

# LANCASTER SCHOOL DISTRICT

AUDIT REPORT  
JUNE 30, 2020



**LANCASTER SCHOOL DISTRICT**  
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**JUNE 30, 2020**

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## **FINANCIAL SECTION**

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**INDEPENDENT AUDITORS' REPORT**

Governing Board  
Lancaster School District  
Lancaster, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lancaster School District, as of and for the year ended June 30, 2020, 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.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

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

## **Other Matters**

### *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.

The supplementary information listed in the table of contents 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. Such 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 March 2, 2021 on our consideration of 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 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  
March 2, 2021

# LANCASTER SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

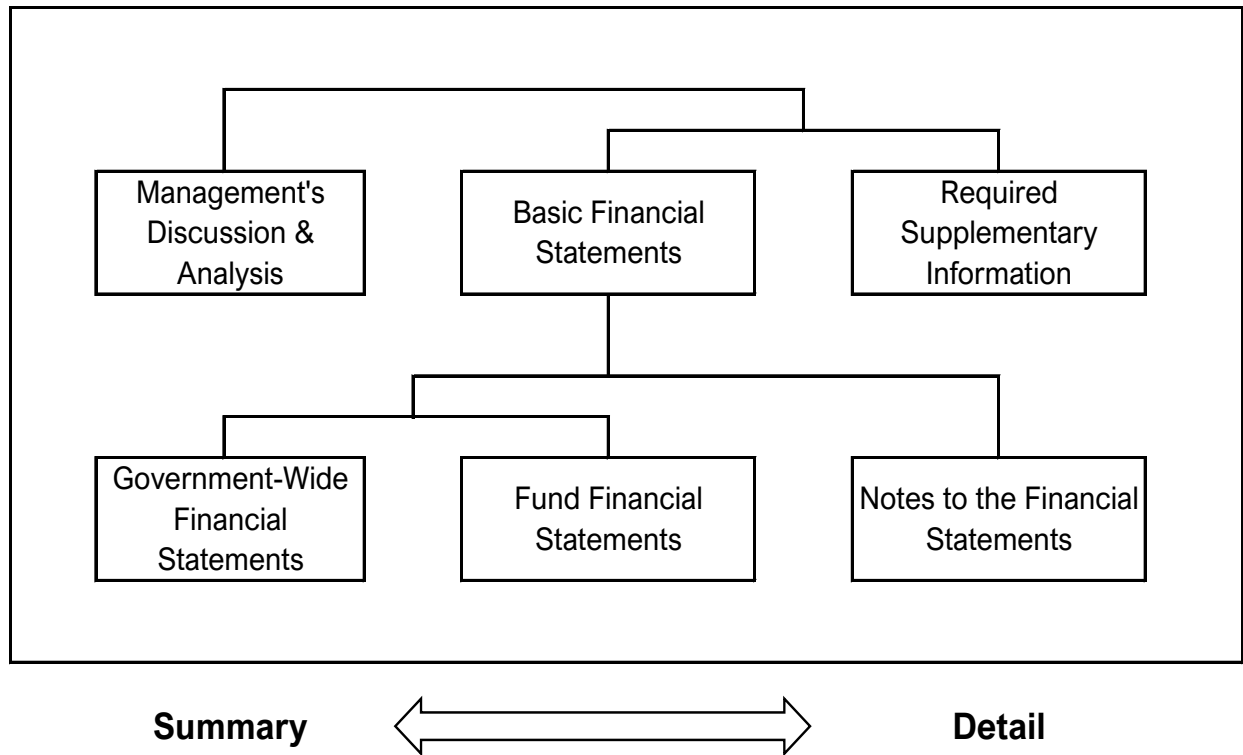
Our discussion and analysis of Lancaster School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. It should be read in conjunction with the District's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The District's total net position was \$(27,491,725) at June 30, 2020. This was a decrease of \$11,918,750 from the prior year.
- Overall revenues were \$203,983,181 which were exceeded by expenses of \$215,901,931.

## OVERVIEW OF FINANCIAL STATEMENTS

### Components of the Financial Section



**LANCASTER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2020**

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**OVERVIEW OF FINANCIAL STATEMENTS (continued)**

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

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
  - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
  - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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, 2020**

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

**Net Position**

The District's net position was \$(27,491,725) at June 30, 2020, as reflected in the table below. Of this amount, \$(145,481,164) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	<b>Governmental Activities</b>		
	<b>2020</b>	<b>2019</b>	<b>Net Change</b>
<b>ASSETS</b>			
Current and other assets	\$ 96,693,529	\$ 68,852,674	\$ 27,840,855
Capital assets	159,194,084	160,633,829	(1,439,745)
<b>Total Assets</b>	<b>255,887,613</b>	<b>229,486,503</b>	<b>26,401,110</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>64,047,186</b>	<b>52,501,522</b>	<b>11,545,664</b>
<b>LIABILITIES</b>			
Current liabilities	24,274,168	13,470,300	10,803,868
Long-term liabilities	310,722,010	277,725,967	32,996,043
<b>Total Liabilities</b>	<b>334,996,178</b>	<b>291,196,267</b>	<b>43,799,911</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>12,430,346</b>	<b>6,364,733</b>	<b>6,065,613</b>
<b>NET POSITION</b>			
Net investment in capital assets	89,045,964	109,240,480	(20,194,516)
Restricted	28,943,475	25,064,410	3,879,065
Unrestricted	(145,481,164)	(149,877,865)	4,396,701
<b>Total Net Position</b>	<b>\$ (27,491,725)</b>	<b>\$ (15,572,975)</b>	<b>\$(11,918,750)</b>

**LANCASTER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2020**

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

**Changes in Net Position**

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

	<b>Governmental Activities</b>		
	<b>2020</b>	<b>2019</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues			
Charges for services	\$ 305,159	\$ 24,162	\$ 280,997
Operating grants and contributions	28,299,747	27,281,709	1,018,038
General revenues			
Property taxes	25,095,160	24,158,159	937,001
Unrestricted federal and state aid	137,816,859	131,053,052	6,763,807
Other	12,466,256	15,951,034	(3,484,778)
<b>Total Revenues</b>	<b>203,983,181</b>	<b>198,468,116</b>	<b>5,515,065</b>
<b>EXPENSES</b>			
Instruction	123,286,835	120,539,492	2,747,343
Instruction-related services	19,170,163	18,706,776	463,387
Pupil services	27,997,880	25,505,404	2,492,476
General administration	12,216,644	13,795,607	(1,578,963)
Plant services	21,273,891	19,482,930	1,790,961
Ancillary and community services	1,468,892	1,484,875	(15,983)
Debt service	3,774,339	3,358,877	415,462
Other outgo	1,470,650	1,186,216	284,434
Other	5,242,637	1,817,246	3,425,391
<b>Total Expenses</b>	<b>215,901,931</b>	<b>205,877,423</b>	<b>10,024,508</b>
<b>Change in net position</b>	<b>(11,918,750)</b>	<b>(7,409,307)</b>	<b>(4,509,443)</b>
<b>Net Position - Beginning</b>	<b>(15,572,975)</b>	<b>(8,163,568)</b>	<b>(7,409,407)</b>
<b>Net Position - Ending</b>	<b>\$ (27,491,725)</b>	<b>\$ (15,572,875)</b>	<b>\$(11,918,850)</b>

**LANCASTER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2020**

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

**Changes in Net Position (continued)**

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

	<b>Net Cost of Services</b>	
	<b>2020</b>	<b>2019</b>
Instruction	\$ 109,354,564	\$ 108,965,436
Instruction-related services	17,715,328	17,108,195
Pupil services	16,917,766	14,629,837
General administration	11,493,162	12,496,642
Plant services	21,249,072	19,481,945
Ancillary and community services	79,507	92,213
Debt service	3,774,339	3,358,877
Transfers to other agencies	1,470,650	621,261
Enterprise Activities	5,242,637	1,817,246
<b>Total Expenses</b>	<b>\$ 187,297,025</b>	<b>\$ 178,571,652</b>

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$75,586,752 which is more than last year's ending fund balance of \$59,133,902. The District's General Fund had \$3,152,504 more in operating revenues than expenditures for the year ended June 30, 2020. The District's Building Fund had \$1,465,173 less in operating revenues than expenditures for the year ended June 30, 2020, additionally, the District's Building Fund had sources of \$15,004,908 related to the issuance of the 2012 Election, Series 2020D bonds.

**CURRENT YEAR BUDGET 2019-2020**

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, 2020**

**CAPITAL ASSETS AND LONG-TERM LIABILITIES**

**Capital Assets**

By the end of 2019-2020 the District had invested \$159,194,084 in capital assets, net of accumulated depreciation.

	<b>Governmental Activities</b>		
	<b>2020</b>	<b>2019</b>	<b>Net Change</b>
<b>CAPITAL ASSETS</b>			
Land	\$ 9,507,508	\$ 9,507,508	\$ -
Construction in progress	28,079,220	24,881,305	3,197,915
Land improvements	22,223,393	22,168,939	54,454
Buildings & improvements	193,287,197	192,813,199	473,998
Furniture & equipment	28,006,140	27,626,618	379,522
Accumulated depreciation	(121,909,374)	(116,363,740)	(5,545,634)
<b>Total Capital Assets</b>	<b>\$ 159,194,084</b>	<b>\$ 160,633,829</b>	<b>\$ (1,439,745)</b>

**Long-Term Liabilities**

At year-end, the District had \$310,722,010 in long-term liabilities, an increase of 11.88% 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.)

	<b>Governmental Activities</b>		
	<b>2020</b>	<b>2019</b>	<b>Net Change</b>
<b>LONG-TERM LIABILITIES</b>			
Total general obligation bonds	\$ 82,489,429	\$ 68,101,583	\$ 14,387,846
Total certificates of participation	7,386,318	7,728,900	(342,582)
Compensated absences	849,373	642,807	206,566
Total OPEB liability	49,328,497	35,171,066	14,157,431
Net pension liability	171,446,235	166,802,393	4,643,842
Annuity payable	1,757,000	1,645,000	112,000
Less: current portion of long-term liabilities	(2,534,842)	(2,365,782)	(169,060)
<b>Total Long-term Liabilities</b>	<b>\$ 310,722,010</b>	<b>\$ 277,725,967</b>	<b>\$ 32,996,043</b>

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

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

According to the UCLA Anderson Forecast, the U.S. economy is in a "depression-like crisis" and it will take at least three years before its GDP and unemployment rate return to the levels it saw before the COVID-19 pandemic struck. Between February 2020 and April 2020, California lost 2.56 million nonfarm payroll jobs, a 15% drop that is nearly double the job loss during the Great Recession in 2008 and 2009.

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. Governor Gavin Newsom and the State Legislature provided resources and support beyond the Proposition 98 requirement in 2020–21, giving one-time federal resources and pension rate relief and promising more than the minimum guarantee in 2021–22.

**LANCASTER SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued  
FOR THE YEAR ENDED JUNE 30, 2020**

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

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per-pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

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, 2020. The amount of the liability is material to the financial position of the District. In response to the ongoing pandemic, the 2020-21 State Budget reduced employer contribution rates in 2020-21 and 2021-22. This will reduce the CalSTRS employer rate from 18.4% to approximately 16.15% in 2020-21 and from 18.2% to 16.0% in 2021-22. The CalPERS employer contribution rate will be reduced from CalPERS recently set rate for 2020-21 of 22.68% to 20.7% and 2021-22 estimated rate of 24.6% to 23.01%. Despite this reduction in the planned rate increases, 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.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act provides California K-12 education with \$1.65 billion in Elementary and Secondary School Emergency Relief (ESSER) Funds, \$355 million in Governor's Emergency Education Relief (GEER) Funds, and \$4.4 billion in Coronavirus Relief Funds (CRF). Collectively, GEER Funds, CRF, and \$540 million in state General Fund (GF) contributions are known as Learning Loss Mitigation Funding (LLMF). CARES Act funds will be apportioned in 2020-21, however, ESSER and GEER are to be used on eligible expenditures beginning March 13, 2020 through September 30, 2022, GF is to be used on eligible expenditures beginning March 1, 2020 through June 30, 2021, and CRF is to be used on eligible expenditures beginning March 1, 2020 through December 30, 2020. On December 27, 2020, the President signed the Consolidated Appropriations Act which extended the CRF spending deadline to December 30, 2021.

All of these factors were considered in preparing the District's budget for the 2020-21 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, 2020**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 71,346,561
Accounts receivable	24,954,184
Inventory	144,478
Prepaid expenses	248,306
Capital assets, not depreciated	37,586,728
Capital assets, net of accumulated depreciation	121,607,356
<b>Total Assets</b>	<u>255,887,613</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	48,551,575
Deferred outflows related to OPEB	15,355,923
Deferred amount on refunding	139,688
<b>Total Deferred Outflows of Resources</b>	<u>64,047,186</u>
<b>LIABILITIES</b>	
Accrued liabilities	21,106,599
Unearned revenue	632,727
Long-term liabilities, current portion	2,534,842
Long-term liabilities, non-current portion	310,722,010
<b>Total Liabilities</b>	<u>334,996,178</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	8,341,984
Deferred inflows related to OPEB	4,001,734
Deferred amount on refunding	86,628
<b>Total Deferred Inflows of Resources</b>	<u>12,430,346</u>
<b>NET POSITION</b>	
Net investment in capital assets	89,045,964
Restricted:	
Capital projects	9,881,872
Debt service	7,680,950
Educational programs	6,525,437
Food service	4,855,216
Unrestricted	(145,481,164)
<b>Total Net Position</b>	<u>\$ (27,491,725)</u>

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

**LANCASTER SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction	\$ 123,286,835	\$ 288,372	\$ 13,643,899	\$ (109,354,564)
Instruction-related services				
Instructional supervision and administration	4,022,711	-	1,412,680	(2,610,031)
Instructional library, media, and technology	12,122	-	1,763	(10,359)
School site administration	15,135,330	-	40,392	(15,094,938)
Pupil services				
Home-to-school transportation	5,855,925	-	757,968	(5,097,957)
Food services	9,323,298	16,768	8,225,282	(1,081,248)
All other pupil services	12,818,657	-	2,080,096	(10,738,561)
General administration				
Centralized data processing	2,347,273	-	27,298	(2,319,975)
All other general administration	9,869,371	-	696,184	(9,173,187)
Plant services	21,273,891	19	24,800	(21,249,072)
Ancillary services	11,139	-	-	(11,139)
Community services	1,457,753	-	1,389,385	(68,368)
Enterprise activities	5,242,637	-	-	(5,242,637)
Interest on long-term debt	3,774,339	-	-	(3,774,339)
Other outgo	1,470,650	-	-	(1,470,650)
<b>Total Governmental Activities</b>	<b>\$ 215,901,931</b>	<b>\$ 305,159</b>	<b>\$ 28,299,747</b>	<b>(187,297,025)</b>
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				17,247,199
Property taxes, levied for debt service				6,279,547
Property taxes, levied for other specific purposes				1,568,414
Federal and state aid not restricted for specific purposes				137,816,859
Interest and investment earnings				717,029
Miscellaneous				11,749,227
<b>Subtotal, General Revenue</b>				<b>175,378,275</b>
<b>CHANGE IN NET POSITION</b>				<b>(11,918,750)</b>
<b>Net Position - Beginning</b>				<b>(15,572,975)</b>
<b>Net Position - Ending</b>				<b>\$ (27,491,725)</b>

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

**LANCASTER SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2020**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 23,799,738	\$ 19,792,570	\$ 27,754,253	\$ 71,346,561
Accounts receivable	23,484,886	20,389	1,448,909	24,954,184
Stores inventory	-	-	144,478	144,478
Prepaid expenditures	248,306	-	-	248,306
<b>Total Assets</b>	<b>\$ 47,532,930</b>	<b>\$ 19,812,959</b>	<b>\$ 29,347,640</b>	<b>\$ 96,693,529</b>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 17,839,268	\$ 138,392	\$ 2,496,390	\$ 20,474,050
Unearned revenue	632,727	-	-	632,727
<b>Total Liabilities</b>	<b>18,471,995</b>	<b>138,392</b>	<b>2,496,390</b>	<b>21,106,777</b>
<b>FUND BALANCES</b>				
Nonspendable	263,306	-	486,085	749,391
Restricted	5,790,410	19,674,567	23,785,614	49,250,591
Committed	-	-	2,353,876	2,353,876
Assigned	-	-	225,675	225,675
Unassigned	23,007,219	-	-	23,007,219
<b>Total Fund Balances</b>	<b>29,060,935</b>	<b>19,674,567</b>	<b>26,851,250</b>	<b>75,586,752</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 47,532,930</b>	<b>\$ 19,812,959</b>	<b>\$ 29,347,640</b>	<b>\$ 96,693,529</b>

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



**LANCASTER SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET**  
**POSITION**  
**JUNE 30, 2020**

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**Total Fund Balance - Governmental Funds** \$ 75,586,752

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	\$ 281,103,458	
Accumulated depreciation	<u>(121,909,374)</u>	159,194,084

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:

53,060

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:

(632,549)

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	\$ 82,489,429	
Total certificates of participation	7,386,318	
Compensated absences	849,373	
Total OPEB liability	49,328,497	
Net pension liability	171,446,235	
Annuity payable	<u>1,757,000</u>	(313,256,852)

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	\$ 48,551,575	
Deferred inflows of resources related to pensions	<u>(8,341,984)</u>	40,209,591

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	\$ 15,355,923	
Deferred inflows of resources related to OPEB	<u>(4,001,734)</u>	11,354,189

**Total Net Position - Governmental Activities** \$ (27,491,725)

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

**LANCASTER SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
LCFF sources	\$ 148,998,664	\$ -	\$ 1,000,000	\$ 149,998,664
Federal sources	9,423,820	-	8,190,778	17,614,598
Other state sources	16,985,552	-	5,393,832	22,379,384
Other local sources	12,536,194	100,215	8,460,590	21,096,999
<b>Total Revenues</b>	<b>187,944,230</b>	<b>100,215</b>	<b>23,045,200</b>	<b>211,089,645</b>
<b>EXPENDITURES</b>				
Current				
Instruction	116,047,661	-	3,590,974	119,638,635
Instruction-related services				
Instructional supervision and administration	3,448,239	-	373,526	3,821,765
Instructional library, media, and technology	-	-	1,764	1,764
School site administration	13,877,068	-	225,216	14,102,284
Pupil services				
Home-to-school transportation	5,454,579	-	-	5,454,579
Food services	55,660	-	8,530,638	8,586,298
All other pupil services	12,738,668	-	32,156	12,770,824
General administration				
Centralized data processing	2,171,809	-	-	2,171,809
All other general administration	8,776,634	-	296,310	9,072,944
Plant services	16,526,077	-	25,779	16,551,856
Facilities acquisition and maintenance	20,502	1,565,388	5,515,879	7,101,769
Ancillary services	11,139	-	-	11,139
Community services	1,432,625	-	-	1,432,625
Enterprise activities	1,887,684	-	-	1,887,684
Transfers to other agencies	1,594,928	-	-	1,594,928
Debt service				
Principal	-	-	1,757,185	1,757,185
Interest and other	-	-	4,482,738	4,482,738
<b>Total Expenditures</b>	<b>184,043,273</b>	<b>1,565,388</b>	<b>24,832,165</b>	<b>210,440,826</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>3,900,957</b>	<b>(1,465,173)</b>	<b>(1,786,965)</b>	<b>648,819</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	1,000,000	1,000,000
Other sources	-	15,004,908	1,547,576	16,552,484
Transfers out	(1,000,000)	-	-	(1,000,000)
<b>Net Financing Sources (Uses)</b>	<b>(1,000,000)</b>	<b>15,004,908</b>	<b>2,547,576</b>	<b>16,552,484</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>2,900,957</b>	<b>13,539,735</b>	<b>760,611</b>	<b>17,201,303</b>
<b>Fund Balance - Beginning</b>	<b>26,159,978</b>	<b>6,134,832</b>	<b>26,090,639</b>	<b>58,385,449</b>
<b>Fund Balance - Ending</b>	<b>\$ 29,060,935</b>	<b>\$ 19,674,567</b>	<b>\$ 26,851,250</b>	<b>\$ 75,586,752</b>

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

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

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**Net Change in Fund Balances - Governmental Funds** \$ 17,201,303

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:	\$ 4,105,889	
Depreciation expense:	<u>(5,545,634)</u>	(1,439,745)

**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

4,045,000

**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:

(15,184,908)

**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:

77,898

**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:

4,744

**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.

(1,584,377)

**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:

(206,566)

*(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, 2020**

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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: (3,463,876)

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: (9,935,244)

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: (112,000)

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: (1,320,979)

**Change in Net Position of Governmental Activities**

**\$ (11,918,750)**

LANCASTER SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2020

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	Trust Fund	Agency Fund
	Retiree Benefit	Student Body
	Fund	Fund
<b>ASSETS</b>		
Cash and investments	\$ 11	\$ 224,490
<b>Total Assets</b>	11	\$ 224,490
<b>LIABILITIES</b>		
Due to student groups	-	\$ 224,490
<b>Total Liabilities</b>	-	\$ 224,490
<b>NET POSITION</b>		
Restricted	11	
<b>Total Net Position</b>	\$ 11	

LANCASTER SCHOOL DISTRICT  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2020

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	Trust Fund Retiree Benefit Fund
<b>ADDITIONS</b>	
Contributions	\$ -
<b>Total Additions</b>	-
<b>DEDUCTIONS</b>	
Other trust activities	-
<b>Total Deductions</b>	-
<b>CHANGE IN NET POSITION</b>	-
Net Position - Beginning	11
Net Position - Ending	\$ 11

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**A. Financial Reporting Entity**

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

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

**B. Component Units**

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

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

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

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

**C. Basis of Presentation**

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

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

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

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

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

**Major Governmental Funds**

**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.

**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).



LANCASTER SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2020

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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:

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

**Cafeteria Special Revenue 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).

**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.*).

LANCASTER SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS, continued  
JUNE 30, 2020

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

**Capital Project Funds (continued)**

**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*).

**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.

Fiduciary Funds

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

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

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

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

**D. Basis of Accounting – Measurement Focus**

**Government-Wide and Fiduciary Financial Statements**

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

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.

**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.

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

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

**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.

**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.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

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

**Capital Assets**

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

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

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

**Interfund Balances**

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

**Compensated Absences**

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

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

**Accrued Liabilities and Long-Term Obligations**

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

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

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

**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, 2020
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

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.

**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, 2020

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

**Fund Balance**

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

*Nonspendable* - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, 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, 2020**

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

**F. Interfund Activity**

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

**G. Estimates**

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

**H. Budgetary Data**

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

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

**I. Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December XX 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.

**J. New Accounting Pronouncements**

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2019. The District has not yet determined the impact on the financial statements.

**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 not yet determined the impact on the financial statements.



**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

**J. New Accounting Pronouncements (continued)**

**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 not yet determined the impact on the financial statements.

**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 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. 95** – In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This standard's primary objective is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The statement is effective immediately. The District has implemented GASB Statement No. 95.

**NOTE 2 – CASH AND INVESTMENTS**

**A. Summary of Cash and Investments**

	<b>Governmental Activities</b>	<b>Fiduciary Funds</b>
Investment in county treasury	\$ 69,607,174	\$ 11
Cash on hand and in banks	1,369,060	224,490
Cash with fiscal agent	13,720	-
Cash in revolving fund	356,607	-
<b>Total</b>	<b>\$ 71,346,561</b>	<b>\$ 224,501</b>

**B. Policies and Practices**

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

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

**B. Policies and Practices (continued)**

**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 Debt Service Fund for Blended Component Units and 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

**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 \$69,808,615 and an amortized book value of \$69,607,185. The average weighted maturity for this pool is 590 days.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

**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, 2020, the pooled investments in the County Treasury were rated at least 'Aa1' by Moody's Investors Service.

**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, 2020, the District's bank balance of \$1,055,913 was exposed to custodial credit risk.

**G. Fair Value**

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

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

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

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

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

The District's fair value measurements at June 30, 2020 were as follows:

	<b><u>Uncategorized</u></b>
Investment in county treasury	\$ 69,808,615
<b>Total</b>	<b><u>\$ 69,808,615</u></b>

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

**NOTE 3 – ACCOUNTS RECEIVABLE**

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

	<b>General Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Governmental Activities</b>
Federal Government				
Categorical aid	\$ 3,660,223	\$ -	\$ -	\$ 3,660,223
State Government				
Apportionment	7,218,949	-	-	7,218,949
Categorical aid	11,431,221	-	1,412,335	12,843,556
Lottery	770,126	-	-	770,126
Local Government				
Other local sources	404,367	20,389	36,574	461,330
<b>Total</b>	<b>\$ 23,484,886</b>	<b>\$ 20,389</b>	<b>\$ 1,448,909</b>	<b>\$ 24,954,184</b>

**NOTE 4 – CAPITAL ASSETS**

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

	<b>Balance July 01, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2020</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 9,507,508	\$ -	\$ -	\$ 9,507,508
Construction in progress	24,881,305	3,281,471	83,556	28,079,220
Total Capital Assets not Being Depreciated	34,388,813	3,281,471	83,556	37,586,728
Capital assets being depreciated				
Land improvements	22,168,939	54,454	-	22,223,393
Buildings & improvements	192,813,199	473,998	-	193,287,197
Furniture & equipment	27,626,618	379,522	-	28,006,140
Total Capital Assets Being Depreciated	242,608,756	907,974	-	243,516,730
Less Accumulated Depreciation				
Land improvements	13,574,061	779,485	-	14,353,546
Buildings & improvements	80,224,509	3,877,424	-	84,101,933
Furniture & equipment	22,565,170	888,725	-	23,453,895
Total Accumulated Depreciation	116,363,740	5,545,634	-	121,909,374
<b>Governmental Activities</b>				
<b>Capital Assets, net</b>	<b>\$ 160,633,829</b>	<b>\$ (1,356,189)</b>	<b>\$ 83,556</b>	<b>\$ 159,194,084</b>

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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**NOTE 4 – CAPITAL ASSETS (continued)**

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$	3,791,227
Instructional supervision and administration		104,585
Instructional library, media, and technology		10,071
School site administration		478,481
Home-to-school transportation		401,346
Food services		151,199
All other pupil services		11,350
Centralized data processing		50,112
All other general administration		181,748
Plant services		344,270
Community services		21,245
<b>Total Depreciation Expense</b>	<b>\$</b>	<b>5,545,634</b>

**NOTE 5 – INTERFUND TRANSACTIONS**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2020 consisted of a transfer of \$1,000,000 from the General Fund to the Special Reserve Fund for Capital Outlay Projects for construction expenses.

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2020 consisted of the following:

	<b>General Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>	<b>District-Wide</b>	<b>Governmental Activities</b>
Payroll	\$ 1,692,462	\$ -	\$ 126,630	\$ -	\$ 1,819,092
Construction	-	138,392	365,975	-	504,367
Vendors payable	16,146,806	-	2,003,785	-	18,150,591
Unmatured interest	-	-	-	632,549	632,549
<b>Total</b>	<b>\$ 17,839,268</b>	<b>\$ 138,392</b>	<b>\$ 2,496,390</b>	<b>\$ 632,549</b>	<b>\$ 21,106,599</b>

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

**NOTE 7 – UNEARNED REVENUES**

Unearned revenues at June 30, 2020 consisted of \$637,727 in the General Fund from federal sources.

**NOTE 8 – LONG-TERM LIABILITIES**

A schedule of changes in long-term liabilities for the year ended June 30, 2020 consisted of the following:

	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 67,604,506	\$ 16,769,285	\$ 3,725,000	\$ 80,648,791	\$ 1,522,594
Unamortized premium	497,077	1,367,576	24,015	1,840,638	74,666
Total general obligation bonds	68,101,583	18,136,861	3,749,015	82,489,429	1,597,260
Certificates of participation	7,345,000	-	320,000	7,025,000	325,000
Unamortized premium	383,900	-	22,582	361,318	22,582
Total certificates of participation	7,728,900	-	342,582	7,386,318	347,582
Compensated absences	642,807	206,566	-	849,373	-
Total OPEB liability	35,171,066	14,157,431	-	49,328,497	-
Net pension liability	166,802,393	4,643,842	-	171,446,235	-
Annuity payable	1,645,000	502,500	390,500	1,757,000	590,000
<b>Total</b>	<b>\$ 280,091,749</b>	<b>\$ 37,647,200</b>	<b>\$ 4,482,097</b>	<b>\$ 313,256,852</b>	<b>\$ 2,534,842</b>

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

**A. Bonded Debt**

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2019	Additions	Deductions	Bonds Outstanding June 30, 2020
1999 Election - Series A	1999	2024	3.20% - 5.40%	\$ 17,499,669	\$ 9,159,066	\$ 462,331	\$ 1,855,000	\$ 7,766,397
1999 Election - Series 2001	2001	2027	4.00% - 5.63%	11,500,262	19,165,440	1,122,046	1,550,000	18,737,486
2012 Election - Series 2013A	2013	2038	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	11,075,000	-	320,000	10,755,000
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	-	15,184,908	-	15,184,908
					<b>\$ 67,604,506</b>	<b>\$ 16,769,285</b>	<b>\$ 3,725,000</b>	<b>\$ 80,648,791</b>

On June 1, 1999 and June 21, 2001, the District issued \$17,499,669 in current interest and capital appreciation General Obligation Bonds (Election of 1999, series 1999) and \$11,500,262 in current interest and capital appreciation General Obligation Bonds (Election of 1999, series 2001), respectively. The bonds represent general obligations of the District Payable solely from ad valorem property taxed levied and collected by the County of Los Angeles. Interest rates range from 1.00 to 5.63 percent.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

**A. Bonded Debt (continued)**

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

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.

**Debt Service Requirements to Maturity – Bonds**

The bonds mature through 2048 as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 1,522,594	\$ 4,419,540	\$ 5,942,134
2022	1,973,097	4,858,044	6,831,141
2023	2,132,307	5,123,507	7,255,814
2024	2,407,694	6,268,476	8,676,170
2025	1,817,105	4,851,589	6,668,694
2026 - 2030	8,687,385	17,724,287	26,411,672
2031 - 2035	10,425,000	7,259,072	17,684,072
2036 - 2040	15,172,296	5,905,720	21,078,016
2041 - 2045	9,622,612	4,528,047	14,150,659
2046 - 2048	9,265,000	575,900	9,840,900
Accretion	17,623,701	(17,623,701)	-
<b>Total</b>	<b>\$ 80,648,791</b>	<b>\$ 43,890,481</b>	<b>\$ 124,539,272</b>

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 01, 2019	Additions	Deductions	Outstanding June 30, 2020
2018 Refunding Certificates	2018	2036	2.00% - 5.00%	\$ 7,660,000	\$ 7,345,000	\$ -	\$ 320,000	\$ 7,025,000
					\$ 7,345,000	\$ -	\$ 320,000	\$ 7,025,000

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
2021	\$ 325,000	\$ 257,406	\$ 582,406
2022	335,000	247,656	582,656
2023	350,000	234,256	584,256
2024	365,000	220,256	585,256
2025	375,000	205,656	580,656
2026 - 2030	2,130,000	785,681	2,915,681
2031 - 2035	2,580,000	331,369	2,911,369
2036	565,000	17,656	582,656
<b>Total</b>	<b>\$ 7,025,000</b>	<b>\$ 2,299,936</b>	<b>\$ 9,324,936</b>

**C. Annuity Payable**

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

Year Ended June 30,	Payment
2021	\$ 590,000
2022	500,000
2023	356,000
2024	210,500
2025	100,500
<b>Total payments</b>	<b>\$ 1,757,000</b>



**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

**D. Compensated Absences**

Total unpaid employee compensated absences as of June 30, 2020 amounted to \$849,373. This amount is included as part of long-term liabilities in the government-wide financial statements.

**E. Other Postemployment Benefits**

The District's restated beginning total OPEB liability was \$35,171,066 and increased by \$14,157,431 during the year ended June 30, 2020. The ending total OPEB liability at June 30, 2020 was \$49,328,497. See Note 10 for additional information regarding the total OPEB liability.

**F. Net Pension Liability**

The District's beginning net pension liability was \$166,802,393 and increased by \$4,643,842 during the year ended June 30, 2020. The ending net pension liability at June 30, 2020 was \$171,446,235. See Note 11 for additional information regarding the net pension liability.

**NOTE 9 – FUND BALANCES**

Fund balances were composed of the following elements at June 30, 2020:

	<b>General Fund</b>	<b>Building Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
Non-spendable				
Revolving cash	\$ 15,000	\$ -	\$ 341,607	\$ 356,607
Stores inventory	-	-	144,478	144,478
Prepaid expenditures	248,306	-	-	248,306
Total non-spendable	263,306	-	486,085	749,391
Restricted				
Educational programs	5,790,410	-	735,027	6,525,437
Capital projects	-	19,674,567	9,881,872	29,556,439
Debt service	-	-	8,313,499	8,313,499
All others	-	-	4,855,216	4,855,216
Total restricted	5,790,410	19,674,567	23,785,614	49,250,591
Committed				
Other commitments	-	-	2,353,876	2,353,876
Total committed	-	-	2,353,876	2,353,876
Assigned				
Reserve account	-	-	225,675	225,675
Total assigned	-	-	225,675	225,675
Unassigned	23,007,219	-	-	23,007,219
<b>Total Fund Balance</b>	<b>\$ 29,060,935</b>	<b>\$ 19,674,567</b>	<b>\$ 26,851,250</b>	<b>\$ 75,586,752</b>

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

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

**A. Plan Description**

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

**B. Benefits Provided**

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

	<b><u>Certificated</u></b>	<b><u>Classified</u></b>	<b><u>Management</u></b>
Benefit types provided	Medical only	Medical only	Medical only
Duration of Benefits	To age 65	To age 65	To age 65
Required Service	10 years*	10 years*	10 years*
Minimum Age	55	50**	55
Dependent Coverage	Yes	Yes	Yes
District Contribution %	100% of premium up to cap 90% of the active	100% of premium up to cap 90% of the active	100%
District Cap	employee cap***	employee cap***	Composite medical rate

\*Full time service in the 15 years preceding retirement.

\*\*Employees retiring prior to age 55 are entitled to 50% of the cap for a maximum of five years

\*\*\*Grandfathered retirees may receive different benefits

**C. Contributions**

The District currently finances benefits on a pay-as-you-go basis. For fiscal year 2019-2020, the District contributed \$1,625,296 to the Plan, all of which was used for current premiums.

**D. Plan Membership**

Membership of the Plan consisted of the following:

	<b><u>Number of participants</u></b>
Inactive employees receiving benefits	122
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	1,698
<b>Total number of participants**</b>	<b>1,820</b>

\*Information not provided

\*\*As of the June 30, 2020 valuation date

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

**E. Total OPEB Liability**

The Lancaster School District's total OPEB liability of \$49,328,497 was measured as of June 30, 2020 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, 2020 was determined by an actuarial valuation as of that date using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

**Economic assumptions:**

Inflation	2.75%
Salary increases	2.75%
Investment rate of return	2.20%
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	2020 CalSTRS Retirement Rates Table
Classified	Hired before 1/1/2013: 2017 CalPERS Retirement Rates for School Employees Table
	Hired before 12/31/2012: 2017 CalPERS Retirement Rates for Miscellaneous Employees Table
	2% at 60 adjusted to minimum retirement age of 52

*Vesting rates:*

Certificated	100% at 10 years of service
Classified	100% at 10 years of service

The actuarial assumptions used in the June 30, 2020 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-two years.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

**G. Changes in Total OPEB Liability**

	<u>June 30, 2020</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 3,054,659
Interest on total OPEB liability	1,256,001
Difference between expected and actual experience	(4,272,122)
Changes of assumptions	15,744,189
Benefits payments	<u>(1,625,296)</u>
Net change in total OPEB liability	14,157,431
Total OPEB liability - beginning	<u>35,171,066</u>
Total OPEB liability - ending	<u>\$ 49,328,497</u>
 Covered-employee payroll	 \$ 104,025,726
 District's total OPEB liability as a percentage of covered-employee payroll	  47%

**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 (1.20 percent) or one percentage point higher (3.20 percent) than the current discount rate:

	<b>1% Decrease</b>	<b>Valuation</b>	<b>1% Increase</b>
	<b>(1.20%)</b>	<b>Discount Rate</b>	<b>(3.20%)</b>
	<u></u>	<u>(2.20%)</u>	<u></u>
Total OPEB liability	\$ 52,862,262	\$ 49,328,497	\$ 45,964,364

**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 (3.00 percent) or one percentage point higher (5.00 percent) than the current healthcare cost trend rate:

	<b>1% Decrease</b>	<b>Valuation Trend</b>	<b>1% Increase</b>
	<b>(3.00%)</b>	<b>Rate</b>	<b>(5.00%)</b>
	<u></u>	<u>(4.00%)</u>	<u></u>
Total OPEB liability	\$ 4,357,215	\$ 49,328,497	\$ 56,210,527

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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**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, 2020, the Lancaster School District recognized OPEB expense of \$3,463,876. At June 30, 2020, the Lancaster School District reported deferred outflows 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	\$ -	\$ 4,001,734
Changes in assumptions	15,355,923	-
<b>Total</b>	<u>\$ 15,355,923</u>	<u>\$ 4,001,734</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>
2021	\$ 1,048,900	\$ 270,388
2022	1,048,900	270,388
2023	1,048,900	270,388
2024	1,048,900	270,388
2025	1,048,900	270,388
Thereafter	10,111,423	2,649,794
<b>Total</b>	<u>\$ 15,355,923</u>	<u>\$ 4,001,734</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	\$ 116,166,673	\$ 34,121,373	\$ 7,748,218	\$ 16,414,098
PERS Pension	55,279,562	14,430,202	593,766	11,516,338
<b>Total</b>	<u>\$ 171,446,235</u>	<u>\$ 48,551,575</u>	<u>\$ 8,341,984</u>	<u>\$ 27,930,436</u>

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

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

**Plan Description**

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

**Benefits Provided**

The CalSTRS defined benefit plan has two benefit formulas:

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

**Contributions**

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2020, 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 2020 was 18.13% of annual payroll reduced to 17.10% pursuant to California Senate Bill 90 (SB 90). The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$12,463,441 for the year ended June 30, 2020.

**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 \$8,840,432 to CalSTRS.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

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

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

At June 30, 2020, 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	\$ 116,166,673
State's proportionate share of the net pension liability associated with the District	63,377,187
<b>Total</b>	<b>\$ 179,543,860</b>

The net pension liability was measured as of June 30, 2019, 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, 2018 and rolling forward the total pension liability to June 30, 2019. 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, 2019, the District's proportion was 0.129 percent, which was an increase of .002 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$16,414,098. In addition, the District recognized pension expense and revenue of \$1,733,968 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between projected and actual earnings on plan investments	\$ -	\$ 4,474,776
Differences between expected and actual experience	293,259	3,273,442
Changes in assumptions	14,692,545	-
Changes in proportion and differences between District contributions and proportionate share of contributions	6,672,128	-
District contributions subsequent to the measurement date	12,463,441	-
<b>Total</b>	<b>\$ 34,121,373</b>	<b>\$ 7,748,218</b>

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

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

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

The \$12,463,441 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, 2021. 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>
2021	\$ 5,726,076	\$ 1,269,225
2022	5,726,077	4,375,843
2023	4,807,545	1,313,085
2024	4,503,950	89,501
2025	686,211	361,215
2026	208,073	339,349
<b>Total</b>	<b>\$ 21,657,932</b>	<b>\$ 7,748,218</b>

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019 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, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 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. 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 February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:



**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

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

**Actuarial Assumptions (continued)**

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Long-Term Expected Real Rate of Return*</b>
Global Equity	47%	4.80%
Fixed Income	12%	1.30%
Real Estate	13%	3.60%
Private Equity	13%	6.30%
Risk Mitigating Strategies	9%	1.80%
Inflation Sensitive	4%	3.30%
Cash/Liquidity	2%	-0.40%
	<u>100%</u>	

\*20-year geometric average

**Discount Rate**

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

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

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

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
District's proportionate share of the net pension liability	\$ 172,981,792	\$ 116,166,673	\$ 69,056,120

**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, 2020**

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

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

**Plan Description**

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

**Benefits Provided**

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

**Contributions**

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2020 was 20.733% of annual payroll reduced to 19.721% pursuant to California Senate Bill 90 (SB 90). Contributions to the plan from the District were \$5,531,751 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$55,279,562 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 and rolling forward the total pension liability to June 30, 2019. 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, 2019, the District's proportion was 0.190 percent, which was an increase of .002 percent from its proportion measured as of June 30, 2018.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

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

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

For the year ended June 30, 2020, the District recognized pension expense of \$11,516,338. At June 30, 2020, the District reported 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	\$ -	\$ 512,728
Differences between expected and actual experience	4,015,515	-
Changes in assumptions	2,631,479	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,251,457	81,038
District contributions subsequent to the measurement date	5,531,751	-
<b>Total</b>	<u>\$ 14,430,202</u>	<u>\$ 593,766</u>

The \$5,531,751 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, 2021. 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>
2021	\$ 5,402,554	\$ 572,573
2022	2,685,212	(996,373)
2023	745,973	(153,198)
2024	64,712	1,170,764
<b>Total</b>	<u>\$ 8,898,451</u>	<u>\$ 593,766</u>

**Actuarial Assumptions**

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019 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, 2020**

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

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

**Actuarial Assumptions (continued)**

The actuarial assumptions used in the June 30, 2018, 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 (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

<b>Asset Class</b>	<b>Assumed Asset Allocation</b>	<b>Real Return Years 1 – 10*</b>	<b>Real Return Years 11+**</b>
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 Estate	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, 2020**

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

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 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:

	<b>1% Decrease (6.15%)</b>	<b>Current Discount Rate (7.15%)</b>	<b>1% Increase (8.15%)</b>
District's proportionate share of the net pension liability	\$ 79,681,854	\$ 55,279,562	\$ 35,036,175

**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, 2020.

**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, 2020.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

**C. Construction Commitments**

The district had the following remaining construction commitments as of June 30, 2020:

	<b>Remaining Construction Commitment</b>
Capital Projects	
Endeavour Gym	\$ 608,000
Joshua Phase II - Cafeteria and Bldg B	192,886
Prop 39 - Battery Energy Storage Project	479,753
Prop 39 Expenditure Plan /Fee	221,300
Joshua Phase I / II Landscape Irrigation	233,562
Joshua Phase III - Bldgs Mod & Seismic	8,039,462
El Dorado Primary Playstructure	152,948
Desert View Primary Playstructure	152,948
Mariposa Primary Playstructure	152,948
Mariposa Kindergarten Playstructure	48,994
The Leadership Academy Primary Playstructure	58,941
<b>Total</b>	<b>\$ 10,341,742</b>

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

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

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

**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, 2020, the deferred outflows amount on refunding was \$139,688 and the deferred inflows amount on refunding was \$86,628.

**LANCASTER SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS, continued**  
**JUNE 30, 2020**

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

**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, 2020, total deferred outflows related to pensions was \$48,551,575 and total deferred inflows related to pensions was \$8,341,984.

**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, 2020, total deferred outflows related to other postemployment benefits was \$15,355,923 and total deferred inflows related to other postemployment benefits was \$4,001,734.

**NOTE 16 – SUBSEQUENT EVENTS**

On July 28, 2020, the District issued \$8,490,000 of Tax and Revenue Anticipation Notes bearing interest at 2.00 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on February 28, 2021.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**LANCASTER SCHOOL DISTRICT  
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 148,942,222	\$ 148,919,320	\$ 149,998,664	\$ 1,079,344
Federal sources	11,021,357	12,407,905	9,579,492	(2,828,413)
Other state sources	5,135,324	6,281,678	8,785,849	2,504,171
Other local sources	7,552,880	8,453,049	12,380,522	3,927,473
Total Revenues	172,651,783	176,061,952	180,744,527	4,682,575
EXPENDITURES				
Certificated salaries	75,322,303	74,731,667	74,591,613	140,054
Classified salaries	24,392,925	25,314,647	26,972,197	(1,657,550)
Employee benefits	43,569,826	45,391,417	43,529,423	1,861,994
Books and supplies	13,530,369	13,588,416	8,871,820	4,716,596
Services and other operating expenditures	18,176,137	20,933,639	19,269,479	1,664,160
Capital outlay	570,915	951,787	641,262	310,525
Other outgo				
Excluding transfers of indirect costs	1,280,000	1,280,499	1,594,928	(314,429)
Transfers of indirect costs	(240,000)	(240,000)	(267,881)	27,881
Total Expenditures	176,602,475	181,952,072	175,202,841	6,749,231
Excess (Deficiency) of Revenues Over Expenditures	(3,950,692)	(5,890,120)	5,541,686	11,431,806
Other Financing Sources (Uses)				
Transfers in	-	-	2,081,417	2,081,417
Transfers out	(1,000,000)	(1,000,000)	(4,081,417)	(3,081,417)
Net Financing Sources (Uses)	(1,000,000)	(1,000,000)	(2,000,000)	(1,000,000)
NET CHANGE IN FUND BALANCE	(4,950,692)	(6,890,120)	3,541,686	10,431,806
Fund Balance - Beginning	25,519,249	25,519,249	25,519,249	-
Fund Balance - Ending	\$ 20,568,557	\$ 18,629,129	\$ 29,060,935	\$ 10,431,806

\* 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 reason:

- On-behalf payments of \$8,199,703 are not included in the actual revenues and expenditures reported in this schedule.
- 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 include revenues for the Medi-Cal Billing Option and Medi-Cal Administrative Activities programs that have been reclassified from federal revenues to local revenues.

**LANCASTER SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 3,054,659	\$ 2,830,791	\$ 2,755,028
Interest on total OPEB liability	1,256,001	1,144,622	1,151,449
Difference between expected and actual experience	(4,272,122)	-	-
Changes of assumptions	15,744,189	713,066	-
Benefits payments	<u>(1,625,296)</u>	<u>(1,611,026)</u>	<u>(1,549,063)</u>
Net change in total OPEB liability	14,157,431	3,077,453	2,357,414
Total OPEB liability - beginning	<u>35,171,066</u>	<u>32,093,613</u>	<u>29,736,199</u>
Total OPEB liability - ending	<u>\$ 49,328,497</u>	<u>\$ 35,171,066</u>	<u>\$ 32,093,613</u>
 Covered-employee payroll	 \$ 104,025,726	 \$ 131,229,897	 \$ 131,229,897
 District's total OPEB liability as a percentage of covered-employee payroll	 47.4%	 26.8%	 24.5%

See accompanying note 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, 2020**

	<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	0.129%	0.127%	0.123%	0.122%	0.120%	0.111%
District's proportionate share of the net pension liability	\$ 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	63,377,187	66,845,217	37,223,149	56,383,082	42,618,285	39,066,040
<b>Total</b>	<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	\$ 70,046,972	\$ 67,854,491	\$ 66,137,928	\$ 61,971,165	\$ 54,687,658	\$ 17,387,231
District's proportionate share of the net pension liability as a percentage of its covered payroll	165.8%	172.1%	171.8%	159.8%	147.3%	372.1%
Plan fiduciary net position as a percentage of the total pension liability	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, 2020**

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	<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	0.190%	0.188%	0.187%	0.179%	0.173%	0.166%
District's proportionate share of the net pension liability	\$ 55,279,562	\$ 50,052,298	\$ 44,560,909	\$ 35,428,988	\$ 25,515,732	\$ 18,803,266
District's covered payroll	\$ 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	210.5%	202.0%	187.2%	164.6%	132.3%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	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, 2020**

	<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	\$ 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*	(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>
District's covered payroll	\$ 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	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, 2020**

	<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	\$ 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*	(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>
District's covered payroll	\$ 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	22.80%	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, 2020**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

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

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

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

**Changes in Benefit Terms**

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

**Changes in Assumptions**

The discount rate has changed since the previous valuation from 3.50% to 2.20%.

**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**  
**JUNE 30, 2020**

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

For the year ended June 30, 2020, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	<b>Expenditures and Other Uses</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Excess</b>
General Fund			
Classified salaries	\$ 25,314,647	\$ 26,972,197	\$ 1,657,550
Other outgo			
Excluding transfers of indirect costs	\$ 1,280,499	\$ 1,594,928	\$ 314,429



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## **SUPPLEMENTARY INFORMATION**

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**LANCASTER SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster</b>	<b>CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U. S. DEPARTMENT OF EDUCATION:</b>			
<i>Passed through California Department of Education:</i>			
Title I, Part A			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 3,874,187
Comprehensive Support and Improvement for LEAs	84.010	15438	122,958
Subtotal Title I, Part A			3,997,145
Title I, Migrant Education	84.011	14838	12,477
Title II, Part A, Supporting Effective Instruction Local Grants [1]	84.367	14341	750,852
Title III			
Title III, English Learner Student Program	84.365	14346	1,186
Title III, Immigrant Education Program	84.365	15146	253,465
Subtotal Title III			254,651
Title IV [1]			
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	493,171
Title IV, Part A, Student Support and Academic Enrichment Grants (Competitive)	84.424	15391	342,544
Subtotal Title IV			835,715
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	170,727
Special Education Cluster [1]			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,170,545
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	180,734
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	1,175
Subtotal Special Education Cluster			3,352,454
Title X McKinney-Vento Homeless Children Assistance Grants	84.196	14332	49,800
<b>Total U. S. Department of Education</b>			<b>9,423,821</b>
<b>U. S. DEPARTMENT OF AGRICULTURE:</b>			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	1,688,647
National School Lunch Program	10.555	13391	4,273,628
COVID-19 Emergency Acts Funding - Unanticipated School Closures	10.555	*	1,533,439
USDA Commodities	10.555	*	579,546
Meal Supplements	10.553	*	115,518
Subtotal Child Nutrition Cluster			8,190,778
<b>Total U. S. Department of Agriculture</b>			<b>8,190,778</b>
<b>U. S. DEPARTMENT OF THE TREASURY</b>			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding:			
Coronavirus Relief Fund (CRF): Learning Loss Mitigation [1]	21.019	10149	6,045,561
<b>Total U. S. Department of the Treasury</b>			<b>6,045,561</b>
<b>Total Federal Expenditures</b>			<b>\$ 23,660,160</b>

[1] - Major Program

\* - 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, 2020**

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	<b>Second Period Report Certificate No. 2919B662</b>	<b>Annual Report Certificate No. 5D3F0B48</b>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	6,095.98	6,095.98
Special Education - Nonpublic Schools	0.21	0.21
Community Day School	7.45	7.33
Total TK/K through Third	6,103.64	6,103.52
Fourth through Sixth		
Regular ADA	4,465.96	4,465.96
Special Education - Nonpublic Schools	4.20	4.20
Extended Year Special Education - Nonpublic Schools	0.16	0.16
Community Day School	20.30	19.97
Total Fourth through Sixth	4,490.62	4,490.29
Seventh through Eighth		
Regular ADA	2,865.61	2,865.61
Extended Year Special Education - Nonpublic Schools	0.19	0.19
Community Day School	39.69	39.04
Total Seventh through Eighth	2,905.49	2,904.84
TOTAL SCHOOL DISTRICT	13,499.75	13,498.65

**LANCASTER SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2020**

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<b>Grade Level</b>	<b>Minutes Requirement</b>	<b>2019-20 Planned Instructional Minutes</b>	<b>2019-20 Planned Number of Days</b>	<b>2019-20 Actual Instructional Minutes</b>	<b>2019-20 Actual Number of Days</b>	<b>Instructional Minutes Closed due to COVID-19</b>	<b>Number of Days Certified Closed due to COVID-19*</b>	<b>Status</b>
Kindergarten	36,000	53,785	180	14,335	132	39,450	48	Complied
Grade 1	50,400	53,785	180	14,335	132	39,450	48	Complied
Grade 2	50,400	53,785	180	14,335	132	39,450	48	Complied
Grade 3	50,400	53,785	180	14,335	132	39,450	48	Complied
Grade 4	54,000	56,287	180	15,001	132	41,286	48	Complied
Grade 5	54,000	56,287	180	15,001	132	41,286	48	Complied
Grade 6	54,000	58,064	180	15,476	132	42,588	48	Complied
Grade 7	54,000	58,064	180	15,476	132	42,588	48	Complied
Grade 8	54,000	58,064	180	15,476	132	42,588	48	Complied

\*On June 29, 2020 the District certified that all schools were closed from March 16, 2020 to June 4, 2020 for a total of 48 instructional days due to COVID-19.

**LANCASTER SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

	2021 (Budget)	2020	2019	2018
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 164,328,963	\$ 182,825,944	\$ 174,069,199	\$ 158,552,684
Expenditures And Other Financing Uses	169,008,717	179,284,258	170,314,614	152,498,026
Net change in Fund Balance	\$ (4,679,754)	\$ 3,541,686	\$ 3,754,585	\$ 6,054,658
Ending Fund Balance	\$ 24,381,181	\$ 29,060,935	\$ 25,519,249	\$ 21,764,664
Available Reserves*	\$ 18,620,701	\$ 23,007,218	\$ 22,651,322	\$ 19,578,838
Available Reserves As A Percentage Of Outgo	11.02%	12.83%	13.30%	12.84%
Long-term Liabilities	\$ 310,722,010	\$ 313,256,852	\$ 280,091,749	\$ 270,813,476
Average Daily Attendance At P-2	13,275	13,500	13,275	13,229

The General Fund balance has increased by \$7,296,271 over the past two years. The fiscal year 2020-21 budget projects a decrease of \$4,679,754. 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. The District anticipates incurring an operating deficit during the 2020-21 fiscal year. Total long-term obligations have increased by \$42,443,376 over the past two years.

Average daily attendance has increased by 270 ADA over the past two years. There is a decrease of 224 ADA anticipated during the 2020-21 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 \$8,199,703 and include revenues for the Medi-Cal Billing Option and Medi-Cal Administrative Activities programs that have been reclassified from federal revenues to local revenues.

**LANCASTER SCHOOL DISTRICT  
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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*There were no adjustments between the Annual Financial and Budget Report and the Audited Financial Statements for the fiscal year ended June 30, 2020.*

**LANCASTER SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
FOR THE YEAR ENDED JUNE 30, 2020**

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

**LANCASTER SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
JUNE 30, 2020**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Debt Service Fund	Non-Major Governmental Funds
<b>ASSETS</b>											
Cash and investments	\$ 936,110	\$ 5,933,192	\$ 2,582,065	\$ 1,951,198	\$ 891,855	\$ 7,151,236	\$ 682	\$ 6,286,283	\$ 1,926,522	\$ 95,110	\$ 27,754,253
Accounts receivable	1,059,479	359,159	5,138	5,626	2,745	11,176	2	-	5,333	251	1,448,909
Stores inventory	-	144,478	-	-	-	-	-	-	-	-	144,478
<b>Total Assets</b>	<b>\$ 1,995,589</b>	<b>\$ 6,436,829</b>	<b>\$ 2,587,203</b>	<b>\$ 1,956,824</b>	<b>\$ 894,600</b>	<b>\$ 7,162,412</b>	<b>\$ 684</b>	<b>\$ 6,286,283</b>	<b>\$ 1,931,855</b>	<b>\$ 95,361</b>	<b>\$ 29,347,640</b>
<b>LIABILITIES</b>											
Accrued liabilities	\$ 1,252,808	\$ 877,607	\$ 233,327	\$ 16,064	\$ 1,080	\$ 115,504	\$ -	\$ -	\$ -	\$ -	\$ 2,496,390
<b>Total Liabilities</b>	<b>1,252,808</b>	<b>877,607</b>	<b>233,327</b>	<b>16,064</b>	<b>1,080</b>	<b>115,504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,496,390</b>
<b>FUND BALANCES</b>											
Non-spendable	-	486,085	-	-	-	-	-	-	-	-	486,085
Restricted	735,027	4,855,216	-	1,940,760	893,520	7,046,908	684	6,286,283	1,931,855	95,361	23,785,614
Committed	-	-	2,353,876	-	-	-	-	-	-	-	2,353,876
Assigned	7,754	217,921	-	-	-	-	-	-	-	-	225,675
<b>Total Fund Balances</b>	<b>742,781</b>	<b>5,559,222</b>	<b>2,353,876</b>	<b>1,940,760</b>	<b>893,520</b>	<b>7,046,908</b>	<b>684</b>	<b>6,286,283</b>	<b>1,931,855</b>	<b>95,361</b>	<b>26,851,250</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 1,995,589</b>	<b>\$ 6,436,829</b>	<b>\$ 2,587,203</b>	<b>\$ 1,956,824</b>	<b>\$ 894,600</b>	<b>\$ 7,162,412</b>	<b>\$ 684</b>	<b>\$ 6,286,283</b>	<b>\$ 1,931,855</b>	<b>\$ 95,361</b>	<b>\$ 29,347,640</b>

See accompanying note to supplementary information.



**LANCASTER SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Debt Service Fund	Non-Major Governmental Funds
<b>REVENUES</b>											
LCFF sources	\$ -	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
Federal sources	-	8,190,778	-	-	-	-	-	-	-	-	8,190,778
Other state sources	4,753,779	592,421	-	-	-	-	-	47,632	-	-	5,393,832
Other local sources	8,469	99,343	34,349	310,725	18,669	1,649,441	14	5,440,701	897,444	1,435	8,460,590
<b>Total Revenues</b>	<b>4,762,248</b>	<b>8,882,542</b>	<b>1,034,349</b>	<b>310,725</b>	<b>18,669</b>	<b>1,649,441</b>	<b>14</b>	<b>5,488,333</b>	<b>897,444</b>	<b>1,435</b>	<b>23,045,200</b>
<b>EXPENDITURES</b>											
Current											
Instruction	3,590,974	-	-	-	-	-	-	-	-	-	3,590,974
Instruction-related services											
Instructional supervision and administration	373,526	-	-	-	-	-	-	-	-	-	373,526
Instructional library, media, and technology	1,764	-	-	-	-	-	-	-	-	-	1,764
School site administration	225,216	-	-	-	-	-	-	-	-	-	225,216
Pupil services											
Food services	-	8,530,638	-	-	-	-	-	-	-	-	8,530,638
All other pupil services	32,156	-	-	-	-	-	-	-	-	-	32,156
General administration											
All other general administration	296,310	-	-	-	-	-	-	-	-	-	296,310
Plant services	16,713	9,066	-	-	-	-	-	-	-	-	25,779
Facilities acquisition and maintenance	3,478	-	1,062,528	44,826	352,568	4,052,479	-	-	-	-	5,515,879
Debt service											
Principal	-	-	-	-	-	-	-	1,437,185	320,000	-	1,757,185
Interest and other	-	-	-	-	-	-	217	4,214,265	263,806	4,450	4,482,738
<b>Total Expenditures</b>	<b>4,540,137</b>	<b>8,539,704</b>	<b>1,062,528</b>	<b>44,826</b>	<b>352,568</b>	<b>4,052,479</b>	<b>217</b>	<b>5,651,450</b>	<b>583,806</b>	<b>4,450</b>	<b>24,832,165</b>
<b>Excess (Deficiency) of Revenues</b>											
<b>Over Expenditures</b>	<b>222,111</b>	<b>342,838</b>	<b>(28,179)</b>	<b>265,899</b>	<b>(333,899)</b>	<b>(2,403,038)</b>	<b>(203)</b>	<b>(163,117)</b>	<b>313,638</b>	<b>(3,015)</b>	<b>(1,786,965)</b>
<b>Other Financing Sources (Uses)</b>											
Transfers in	-	-	-	-	-	1,000,000	-	-	-	-	1,000,000
Other sources	-	-	-	-	-	-	-	1,547,576	-	-	1,547,576
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>	<b>1,547,576</b>	<b>-</b>	<b>-</b>	<b>2,547,576</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>222,111</b>	<b>342,838</b>	<b>(28,179)</b>	<b>265,899</b>	<b>(333,899)</b>	<b>(1,403,038)</b>	<b>(203)</b>	<b>1,384,459</b>	<b>313,638</b>	<b>(3,015)</b>	<b>760,611</b>
<b>Fund Balance - Beginning</b>	<b>520,670</b>	<b>5,216,384</b>	<b>2,382,055</b>	<b>1,674,861</b>	<b>1,227,419</b>	<b>8,449,946</b>	<b>887</b>	<b>4,901,824</b>	<b>1,618,217</b>	<b>98,376</b>	<b>26,090,639</b>
<b>Fund Balance - Ending</b>	<b>\$ 742,781</b>	<b>\$ 5,559,222</b>	<b>\$ 2,353,876</b>	<b>\$ 1,940,760</b>	<b>\$ 893,520</b>	<b>\$ 7,046,908</b>	<b>\$ 684</b>	<b>\$ 6,286,283</b>	<b>\$ 1,931,855</b>	<b>\$ 95,361</b>	<b>\$ 26,851,250</b>

See accompanying note to supplementary information.

**LANCASTER SCHOOL DISTRICT  
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE  
JUNE 30, 2020**

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The Lancaster School District was established in 1885 and consists of an area comprising approximately eighty-three square miles. The District operates twelve Kindergarten through fifth grade elementary schools, five middle schools, and one community day school.

**GOVERNING BOARD**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Keith Giles	President	November 2020
Diana Grooms	Vice President	November 2022
Duane Winn	Clerk	November 2022
Sandra Price	Member	November 2022
Greg Tepe	Member	November 2020

**DISTRICT ADMINISTRATORS**

Dr. Michele Bowers  
*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, 2020**

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**NOTE 1 – PURPOSE OF SCHEDULES**

**Schedule of Expenditures of Federal Awards**

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2020 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2020. The District did not elect to use the 10 percent de minimis indirect cost rate.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 17,614,598
Coronavirus Relief Fund	21.019	<u>6,045,562</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 23,660,160</u>

**Schedule of Average Daily Attendance (ADA)**

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 provisions of *Education Code Sections* 46200 through 46208.

**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.

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## **OTHER INDEPENDENT AUDITORS' REPORTS**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

Governing Board  
Lancaster School District  
Lancaster, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lancaster School District, as of and for the year ended June 30, 2020, 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 March 2, 2021.

**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 may exist that have not been identified.

## 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 cursive and fluid.

San Diego, California  
March 2, 2021

**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**

We have audited Lancaster School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lancaster School District's major federal programs for the year ended June 30, 2020. 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.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lancaster School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lancaster School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

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, 2020.

## Report on Internal Control Over Compliance

Management of Lancaster School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lancaster School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lancaster School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

San Diego, California  
March 2, 2021



**REPORT ON STATE COMPLIANCE**Independent Auditors' Report

Governing Board  
Lancaster School District  
Lancaster, California

**Report on State Compliance**

We have audited Lancaster School District's compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Lancaster School District's state programs for the fiscal year ended June 30, 2020, as identified below.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lancaster School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Lancaster School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on State Compliance***

In our opinion, Lancaster School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2020.

## Procedures Performed

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

<b>PROGRAM NAME</b>	<b>PROCEDURES PERFORMED</b>
<b>Local Education Agencies Other Than Charter Schools</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios 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
<b>School Districts, County Offices of Education, and Charter Schools</b>	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
<b>Charter Schools</b>	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for independent study because total reported ADA was not material.



San Diego, California  
March 2, 2021

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

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**LANCASTER SCHOOL DISTRICT  
SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**FINANCIAL STATEMENTS**

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

**FEDERAL AWARDS**

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.173, and 84.173A</u>	<u>Special Education Cluster</u>
<u>84.367</u>	<u>Title II, Part A</u>
<u>84.424</u>	<u>Title, IV, Part A</u>
<u>21.019</u>	<u>Coronavirus Relief Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</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>
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, 2020**

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**FIVE DIGIT CODE**

20000  
30000  
60000

**AB 3627 FINDING TYPE**

Inventory of Equipment  
Internal Control  
Miscellaneous

*There were no financial statement findings for the year ended June 30, 2020.*

**LANCASTER SCHOOL DISTRICT  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**FIVE DIGIT CODE**

50000

**AB 3627 FINDING TYPE**

Federal Compliance

*There were no federal award findings or questioned costs for the year ended June 30, 2020.*

**LANCASTER SCHOOL DISTRICT  
STATE AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

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**FIVE DIGIT CODE**

10000  
40000  
42000  
43000  
60000  
61000  
62000  
70000  
71000  
72000

**AB 3627 FINDING TYPE**

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

***There were no state award findings or questioned costs for the year ended June 30, 2020.***

**LANCASTER SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

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*There were no findings or questioned costs for the year ended June 30, 2019.*