

LANCASTER SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2022



LANCASTER SCHOOL DISTRICT
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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, the major fund, and the aggregate remaining fund information of the Lancaster School District, as of and for the year ended June 30, 2022, 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, the major fund, and the aggregate remaining fund information of the Lancaster School District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lancaster School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lancaster School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lancaster School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 on our consideration of the Lancaster School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lancaster School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lancaster School District's internal control over financial reporting and compliance.

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

San Diego, California
January 31, 2023

LANCASTER SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

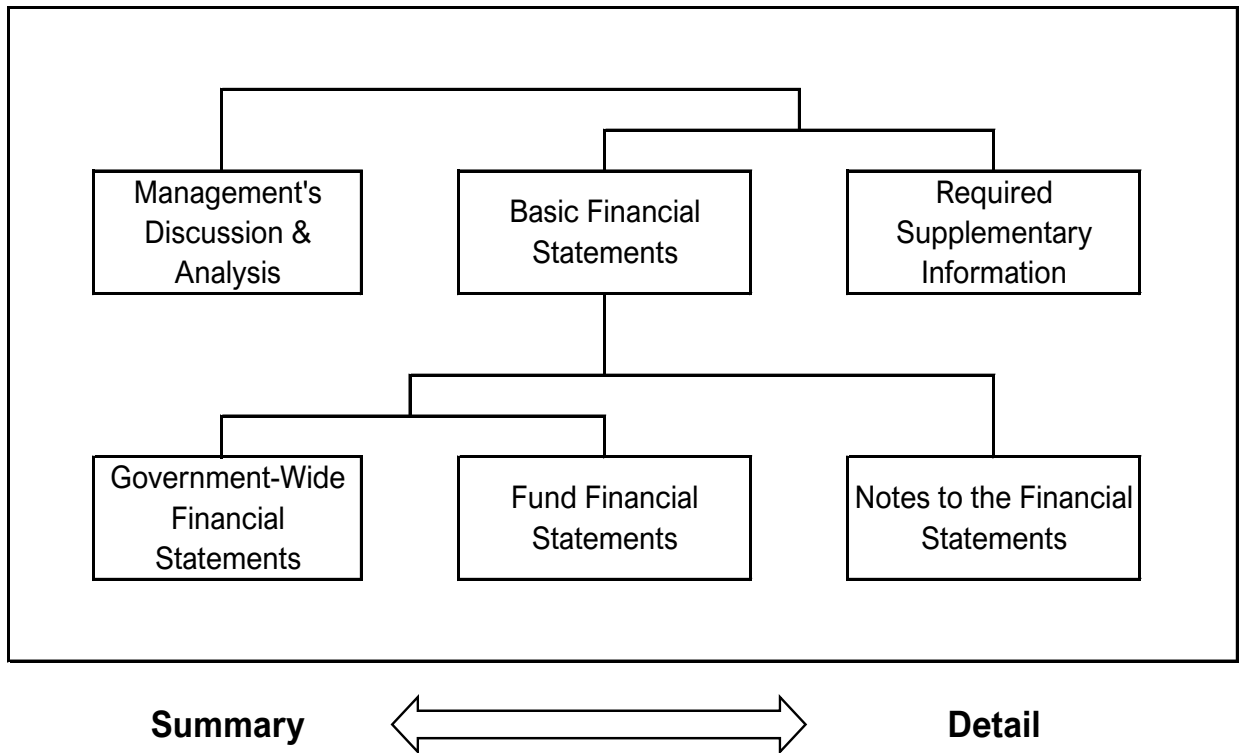
Our discussion and analysis of Lancaster School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$21,122,321 at June 30, 2022. This was an increase of \$42,190,909 from the prior year.
- Overall revenues were \$270,756,786 which exceeded expenses of \$228,565,877.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**LANCASTER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$21,122,321 at June 30, 2022, as reflected in the table below. Of this amount, \$(147,555,674) 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		
	2022	2021	Net Change
ASSETS			
Current and other assets	\$ 155,506,654	\$ 135,120,529	\$ 20,386,125
Capital assets	165,667,200	164,351,954	1,315,246
Total Assets	321,173,854	299,472,483	21,701,371
DEFERRED OUTFLOWS OF RESOURCES	60,899,124	56,239,008	4,660,116
LIABILITIES			
Current liabilities	29,136,063	48,390,775	(19,254,712)
Long-term liabilities	245,195,848	317,673,472	(72,477,624)
Total Liabilities	274,331,911	366,064,247	(91,732,336)
DEFERRED INFLOWS OF RESOURCES	86,618,746	10,715,832	75,902,914
NET POSITION			
Net investment in capital assets	97,359,482	91,389,107	5,970,375
Restricted	71,318,513	41,309,508	30,009,005
Unrestricted	(147,555,674)	(153,767,203)	6,211,529
Total Net Position	\$ 21,122,321	\$ (21,068,588)	\$ 42,190,909

**LANCASTER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

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		
	2022	2021	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 1,909,934	\$ 10,890,962	\$ (8,981,028)
Operating grants and contributions	91,927,029	54,143,842	37,783,187
Capital grants and contributions	-	4,207,944	(4,207,944)
General revenues			
Property taxes	29,035,651	29,174,836	(139,185)
Unrestricted federal and state aid	150,495,730	135,127,389	15,368,341
Other	(2,611,558)	510,462	(3,122,020)
Total Revenues	270,756,786	234,055,435	36,701,351
EXPENSES			
Instruction	132,042,442	136,452,427	(4,409,985)
Instruction-related services	19,793,593	20,190,676	(397,083)
Pupil services	30,105,311	27,339,448	2,765,863
General administration	12,661,807	11,855,843	805,964
Plant services	19,525,398	18,921,354	604,044
Ancillary and community services	1,675,252	1,473,971	201,281
Debt service	4,265,874	3,867,380	398,494
Other outgo	3,274,767	2,683,686	591,081
Enterprise activities	5,221,433	5,517,710	(296,277)
Total Expenses	228,565,877	228,302,495	263,382
Change in net position	42,190,909	5,752,940	36,437,969
Net Position - Beginning	(21,068,588)	(26,821,528)	5,752,940
Net Position - Ending	\$ 21,122,321	\$ (21,068,588)	\$ 42,190,909

The cost of all our governmental activities this year was \$228,565,877 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$29,035,651 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, 2022**

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	
	2022	2021
Instruction	\$ 78,876,083	\$ 90,841,668
Instruction-related services	15,896,226	15,978,309
Pupil services	10,464,996	11,036,700
General administration	(169,461)	10,534,911
Plant services	18,216,960	18,913,905
Ancillary and community services	18,715	362,535
Debt service	4,265,874	3,867,380
Transfers to other agencies	1,938,088	2,006,629
Enterprise activities	5,221,433	5,517,710
Total	\$ 134,728,914	\$ 159,059,747

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 \$130,694,551, which is more than last year's ending fund balance of \$90,603,584. The District's General Fund had \$34,381,805 more in operating revenues than expenditures for the year ended June 30, 2022.

CURRENT YEAR BUDGET 2021-2022

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, 2022**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2021-2022 the District had invested \$165,667,200 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2022	2021	Net Change
CAPITAL ASSETS			
Land	\$ 9,507,508	\$ 9,507,508	\$ -
Construction in progress	20,225,701	18,058,996	2,166,705
Land improvements	22,550,587	22,223,393	327,194
Buildings & improvements	216,714,103	213,862,863	2,851,240
Furniture & equipment	30,647,108	28,552,405	2,094,703
Less: Accumulated depreciation	(133,977,807)	(127,853,211)	(6,124,596)
Total Capital Assets	\$ 165,667,200	\$ 164,351,954	\$ 1,315,246

Long-Term Liabilities

At year-end, the District had \$245,195,848 in long-term liabilities, a decrease of 22.82% from last year's balance – as shown in the table below. More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities		
	2022	2021	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 77,922,762	\$ 79,894,966	\$ (1,972,204)
Total certificates of participation	6,681,154	7,038,736	(357,582)
Special tax bonds	9,671,365	-	9,671,365
Annuity payable	1,860,500	1,910,500	(50,000)
Compensated absences	987,124	936,294	50,830
Total OPEB liability	47,432,721	52,492,861	(5,060,140)
Net pension liability	104,168,008	178,457,459	(74,289,451)
Less: current portion of long-term liabilities	(3,527,786)	(3,057,344)	(470,442)
Total Long-term Liabilities	\$ 245,195,848	\$ 317,673,472	\$ (72,477,624)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

In its September 2022 quarterly report, the UCLA Anderson Forecast stated the U.S. economy was likely to muddle along with below-trend growth and continued high inflation over the next twelve months. No recession is forecast at this time; however, the possibility still exists that persistent inflation and aggressive interest rate policy will lead to a hard landing of the economy, potentially triggering a recession. In California, defense spending and technology demands will likely keep the economy growing.

**LANCASTER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. The May 2022 Budget Revision includes total funding of \$128.3 billion (\$78.4 billion General Fund and \$49.9 billion other funds) for all K-12 education programs, additionally, the revised spending plan further accelerates the implementation of the "California for All Kids" plan, which is a whole-child support framework designed to target inequities in educational outcomes among students from different demographic backgrounds and empower parents and families with more options and services. The Proposition 98 Guarantee continues to be in Test 1 for 2021-22 and 2022-23. To accommodate enrollment increases related to the expansion of transitional kindergarten, the Governor's Budget proposed re-benching the Test 1 percentage to increase the percentage of General Fund revenues due to the Guarantee, from 38.03 percent to approximately 38.4 percent. The May Revision updates the increased Test 1 percentage from approximately 38.4 percent to approximately 38.3 percent. At May Revision, the 2022-23 cost-of-living adjustment (COLA) is updated to 6.56 percent, the largest COLA in the history of LCFF.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2022. The amount of the liability is material to the financial position of the District. The CalSTRS projected employer contribution rate for 2022-23 is 19.10 percent. The CalPERS projected employer contribution rate for 2022-23 is 25.37 percent. The projected increased pension costs to school employers remain a significant fiscal factor.

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

All of these factors were considered in preparing the District's budget for the 2022-23 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Business Services Department at Lancaster School District, 44711 N Cedar Avenue, Lancaster CA 93534.

LANCASTER SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and investments	\$ 135,598,338
Accounts receivable	19,465,839
Inventory	289,574
Prepaid expenses	111,085
Other current assets	41,818
Capital assets, not depreciated	29,733,209
Capital assets, net of accumulated depreciation	135,933,991
Total Assets	321,173,854
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	46,317,691
Deferred outflows related to OPEB	13,401,623
Deferred amount on refunding	1,179,810
Total Deferred Outflows of Resources	60,899,124
LIABILITIES	
Accrued liabilities	17,586,682
Unearned revenue	8,021,595
Long-term liabilities, current portion	3,527,786
Long-term liabilities, non-current portion	245,195,848
Total Liabilities	274,331,911
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	75,491,262
Deferred inflows related to OPEB	11,127,484
Total Deferred Inflows of Resources	86,618,746
NET POSITION	
Net investment in capital assets	97,359,482
Restricted:	
Capital projects	24,365,600
Debt service	8,605,698
Educational programs	34,151,943
Food service	3,997,229
Associated student body	198,043
Unrestricted	(147,555,674)
Total Net Position	\$ 21,122,321

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

**LANCASTER SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 132,042,442	\$ 856,136	\$ 52,310,223	\$ (78,876,083)
Instruction-related services				
Instructional supervision and administration	4,688,189	334,945	1,818,166	(2,535,078)
Instructional library, media, and technology	11,122	-	-	(11,122)
School site administration	15,094,282	28,680	1,715,576	(13,350,026)
Pupil services				
Home-to-school transportation	6,544,310	-	1,198,741	(5,345,569)
Food services	7,956,727	8,983	8,955,123	1,007,379
All other pupil services	15,604,274	592,197	8,885,271	(6,126,806)
General administration				
Centralized data processing	3,431,426	-	183,045	(3,248,381)
All other general administration	9,230,381	88,942	12,559,281	3,417,842
Plant services	19,525,398	51	1,308,387	(18,216,960)
Ancillary services	176,306	-	185,355	9,049
Community services	1,498,946	-	1,471,182	(27,764)
Enterprise activities	5,221,433	-	-	(5,221,433)
Interest on long-term debt	4,265,874	-	-	(4,265,874)
Other outgo	3,274,767	-	1,336,679	(1,938,088)
Total Governmental Activities	\$ 228,565,877	\$ 1,909,934	\$ 91,927,029	(134,728,914)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				19,340,882
Property taxes, levied for debt service				7,789,972
Property taxes, levied for other specific purposes				1,904,797
Federal and state aid not restricted for specific purposes				150,495,730
Interest and investment earnings				(4,847,438)
Miscellaneous				2,235,880
Subtotal, General Revenue				176,919,823
CHANGE IN NET POSITION				42,190,909
Net Position - Beginning				(21,068,588)
Net Position - Ending				\$ 21,122,321

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

**LANCASTER SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 83,085,261	\$ 52,513,077	\$ 135,598,338
Accounts receivable	17,814,616	1,651,223	19,465,839
Stores inventory	-	289,574	289,574
Prepaid expenditures	111,085	-	111,085
Other current assets	41,818	-	41,818
Total Assets	\$ 101,052,780	\$ 54,453,874	\$ 155,506,654
LIABILITIES			
Accrued liabilities	\$ 14,515,653	\$ 2,274,855	\$ 16,790,508
Unearned revenue	8,021,595	-	8,021,595
Total Liabilities	22,537,248	2,274,855	24,812,103
FUND BALANCES			
Nonspendable	126,085	766,103	892,188
Restricted	33,180,030	48,467,237	81,647,267
Committed	-	2,945,679	2,945,679
Unassigned	45,209,417	-	45,209,417
Total Fund Balances	78,515,532	52,179,019	130,694,551
Total Liabilities and Fund Balances	\$ 101,052,780	\$ 54,453,874	\$ 155,506,654

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, 2022

Total Fund Balance - Governmental Funds \$ 130,694,551

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	\$ 299,645,007	
Accumulated depreciation	<u>(133,977,807)</u>	165,667,200

Deferred amount on refunding:

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

1,179,810

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:

(796,174)

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	\$ 77,922,762	
Total certificates of participation	6,681,154	
Special tax bonds	9,671,365	
Annuity payable	1,860,500	
Compensated absences	987,124	
Total OPEB liability	47,432,721	
Net pension liability	<u>104,168,008</u>	(248,723,634)

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	\$ 46,317,691	
Deferred inflows of resources related to pensions	<u>(75,491,262)</u>	(29,173,571)

(continued on following page)

LANCASTER SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION, continued
JUNE 30, 2022

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	\$ 13,401,623	
Deferred inflows of resources related to OPEB	<u>(11,127,484)</u>	2,274,139
Total Net Position - Governmental Activities		<u>\$ 21,122,321</u>

LANCASTER SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
LCFF sources	\$ 165,900,317	\$ 1,000,000	\$ 166,900,317
Federal sources	46,043,149	8,360,950	54,404,099
Other state sources	35,741,612	5,181,135	40,922,747
Other local sources	14,366,184	8,603,682	22,969,866
Total Revenues	262,051,262	23,145,767	285,197,029
EXPENDITURES			
Current			
Instruction	143,228,317	3,554,789	146,783,106
Instruction-related services			
Instructional supervision and administration	4,680,405	421,882	5,102,287
School site administration	16,237,543	347,361	16,584,904
Pupil services			
Home-to-school transportation	6,101,063	-	6,101,063
Food services	335,287	7,816,911	8,152,198
All other pupil services	17,867,635	42,501	17,910,136
General administration			
Centralized data processing	3,527,309	-	3,527,309
All other general administration	8,958,350	536,903	9,495,253
Plant services	19,951,106	28,551	19,979,657
Facilities acquisition and construction	-	6,584,464	6,584,464
Ancillary services	-	176,306	176,306
Community services	1,489,162	-	1,489,162
Enterprise activities	1,951,990	-	1,951,990
Transfers to other agencies	3,274,541	-	3,274,541
Debt service			
Principal	10,000	2,298,097	2,308,097
Interest and other	56,749	5,605,398	5,662,147
Total Expenditures	227,669,457	27,413,163	255,082,620
Excess (Deficiency) of Revenues Over Expenditures	34,381,805	(4,267,396)	30,114,409
Other Financing Sources (Uses)			
Transfers in	-	1,000,000	1,000,000
Other sources	-	28,611,365	28,611,365
Transfers out	(1,000,000)	-	(1,000,000)
Other uses	-	(18,634,807)	(18,634,807)
Net Financing Sources (Uses)	(1,000,000)	10,976,558	9,976,558
NET CHANGE IN FUND BALANCE	33,381,805	6,709,162	40,090,967
Fund Balance - Beginning	45,133,727	45,469,857	90,603,584
Fund Balance - Ending	\$ 78,515,532	\$ 52,179,019	\$ 130,694,551

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, 2022**

Net Change in Fund Balances - Governmental Funds \$ 40,090,967

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:	\$ 7,439,842	
Depreciation expense:	<u>(6,124,596)</u>	1,315,246

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: 22,335,000

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: (28,611,365)

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: 1,048,853

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: 20,312

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. (1,450,579)

(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, 2022

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: (50,830)

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (3,395,297)

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: 10,453,237

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: 50,000

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: 385,365

Change in Net Position of Governmental Activities

\$ 42,190,909

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022

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.

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.

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*).

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

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

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

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

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

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

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

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

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

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, 2022

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

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.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

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)

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

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

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

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

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, 2022

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, 2022

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, 2022

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, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has implemented this Statement as of June 30, 2022.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has fully implemented this Statement as of June 30, 2022.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard's primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has fully implemented this Statement as of June 30, 2022.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for periods beginning after June 15, 2022. The District has not yet determined the impact on the financial statements.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This standard's primary objectives are to increase consistency and comparability related to reporting fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for periods beginning after June 15, 2021. The District has implemented this Statement as of June 30, 2022.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

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

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

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

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities
Investment in county treasury	\$ 130,386,355
Fair value adjustment	(5,396,988)
Cash on hand and in banks	798,112
Cash with fiscal agent	9,319,330
Cash in revolving fund	491,529
Total	\$ 135,598,338

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 2 – CASH AND INVESTMENTS (continued)

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.

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

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 2 – CASH AND INVESTMENTS (continued)

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 \$124,989,367. The average weighted maturity for this pool is 993 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2022, the pooled investments in the County Treasury were not rated.

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, 2022, the District's bank balance of \$753,277 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.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 2 – CASH AND INVESTMENTS (continued)

G. Fair Value (continued)

The District's fair value measurements at June 30, 2022 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 124,989,367
U.S. Bank money market investments	9,319,330
Total	<u>\$ 134,308,697</u>

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2022 consisted of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Governmental Activities</u>
Federal Government			
Categorical aid	\$ 8,153,591	\$ 971,211	\$ 9,124,802
State Government			
Categorical aid	1,822,315	567,549	2,389,864
Lottery	855,993	-	855,993
Local Government			
Other local sources	6,982,717	112,463	7,095,180
Total	<u>\$ 17,814,616</u>	<u>\$ 1,651,223</u>	<u>\$ 19,465,839</u>

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance July 01, 2021	Additions	Deletions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 9,507,508	\$ -	\$ -	\$ 9,507,508
Construction in progress	18,058,996	5,567,936	3,401,231	20,225,701
Total capital assets not being depreciated	27,566,504	5,567,936	3,401,231	29,733,209
Capital assets being depreciated				
Land improvements	22,223,393	327,194	-	22,550,587
Buildings & improvements	213,862,863	2,851,240	-	216,714,103
Furniture & equipment	28,552,405	2,094,703	-	30,647,108
Total capital assets being depreciated	264,638,661	5,273,137	-	269,911,798
Less: Accumulated depreciation				
Land improvements	15,109,606	757,466	-	15,867,072
Buildings & improvements	88,475,664	4,359,347	-	92,835,011
Furniture & equipment	24,267,941	1,007,783	-	25,275,724
Total accumulated depreciation	127,853,211	6,124,596	-	133,977,807
Total capital assets being depreciated, net	136,785,450	(851,459)	-	135,933,991
Governmental Activities				
Capital Assets, net	\$ 164,351,954	\$ 4,716,477	\$ 3,401,231	\$ 165,667,200

Depreciation expense was allocated to governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,187,032
Instructional supervision and administration	115,504
Instructional library, media, and technology	11,122
School site administration	528,434
Home-to-school transportation	443,247
Food services	166,984
All other pupil services	12,535
Centralized data processing	55,343
All other general administration	200,722
Plant services	380,211
Community services	23,462
Total	\$ 6,124,596

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2022 consisted of the General Fund transferring \$1,000,000 to the Non-Major Special Reserve Fund for Capital Outlay Projects for the annual transfer to support capital outlay projects.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2022 consisted of the following:

	General Fund	Non-Major Governmental Funds	District-Wide	Governmental Activities
Payroll	\$ 6,123,060	\$ 1,746,095	\$ -	\$ 7,869,155
Construction	-	330,197	-	330,197
Vendors payable	8,392,593	198,563	-	8,591,156
Unmatured interest	-	-	796,174	796,174
Total	\$ 14,515,653	\$ 2,274,855	\$ 796,174	\$ 17,586,682

NOTE 7 – UNEARNED REVENUES

Unearned revenues at June 30, 2022 consisted of the following:

	General Fund
Federal sources	\$ 2,743,728
State categorical sources	5,277,867
Total	\$ 8,021,595

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2022 consisted of the following:

	Balance July 01, 2021	Additions	Deductions	Balance June 30, 2022	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 78,128,994	\$ 20,390,579	\$ 22,000,000	\$ 76,519,573	\$ 2,462,308
Unamortized premium	1,765,972	-	362,783	1,403,189	56,659
Total general obligation bonds	79,894,966	20,390,579	22,362,783	77,922,762	2,518,967
Certificates of participation	6,700,000	-	335,000	6,365,000	350,000
Unamortized premium	338,736	-	22,582	316,154	22,582
Total certificates of participation	7,038,736	-	357,582	6,681,154	372,582
Special tax bonds	-	9,505,000	-	9,505,000	-
Unamortized premium	-	166,365	-	166,365	5,737
Total special tax bonds	-	9,671,365	-	9,671,365	5,737
Annuity payable	1,910,500	602,000	652,000	1,860,500	630,500
Compensated absences	936,294	50,830	-	987,124	-
Total OPEB liability	52,492,861	-	5,060,140	47,432,721	-
Net pension liability	178,457,459	-	74,289,451	104,168,008	-
Total	\$ 320,730,816	\$ 30,714,774	\$ 102,721,956	\$ 248,723,634	\$ 3,527,786

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 8 – LONG-TERM LIABILITIES (continued)

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

A. Bonded Debt

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2021	Additions	Deductions	Bonds Outstanding June 30, 2022
1999 Election - Series A	1999	2024	3.20% - 5.40%	\$ 17,499,669	\$ 6,202,971	\$ 271,653	\$ 1,990,000	\$ 4,484,624
1999 Election - Series 2001	2001	2027	4.00% - 5.63%	11,500,262	18,095,926	1,062,066	2,000,000	17,157,992
2012 Election - Series 2013A	2013	2039	4.00% - 5.00%	17,205,000	17,205,000	-	17,205,000	-
2012 Election - Series 2013B	2013	2031	1.00% - 4.38%	12,305,000	10,370,000	-	460,000	9,910,000
2012 Election - Series 2018C	2018	2048	2.00% - 5.00%	11,000,000	11,000,000	-	-	11,000,000
2012 Election - Series 2020D	2020	2048	2.96% - 4.00%	15,184,908	15,255,097	116,860	345,000	15,026,957
2021A Refunding Bonds	2021	2039	0.296% - 2.842%	18,940,000	-	18,940,000	-	18,940,000
					<u>\$ 78,128,994</u>	<u>\$ 20,390,579</u>	<u>\$ 22,000,000</u>	<u>\$ 76,519,573</u>

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.

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.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. Bonded Debt (continued)

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, 2022, deferred outflow of resources of \$1,057,584 remain to be amortized. As of June 30, 2022, the principal balance outstanding on the defeased debt had not been redeemed. The refunding decreased the District's total debt service payments by \$2,180,053. The transaction resulted in an economic gain (difference between the present value of debt service on the old and the new bonds) of \$1,204,238.

The bonds mature through 2048 as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 2,462,308	\$ 4,809,951	\$ 7,272,259
2024	2,642,694	5,972,270	8,614,964
2025	2,052,105	4,553,977	6,606,082
2026	2,502,048	5,720,810	8,222,858
2027	2,685,337	6,107,842	8,793,179
2028 - 2032	8,720,000	6,917,593	15,637,593
2033 - 2037	12,535,000	5,256,956	17,791,956
2038 - 2042	11,555,485	6,255,384	17,810,869
2043 - 2047	12,769,423	2,450,377	15,219,800
2048	3,340,000	66,800	3,406,800
Accretion	15,255,173	(15,255,173)	-
Total	\$ 76,519,573	\$ 32,856,787	\$ 109,376,360

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 8 – LONG-TERM LIABILITIES (continued)

B. Certificates of Participation (COPs)

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Certificates Outstanding July 01, 2021	Additions	Deductions	Certificates Outstanding June 30, 2022
2018 Refunding Certificates	2017	2036	2.00% - 5.00%	\$ 7,660,000	\$ 6,700,000	\$ -	\$ 335,000	\$ 6,365,000
					\$ 6,700,000	\$ -	\$ 335,000	\$ 6,365,000

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).

The COP mature through 2036 as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 350,000	\$ 234,256	\$ 584,256
2024	365,000	220,256	585,256
2025	375,000	205,656	580,656
2026	390,000	190,656	580,656
2027	410,000	175,056	585,056
2028 - 2032	2,315,000	598,231	2,913,231
2033 - 2036	2,160,000	170,763	2,330,763
Total	\$ 6,365,000	\$ 1,794,874	\$ 8,159,874

C. Special Tax Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2021	Additions	Deductions	Bonds Outstanding June 30, 2022
Special Tax Bonds, 2022 Series A	2022	2051	4.00% - 5.00%	\$ 9,505,000	\$ -	\$ 9,505,000	\$ -	\$ 9,505,000
					\$ -	\$ 9,505,000	\$ -	\$ 9,505,000

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

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 8 – LONG-TERM LIABILITIES (continued)

C. Special Tax Bonds (continued)

The bonds mature through 2051 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 374,276	\$ 374,276
2024	-	417,150	417,150
2025	-	417,150	417,150
2026	-	417,150	417,150
2027	20,000	416,650	436,650
2028 - 2032	410,000	2,041,500	2,451,500
2033 - 2037	1,110,000	1,855,500	2,965,500
2038 - 2042	4,430,000	1,175,275	5,605,275
2043 - 2047	1,985,000	517,738	2,502,738
2048 - 2051	1,550,000	129,525	1,679,525
Total	\$ 9,505,000	\$ 7,761,914	\$ 17,266,914

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>
2023	\$ 630,500
2024	485,000
2025	375,000
2026	251,500
2027	118,500
Total	\$ 1,860,500

E. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2022 amounted to \$987,124. 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 \$52,492,861 and decreased by \$5,060,140 during the year ended June 30, 2022. The ending total OPEB liability at June 30, 2022 was \$47,432,721. See Note 10 for additional information regarding the total OPEB liability.

G. Net Pension Liability

The District's beginning net pension liability was \$178,457,459 and decreased by \$74,289,451 during the year ended June 30, 2022. The ending net pension liability at June 30, 2022 was \$104,168,008. See Note 11 for additional information regarding the net pension liability.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2022:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable			
Revolving cash	\$ 15,000	\$ 476,529	\$ 491,529
Stores inventory	-	289,574	289,574
Prepaid expenditures	111,085	-	111,085
Total non-spendable	126,085	766,103	892,188
Restricted			
Educational programs	33,180,030	971,913	34,151,943
Food service	-	3,997,229	3,997,229
Associated student body	-	198,043	198,043
Capital projects	-	33,898,180	33,898,180
Debt service	-	9,401,872	9,401,872
Total restricted	33,180,030	48,467,237	81,647,267
Committed			
Deferred maintenance	-	2,945,679	2,945,679
Total committed	-	2,945,679	2,945,679
Unassigned	45,209,417	-	45,209,417
Total Fund Balance	\$ 78,515,532	\$ 52,179,019	\$ 130,694,551

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, 2022

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 90% of the active employee cap**	100% of premium up to cap 90% of the active employee cap**	100%
District 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 \$2,208,059 to the Plan, all of which was used for current premiums.

D. Plan Membership

Membership of the Plan consisted of the following:

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

*Information not provided

**As of the June 30, 2022 valuation date

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

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

E. Total OPEB Liability

The Lancaster School District's total OPEB liability of \$47,432,721 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

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

Economic assumptions:

Inflation	2.50%
Salary increases	2.75%
Investment rate of return	3.54%
Healthcare cost trend rates	4.00%

Non-economic assumptions:

Mortality:

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

Retirement rates:

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

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

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

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

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

G. Changes in Total OPEB Liability

	<u>June 30, 2022</u>
Total OPEB Liability	
Service cost	\$ 4,291,694
Interest on total OPEB liability	1,156,349
Difference between expected and actual experience	(3,157,034)
Changes of assumptions	(5,143,090)
Benefits payments	(2,208,059)
Net change in total OPEB liability	(5,060,140)
Total OPEB liability - beginning	52,492,861
Total OPEB liability - ending	<u>\$ 47,432,721</u>
 Covered-employee payroll	 \$ 112,446,247
 District's total OPEB liability as a percentage of covered-employee payroll	 42.18%

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	Valuation Discount Rate	1% Increase
	(2.54%)	(3.54%)	(4.54%)
Total OPEB liability	\$ 51,117,997	\$ 47,432,721	\$ 43,983,792

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	Valuation Trend Rate	1% Increase
	(3.00%)	(4.00%)	(5.00%)
Total OPEB liability	\$ 41,911,675	\$ 47,432,721	\$ 54,030,979

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

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, 2022, the Lancaster School District recognized OPEB expense of \$5,603,356. At June 30, 2022, 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	\$ -	\$ 6,376,997
Changes in assumptions	13,401,623	4,750,487
Total	<u>\$ 13,401,623</u>	<u>\$ 11,127,484</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>
2023	\$ 1,059,299	\$ 903,986
2024	1,059,299	903,986
2025	1,059,299	903,986
2026	1,059,299	903,986
2027	1,059,299	903,986
Thereafter	8,105,128	6,607,554
Total	<u>\$ 13,401,623</u>	<u>\$ 11,127,484</u>

NOTE 11 – PENSION PLANS

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

	<u>Net pension liability</u>	<u>Deferred outflows related to pensions</u>	<u>Deferred inflows related to pensions</u>	<u>Pension expense</u>
STRS Pension	\$ 63,051,332	\$ 35,030,845	\$ 59,614,976	\$ 5,345,120
PERS Pension	41,116,676	11,286,846	15,876,286	5,265,888
Total	<u>\$ 104,168,008</u>	<u>\$ 46,317,691</u>	<u>\$ 75,491,262</u>	<u>\$ 10,611,008</u>

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2022, 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 2022 was 16.92% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$13,268,190 for the year ended June 30, 2022.

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 \$8,910,494 to CalSTRS.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

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, 2022, 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	\$	63,051,332
State's proportionate share of the net pension liability associated with the District		31,725,645
Total	\$	94,776,977

The net pension liability was measured as of June 30, 2021, 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, 2020 and rolling forward the total pension liability to June 30, 2021. 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, 2021, the District's proportion was 0.139 percent, which was an increase of 0.016 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$5,345,120. In addition, the District recognized pension expense and revenue of \$(5,529,749) for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ -	\$ 49,875,227
Differences between expected and actual experience	157,947	6,709,977
Changes in assumptions	8,933,704	-
Changes in proportion and differences between District contributions and proportionate share of contributions	12,671,004	3,029,772
District contributions subsequent to the measurement date	13,268,190	-
Total	\$ 35,030,845	\$ 59,614,976

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

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 \$13,268,190 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, 2023. 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>
2023	\$ 7,113,399	\$ 14,751,908
2024	6,369,716	13,432,913
2025	2,224,836	13,722,482
2026	2,224,838	15,579,051
2027	2,016,767	1,459,424
2028	1,813,099	669,198
Total	<u>\$ 21,762,655</u>	<u>\$ 59,614,976</u>

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2021, are summarized in the table on the following page.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

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	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	<u>100%</u>	

*20-year geometric average

Discount Rate

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 128,349,945	\$ 63,051,332	\$ 8,854,730

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, 2022

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2022 was 22.91% of annual payroll. Contributions to the plan from the District were \$7,796,055 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$41,116,676 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 and rolling forward the total pension liability to June 30, 2021. 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, 2021, the District's proportion was 0.202 percent, which was an increase of 0.007 percent from its proportion measured as of June 30, 2020.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

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, 2022, the District recognized pension expense of \$5,265,888. At June 30, 2022, 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	\$ -	\$ 15,779,357
Differences between expected and actual experience	1,227,438	96,929
Changes in proportion and differences between District contributions and proportionate share of contributions	2,263,353	-
District contributions subsequent to the measurement date	7,796,055	-
Total	<u>\$ 11,286,846</u>	<u>\$ 15,876,286</u>

The \$7,796,055 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, 2023. 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>
2023	\$ 1,806,937	\$ 3,989,759
2024	1,153,160	3,671,539
2025	530,694	3,826,442
2026	-	4,388,546
Total	<u>\$ 3,490,791</u>	<u>\$ 15,876,286</u>

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
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 90% of scale MP 2016.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

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*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	<u>100.0%</u>		

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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, 2022

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 7.15 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 (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 69,328,490	\$ 41,116,676	\$ 17,694,819

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, 2022.

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, 2022.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

C. Construction Commitments

The district had the following remaining construction commitments as of June 30, 2022:

	Remaining Construction Commitment
Capital Projects	
Joshua Elementary - Phase II	\$ 513,438
Group I - HVAC Replacements	215,722
Group II - HVAC Replacements	1,711,400
Sierra Elementary - Modular Restroom	325,940
Total	\$ 2,766,500

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, 2022, the deferred outflows amount on refunding was \$1,179,810.

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, 2022, total deferred outflows related to pensions was \$46,317,691 and total deferred inflows related to pensions was \$75,491,262.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)

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, 2022, total deferred outflows related to other postemployment benefits was \$13,401,623 and total deferred inflows related to other postemployment benefits was \$11,127,484.

NOTE 15 – TAX REVENUE ANTICIPATION NOTES

On March 1, 2021, the District issued \$21,660,000 Tax Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. The notes mature on January 31, 2022 with repayment scheduled to begin in July 2021 and continuing through November 2021. As of June 30, 2022 the notes were paid in full.

REQUIRED SUPPLEMENTARY INFORMATION

**LANCASTER SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 159,386,982	\$ 168,566,224	\$ 166,900,317	\$ (1,665,907)
Federal sources	68,031,342	74,567,909	46,481,049	(28,086,860)
Other state sources	22,748,785	32,125,974	26,831,118	(5,294,856)
Other local sources	9,896,004	11,477,680	17,490,509	6,012,829
Total Revenues	260,063,113	286,737,787	257,702,993	(29,034,794)
EXPENDITURES				
Certificated salaries	92,608,504	90,054,082	85,364,886	4,689,196
Classified salaries	31,630,959	34,773,485	34,303,817	469,668
Employee benefits	54,126,254	52,422,585	49,563,290	2,859,295
Books and supplies	53,326,415	50,588,423	15,645,341	34,943,082
Services and other operating expenditures	29,648,589	44,701,869	29,665,258	15,036,611
Capital outlay	205,820	347,595	1,411,984	(1,064,389)
Other outgo				
Excluding transfers of indirect costs	1,888,989	1,903,649	3,341,290	(1,437,641)
Transfers of indirect costs	(649,492)	(633,257)	(536,903)	(96,354)
Total Expenditures	262,786,038	274,158,431	218,758,963	55,399,468
Excess (Deficiency) of Revenues				
Over Expenditures	(2,722,925)	12,579,356	38,944,030	26,364,674
Other Financing Sources (Uses)				
Transfers out	(1,000,000)	(1,000,000)	(2,000,000)	(1,000,000)
Net Financing Sources (Uses)	(1,000,000)	(1,000,000)	(2,000,000)	(1,000,000)
NET CHANGE IN FUND BALANCE	(3,722,925)	11,579,356	36,944,030	25,364,674
Fund Balance - Beginning	45,133,715	45,133,715	45,133,715	-
Fund Balance - Ending	\$ 41,410,790	\$ 56,713,071	\$ 82,077,745	\$ 25,364,674

* 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 \$8,910,494 are not included in the actual revenues and expenditures reported in this schedule.
- Revenues for the Medi-Cal Billing Option that have been reclassified from federal revenues to local revenues on the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- 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 for the fair value of cash in county treasury are not included in the revenues reported in this schedule.
- LCFF transfers to the Deferred Maintenance Fund are included as Interfund Transfers on this schedule and LCFF sources on the Schedule of Revenues, Expenditures, and Changes in Fund Balance.

LANCASTER SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2022

	<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	\$ 4,291,694	\$ 4,150,824	\$ 3,054,659	\$ 2,830,791	\$ 2,755,028
Interest on total OPEB liability	1,156,349	1,106,061	1,256,001	1,144,622	1,151,449
Difference between expected and actual experience	(3,157,034)	-	(4,272,122)	-	-
Changes of assumptions	(5,143,090)	164,298	15,744,189	713,066	-
Benefits payments	<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	(5,060,140)	3,164,364	14,157,431	3,077,453	2,357,414
Total OPEB liability - beginning	<u>52,492,861</u>	<u>49,328,497</u>	<u>35,171,066</u>	<u>32,093,613</u>	<u>29,736,199</u>
Total OPEB liability - ending	<u>\$ 47,432,721</u>	<u>\$ 52,492,861</u>	<u>\$ 49,328,497</u>	<u>\$ 35,171,066</u>	<u>\$ 32,093,613</u>
 Covered-employee payroll	 \$ 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	 42.18%	 49.44%	 47.42%	 26.80%	 24.46%

See accompanying notes to required supplementary information.

LANCASTER SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.139%	0.123%	0.129%	0.127%	0.123%	0.122%	0.120%	0.111%
District's proportionate share of the net pension liability	\$ 63,051,332	\$ 118,743,135	\$ 116,166,673	\$ 116,750,095	\$ 113,630,089	\$ 99,027,838	\$ 80,580,876	\$ 64,695,681
State's proportionate share of the net pension liability associated with the District	31,725,645	61,211,604	63,377,187	66,845,217	37,223,149	56,383,082	42,618,285	39,066,040
Total	<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>	<u>\$ 103,761,721</u>
District's covered payroll	\$ 72,983,028	\$ 67,890,603	\$ 70,046,972	\$ 67,854,491	\$ 66,137,928	\$ 61,971,165	\$ 54,687,658	\$ 47,387,231
District's proportionate share of the net pension liability as a percentage of its covered payroll	86.4%	174.9%	165.8%	172.1%	171.8%	159.8%	147.3%	136.5%
Plan fiduciary net position as a percentage of the total pension liability	87.2%	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

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

LANCASTER SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2022

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

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

**LANCASTER SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2022**

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

*Amounts do not include on-behalf contributions

**LANCASTER SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2022**

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

*Amounts do not include on-behalf contributions

**LANCASTER SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

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 2.16% to 3.54% since the previous measurement.

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

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

Changes in Benefit Terms

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

Changes in Assumptions

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

Schedule of District Contributions

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

LANCASTER SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2022, 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			
Capital outlay	\$ 347,595	\$ 1,411,984	\$ 1,064,389
Other outgo			
Excluding transfers of indirect costs	\$ 1,903,649	\$ 3,341,290	\$ 1,437,641
Transfers of indirect costs	\$ (633,257)	\$ (536,903)	\$ 96,354

SUPPLEMENTARY INFORMATION

LANCASTER SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

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	\$ 8,092,904
Comprehensive Support and Improvement for LEAs	84.010	15438	1,354,596
Subtotal Title I, Part A			<u>9,447,500</u>
Title I, Migrant Education	84.011	14326	10,576
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	798,161
Title III			
Title III, English Learner Student Program	84.365	14346	243,922
Title III, Immigrant Education Program	84.365	15146	27,926
Subtotal Title III			<u>271,848</u>
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	426,341
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	155,342
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	2,995,556
ARP IDEA Part B, Sec 611, Local Assistance Entitlement	84.027	15638	508,898
ARP IDEA Part B, Sec 619, Preschool Grants	84.173	15639	77,255
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	169,325
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,137
Subtotal Special Education Cluster			<u>3,752,171</u>
Education for Homeless Children and Youth, Subtitle VII-B McKinney-Vento Act	84.196	14332	57,192
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425	15536	433
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	10,354,523
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	16,847,889
American Rescue Plan-Homeless Children and Youth (ARP-HCY) Program	84.425	15564	63,464
Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	84.425	15535	883,842
Subtotal Education Stabilization Fund Discretionary Grants			<u>28,150,151</u>
Total U. S. Department of Education			<u><u>43,069,282</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	1,289,258
National School Lunch Program	10.555	13391	6,177,494
Meal Supplements	10.555	*	66,526
USDA Commodities	10.555	*	514,220
Subtotal Child Nutrition Cluster			<u>8,047,498</u>
Total U. S. Department of Agriculture			<u><u>8,047,498</u></u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through Los Angeles County Department of Public Health:</i>			
CDC Epidemiology and Laboratory Capacity for Infectious Diseases Grant	93.323	*	2,328,351
Total U. S. Department of Health & Human Services			<u><u>2,328,351</u></u>
U. S. DEPARTMENT OF THE TREASURY:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding:			
Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	25516	1,529,358
Total U. S. Department of the Treasury			<u><u>1,529,358</u></u>
Total Federal Expenditures			<u><u>\$ 54,974,489</u></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, 2022**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	5,423.39	5,469.05
Special Education - Nonpublic Schools	0.93	0.95
Total TK/K through Third	<u>5,424.32</u>	<u>5,470.00</u>
Fourth through Sixth		
Regular ADA	4,129.85	4,141.18
Extended Year Special Education - Nonpublic Schools	0.06	0.06
Community Day School	5.36	6.91
Total Fourth through Sixth	<u>4,135.27</u>	<u>4,148.15</u>
Seventh through Eighth		
Regular ADA	2,580.16	2,591.67
Special Education - Nonpublic Schools	3.83	3.99
Extended Year Special Education - Nonpublic Schools	0.13	0.13
Community Day School	4.73	6.76
Total Seventh through Eighth	<u>2,588.85</u>	<u>2,602.55</u>
TOTAL SCHOOL DISTRICT	<u>12,148.44</u>	<u>12,220.70</u>

**LANCASTER SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2022**

Grade Level	Minutes Requirement	2021-22 Actual Minutes	Number of Days	Status
Kindergarten	36,000	58,292	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	61,427	180	Complied
Grade 7	54,000	61,427	180	Complied
Grade 8	54,000	61,427	180	Complied

**LANCASTER SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

	2023 (Budget)	2022	2021	2020
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 257,402,196	\$ 257,702,993	\$ 206,490,627	\$ 182,825,944
Expenditures And Other Financing Uses	275,004,426	220,758,963	190,862,623	179,284,258
Net change in Fund Balance	<u>\$ (17,602,230)</u>	<u>\$ 36,944,030</u>	<u>\$ 15,628,004</u>	<u>\$ 3,541,686</u>
Ending Fund Balance	<u>\$ 64,475,515</u>	<u>\$ 82,077,745</u>	<u>\$ 45,133,715</u>	<u>\$ 29,060,935</u>
Available Reserves*	<u>\$ 39,887,375</u>	<u>\$ 45,209,417</u>	<u>\$ 31,019,791</u>	<u>\$ 23,007,218</u>
Available Reserves As A Percentage Of Outgo	<u>14.50%</u>	<u>20.48%</u>	<u>16.25%</u>	<u>12.83%</u>
Long-term Liabilities	<u>\$ 245,195,848</u>	<u>\$ 248,723,634</u>	<u>\$ 320,730,816</u>	<u>\$ 313,256,852</u>
Average Daily Attendance At P-2***	<u>12,930</u>	<u>12,148</u>	<u>13,500</u>	<u>13,500</u>

The General Fund ending fund balance has increased by \$53,016,810 over the past two years. The fiscal year 2022-23 budget projects a decrease of \$17,602,230. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2022-23 fiscal year. Total long-term obligations have decreased by \$64,533,218 over the past two years.

Average daily attendance has decreased by 1,352 ADA over the past two years. ADA is anticipated to increase by 782 during the 2022-23 fiscal year.

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

**The actual amounts reported in this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule reflect an adjustment to on-behalf payments of \$8,910,494 and include revenues for the Medi-Cal Billing Option that have been reclassified from federal revenues to local revenues. Audit adjustments for the fair value of cash in county treasury are not included in this schedule. The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Retiree Benefit Fund.

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

**LANCASTER SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Student Activity Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Post-Employment Benefits	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Debt Service Fund
June 30, 2022, annual financial and budget report fund balance	\$ 82,077,745	\$ -	\$ 1,037,913	\$ 4,926,659	\$ 3,072,626	\$ 12	\$ 9,952,352	\$ 5,054,998	\$ 4,123,876	\$ 6,534,526	\$ 236	\$ 7,052,009	\$ 2,665,202	\$ 89,732
Adjustments and reclassifications:														
Increase (decrease) in total fund balances:														
Fair value adjustment - cash in county treasury	(3,562,225)	-	(66,000)	(163,327)	(126,947)	-	(419,772)	(208,738)	(170,230)	(274,668)	(10)	(291,899)	(110,023)	(3,149)
Cash in banks	-	198,043	-	-	-	-	-	-	-	-	-	-	-	-
Cash with fiscal agent	-	-	-	-	-	-	-	-	-	-	9,305,610	-	-	-
Fund balance transfer (GASB 54)	12	-	-	-	-	(12)	-	-	-	-	-	-	-	-
Net adjustments and reclassifications	(3,562,213)	198,043	(66,000)	(163,327)	(126,947)	(12)	(419,772)	(208,738)	(170,230)	(274,668)	9,305,600	(291,899)	(110,023)	(3,149)
June 30, 2022, audited financial statement fund balance	\$ 78,515,532	\$ 198,043	\$ 971,913	\$ 4,763,332	\$ 2,945,679	\$ -	\$ 9,532,580	\$ 4,846,260	\$ 3,953,646	\$ 6,259,858	\$ 9,305,836	\$ 6,760,110	\$ 2,555,179	\$ 86,583

See accompanying notes to supplementary information.

**LANCASTER SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2022**

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

See accompanying notes to supplementary information.

LANCASTER SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2022

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Debt Service Fund	Non-Major Governmental Funds
ASSETS													
Cash and investments	\$ 198,043	\$ 1,528,511	\$ 4,286,744	\$ 2,939,976	\$ 9,721,530	\$ 4,834,184	\$ 3,942,379	\$ 6,361,070	\$ 9,305,835	\$ 6,760,110	\$ 2,548,322	\$ 86,373	\$ 52,513,077
Accounts receivable	-	542,907	1,031,947	5,923	28,992	12,076	11,267	11,043	1	-	6,857	210	1,651,223
Stores inventory	-	-	289,574	-	-	-	-	-	-	-	-	-	289,574
Total Assets	\$ 198,043	\$ 2,071,418	\$ 5,608,265	\$ 2,945,899	\$ 9,750,522	\$ 4,846,260	\$ 3,953,646	\$ 6,372,113	\$ 9,305,836	\$ 6,760,110	\$ 2,555,179	\$ 86,583	\$ 54,453,874
LIABILITIES													
Accrued liabilities	\$ -	\$ 1,099,505	\$ 844,933	\$ 220	\$ 217,942	\$ -	\$ -	\$ 112,255	\$ -	\$ -	\$ -	\$ -	\$ 2,274,855
Total Liabilities	-	1,099,505	844,933	220	217,942	-	-	112,255	-	-	-	-	2,274,855
FUND BALANCES													
Non-spendable	-	-	766,103	-	-	-	-	-	-	-	-	-	766,103
Restricted	198,043	971,913	3,997,229	-	9,532,580	4,846,260	3,953,646	6,259,858	9,305,836	6,760,110	2,555,179	86,583	48,467,237
Committed	-	-	-	2,945,679	-	-	-	-	-	-	-	-	2,945,679
Total Fund Balances	198,043	971,913	4,763,332	2,945,679	9,532,580	4,846,260	3,953,646	6,259,858	9,305,836	6,760,110	2,555,179	86,583	52,179,019
Total Liabilities and Fund Balances	\$ 198,043	\$ 2,071,418	\$ 5,608,265	\$ 2,945,899	\$ 9,750,522	\$ 4,846,260	\$ 3,953,646	\$ 6,372,113	\$ 9,305,836	\$ 6,760,110	\$ 2,555,179	\$ 86,583	\$ 54,453,874

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, 2022

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Debt Service Fund	Non-Major Governmental Funds
REVENUES													
LCFF sources	\$ -	\$ -	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
Federal sources	-	-	8,360,950	-	-	-	-	-	-	-	-	-	8,360,950
Other state sources	-	4,658,402	472,232	-	-	-	-	-	-	50,501	-	-	5,181,135
Other local sources	185,355	(9,465)	(100,162)	(112,512)	(347,640)	1,711,921	(144,961)	(523)	(8)	6,575,361	848,988	(2,672)	8,003,682
Total Revenues	185,355	4,648,937	8,733,020	887,488	(347,640)	1,711,921	(144,961)	(523)	(8)	6,625,862	848,988	(2,672)	23,145,767
EXPENDITURES													
Current													
Instruction	-	3,554,789	-	-	-	-	-	-	-	-	-	-	3,554,789
Instruction-related services	-	421,882	-	-	-	-	-	-	-	-	-	-	421,882
Instructional supervision and administration	-	347,361	-	-	-	-	-	-	-	-	-	-	347,361
Pupil services	-	-	7,816,911	-	-	-	-	-	-	-	-	-	7,816,911
Food services	-	-	-	-	-	-	-	-	-	-	-	-	-
All other pupil services	-	42,501	-	-	-	-	-	-	-	-	-	-	42,501
General administration	-	282,520	254,383	-	-	-	-	-	-	-	-	-	536,903
All other general administration	-	19,697	8,854	-	-	-	-	-	-	-	-	-	28,551
Plant services	-	-	26,450	668,250	3,959,678	16,977	-	1,913,109	-	-	-	-	6,584,464
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-	-	-	-
Ancillary services	176,306	-	-	-	-	-	-	-	-	-	-	-	176,306
Debt service	-	-	-	-	-	-	-	-	-	1,973,097	325,000	-	2,298,097
Principal	-	-	-	-	-	-	-	-	-	365,981	4,979,160	257,407	5,605,398
Interest and other	-	-	-	-	-	-	-	-	-	6,952,257	582,407	2,850	27,413,163
Total Expenditures	176,306	4,668,750	8,106,598	668,250	3,959,678	16,977	-	1,913,109	365,981	6,952,257	582,407	2,850	27,413,163
Excess (Deficiency) of Revenues Over Expenditures	9,049	(19,813)	626,422	219,238	(4,307,318)	1,694,944	(144,961)	(1,913,632)	(365,989)	(326,395)	266,581	(5,522)	(4,267,396)
Other Financing Sources (Uses)													
Transfers in	-	-	-	-	-	-	-	1,000,000	-	-	-	-	1,000,000
Other sources	-	-	-	-	-	-	-	-	9,671,365	18,940,000	-	-	28,611,365
Other uses	-	-	-	-	-	-	-	-	-	(18,634,807)	-	-	(18,634,807)
Net Financing Sources (Uses)	-	-	-	-	-	-	-	1,000,000	9,671,365	305,193	-	-	10,976,558
NET CHANGE IN FUND BALANCE	9,049	(19,813)	626,422	219,238	(4,307,318)	1,694,944	(144,961)	(913,632)	9,305,376	(21,202)	266,581	(5,522)	6,709,162
Fund Balance - Beginning	188,994	991,726	4,136,910	2,726,441	13,839,898	3,151,316	4,098,607	7,173,490	460	6,781,312	2,288,598	92,105	45,469,857
Fund Balance - Ending	\$ 198,043	\$ 971,913	\$ 4,763,332	\$ 2,945,679	\$ 9,532,580	\$ 4,846,260	\$ 3,953,646	\$ 6,259,858	\$ 9,305,836	\$ 6,760,110	\$ 2,555,179	\$ 86,583	\$ 52,179,019

See accompanying notes to supplementary information.

**LANCASTER SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2022**

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, 2022.

GOVERNING BOARD

Member	Office	Term Expires
Greg Tepe	President	November 2024
Keith Giles	Vice President	November 2024
Diana Grooms	Clerk	November 2022
Duane Winn	Member	November 2024
Sandra Price	Member	November 2022

DISTRICT ADMINISTRATORS

Dr. Paul Marietti
Superintendent

Dr. Larry Freise
Assistant Superintendent, Business Services

Bart Hoffman
Assistant Superintendent, Educational Services

Lexy Conte
Deputy Superintendent, Human Resources Services

LANCASTER SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2022

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2022 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2022. The District did not elect to use the 10 percent de minimis indirect cost rate.

	AL Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 54,404,099
COVID CARES Act Supplemental Meal Reimbursement	84.425	<u>570,390</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 54,974,489</u>

Schedule of Average Daily Attendance

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

Schedule of Instructional Time

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District and displays information for each Charter School on whether or not the Charter School is included in the District audit.

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

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

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, the major fund, and the aggregate remaining fund information of Lancaster School District, as of and for the year ended June 30, 2022, 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 January 28, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

San Diego, California
January 31, 2023

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

Governing Board
Lancaster School District
Lancaster, California

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

We have audited Lancaster School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lancaster School District's major federal programs for the year ended June 30, 2022. 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit for Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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.

Report on Internal Control Over Compliance (continued)

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
January 31, 2023

REPORT ON STATE COMPLIANCEIndependent 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 types of compliance requirements described in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Lancaster School District's state programs for the fiscal year ended June 30, 2022, as identified below.

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 the applicable state programs for the year ended June 30, 2022.

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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (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 audit opinion on state compliance. Our audit does not provide a legal determination of Lancaster School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of State Compliance

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

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

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

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable

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

PROGRAM NAME	PROCEDURES PERFORMED
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
In-Person Instruction Grant	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 or the program applies to a different type of local education agency.

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

Report on Internal Control Over Compliance

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

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

Report on Internal Control Over Compliance (continued)

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
January 31, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**LANCASTER SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 84.173, 84.173A</u>	<u>Special Education Cluster</u>
<u>84.425</u>	<u>Education Stabilization Fund Discretionary Grants</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,649,235</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 2021-22 <i>Guide for Annual Audits of California K-12 Local Education Agencies</i> ?	<u>No</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, 2022**

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, 2022.

**LANCASTER SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022.

**LANCASTER SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

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

**LANCASTER SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no findings or questioned costs for the year ended June 30, 2021.