EDUCATION & SAFETY (ASES) PROGRAM (40000)

Criteria: Education Code Section 8482.3 states that after school programs participating in the ASES program are required to submit student outcome data to the California Department of Education which includes measurable student outcomes including attendance. As a result, ASES 2024-25 1st Half After School Base Attendance Report was reviewed along with supporting documentation for each school site in order to determine whether the reported number of students served is supported by written records maintained.

Condition: Attendance reported for Linda Verde Elementary School and Mariposa Elementary did not reconcile to supporting attendance counts. The attendance reported for Linda Verde Elementary School and Mariposa Elementary School on the 1st Half Base Grant Attendance Report submitted to CDE was a combined 14,619 student days while the supporting attendance count showed 14,373 student days.

Cause: Clerical error.

Effect: As a result of our audit procedures, the adjusted amount for the 1st Half: After School Base should be increased to a total of 14,619 students served.

Context: An understatement of 246 students served for the ASES 2024-25 1st Half Base period was noted.

Questioned Costs: None. The ASES program funding is not affected as long as the pupil participation level is maintained at 85% of the projected attendance or greater.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the District implement a process to accurately calculate the attendance of the After-School Education & Safety (ASES) Program for reporting purposes to the California Department of Education.

**LANCASTER SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

FINDING #2025-001: AFTER SCHOOL EDUCATION & SAFETY (ASES) PROGRAM (40000) (continued)

Corrective Action Plan:

Sites: Linda Verde Elementary & Mariposa Elementary

School Year Implemented: 2025–2026

Forward Planning: 2026–2027

During the 2025–2026 school year, the Expanded Learning Opportunities Program (ELOP) Department implemented structured attendance monitoring and enrollment stabilization systems to address prior funding reductions at both sites.

Actions Implemented in 2025–2026:

- Weekly partner meetings with contracted providers, Site Supervisors, the Coordinator, and Director to review attendance data and align on enrollment targets.
- Conducted biweekly partner meetings to analyze attendance trends, clarify expectations, and reinforce performance standards.
- Site Lead Partners conduct internal attendance reviews and submit data to the ELOP Supervisor to identify and support consistent student participation.
- Maintained a continuous enrollment system to ensure no gaps in program capacity; when a student withdraws, a new eligible student is enrolled promptly.
- Engaged front office staff in ongoing enrollment efforts to sustain full rosters.
- Structured attendance intervention protocols, including proactive parent communication.
- Increased student engagement through high-interest enrichment activities and planned events to support retention.

Plan for 2026–2027:

To ensure long-term funding stability, the ELOP department will:

- Launch early enrollment campaigns prior to the school year to secure full rosters by the first day of programming.
- Implement enrollment forecasting and maintain a buffer above minimum funded thresholds.
- Continue structured attendance audits and standardized enrollment procedures across both sites.
- Strengthen family communication regarding attendance expectations and program commitment.
- Embed attendance benchmarks into ongoing partner oversight and accountability systems.
- Implement a dedicated ELOP Attendance Clerk position to maintain accurate daily attendance records, ensure data integrity within SIS and CALPADS, prepare required reports, coordinate enrollment updates, and support compliance with state and district reporting requirements.

Through consistent monitoring, continuous enrollment practices, and strengthened accountability systems, the district is working proactively to stabilize attendance and protect long-term funding sustainability across all sites.

**LANCASTER SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

FINDING #2025-002 SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria: School Accountability Report Cards (SARCs), should contain information regarding school facility conditions, as indicated in the most recently prepared facility inspection tool (FIT) form or a local evaluation instrument that meets the same criteria, as per Education Code Sections 33126(b)(8) and 1700(d).

Condition: Despite having a more recently prepared FIT form for West Winds Elementary School, the form used to prepare the 2023-2024 SARC published during the 2024-2025 school year was prepared in November 2018.

Cause: The District did not use the appropriate FIT forms to prepare the SARC for West Winds Elementary School.

Effect: The District is not in compliance with the related sections of California Education Code.

Context: One of the five school sites selected for SARC compliance testing was not compliant.

Questioned Cost: There are no questioned costs associated with this finding.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the District ensure the proper FIT form is utilized when preparing the SARC.

Corrective Action Plan:

1. Immediate Review and Correction

- The District will review the most recently completed FIT forms used for the schools.
- The 2023–2024 SARC will be revised, if required, to reflect facility conditions based on the most current FIT form.

2. Standardized SARC Preparation Procedures

- The District will implement a written procedure requiring verification of the most current FIT form prior to SARC preparation.
- A compliance checklist will be developed to ensure all statutory SARC components, including facility condition data, are reviewed and validated before publication.

3. Assignment of Responsibility

- The Director of Maintenance and Operations will be responsible for providing the most current FIT documentation annually.
- The Assistant Superintendent of Educational Services (or designee) will verify that the correct FIT data is incorporated into the SARC prior to Board approval and publication.

4. Staff Training

- Relevant administrative staff will receive training on SARC statutory requirements, including Education Code Sections 33126(b)(8) and 1700(d), to ensure future compliance.

5. Ongoing Monitoring

- Beginning with the 2024–2025 SARC cycle, the Assistant Superintendent (or designee) will conduct an annual internal review of supporting documentation to confirm that the most recent FIT form is used.

Timeline

- Procedure development and staff training: Within 60 days
- Implementation: Beginning with the next SARC publication cycle
- Ongoing monitoring: Annually thereafter
-

Responsible Parties:

Assistant Superintendent of Educational Services, Director of Maintenance and Operations and designees.

**LANCASTER SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

There were no findings or questioned costs for the year ended June 30, 2024.

Governing Board
Lancaster School District
Lancaster, California

In planning and performing our audit of the financial statements of Lancaster School District (the District) for the year ended June 30, 2025, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated February 23, 2026, on the government-wide financial statements of the District.

ASSOCIATED STUDENT BODY (ASB)

Observation:

Through our testing of the school site ASB accounts, we noted three of five cash collections tested at Endeavour Middle School were not deposited in a timely manner.

Recommendation:

We recommend that all ASB cash collections be deposited within 2 weeks of collection. The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

We will review the status of the current year comment during our next audit engagement.



San Diego, California
February 23, 2026