

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 17, 2025

NEW ISSUE – BOOK-ENTRY ONLY

**RATING: S&P: “AA-”
(See “RATING” herein.)**

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the District described herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Bond Counsel is further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California (the “State”) under present State law. See “TAX MATTERS” herein regarding certain other tax considerations.

\$48,000,000*

**LANCASTER SCHOOL DISTRICT
(County of Los Angeles, California)
GENERAL OBLIGATION BONDS
ELECTION OF 2024, SERIES 2025A**

Dated: Date of Delivery

Due: August 1, as shown on inside cover.

The General Obligation Bonds Election of 2024, Series 2025A (the “Bonds”) of the Lancaster School District (the “District”) were authorized by an election held within the District on November 5, 2024 (the “Election”) at which more than 55% of the voters within the District voting on the measure voted to approve the issuance by the District of \$122,100,000 aggregate principal amount of bonds (the “Authorization”), as more fully described herein. Such Bonds are the first issuance of bonds under the Authorization, as more fully described herein under the caption “INTRODUCTION.” The proceeds of the Bonds are being used to: (i) finance the construction, acquisition, furnishing and equipping of District facilities, (ii) fund the payment of capitalized interest on the Bonds, and (iii) to pay certain costs of issuance associated therewith. Following the issuance of the Bonds, \$74,100,000* of the Authorization will remain, as more fully described herein under the caption “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The Bonds will be issued in authorized denominations of \$5,000 principal amount, or integral multiples thereof, and are payable as to principal amount or redemption price at the office of U.S. Bank Trust Company, National Association, as agent of the Treasurer and Tax Collector of the County of Los Angeles, acting as paying agent for the Bonds (the “Paying Agent”).

The Bonds will mature on the dates and in the amounts and bear interest at the rates shown on the inside cover hereof. Interest on the Bonds is payable commencing August 1, 2025*, and semiannually thereafter on February 1 and August 1 of each year. See “THE BONDS” herein.

The Bonds are issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds as described herein under the caption “THE BONDS – Book-Entry Only System” and in APPENDIX E – “BOOK-ENTRY ONLY SYSTEM.”

The Bonds are subject to redemption prior to maturity as described herein.* See “THE BONDS – Redemption” herein.

The Bonds are not payable from the General Fund of the District. The Bonds are not obligations of the County of Los Angeles (the “County”), the State of California (the “State”) or any of its other political subdivisions. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

The Bonds are general obligations of the District only. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of, premium, if any, and interest on each Bond as the same becomes due and payable.

MATURITY SCHEDULE

On Inside Cover

The District may apply to obtain an insurance policy, which, if obtained, would insure the scheduled payment of principal and interest on the Bonds when due. The District’s decision whether or not to obtain such a policy will be made at or about the time of the pricing of the Bonds and will be based upon, among other things, market conditions at the time of such pricing. No assurance can be given as to whether the District will obtain such a policy, and, if so, whether such policy will cover all or fewer than all of the Bonds. See “BOND INSURANCE” herein.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Bonds will be offered when, as and if issued and received by Raymond James & Associates, Inc., the Underwriter, subject to the approval of legality by Nixon Peabody LLP, San Francisco, California, Bond Counsel, and certain other conditions. Nixon Peabody LLP is acting as Disclosure Counsel for the issue. It is anticipated that the Bonds will be available for delivery in definitive form through the facilities of DTC on or about _____, 2025.

RAYMOND JAMES

Dated: March __, 2025.

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITY SCHEDULE*

\$48,000,000*

**LANCASTER SCHOOL DISTRICT
(County of Los Angeles, California)
GENERAL OBLIGATION BONDS
ELECTION OF 2024, SERIES 2025A**

\$_____ Serial Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP No.[†]</u> <u>(513804)</u>
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\$_____ – _____% Term Bonds due August 1, 20____, Yield: _____%; CUSIP No. _____

\$_____ – _____% Term Bonds due August 1, 20____, Yield: _____%; CUSIP No. _____

* Preliminary, subject to change.

† CUSIP data herein is provided by CUSIP Global Services (“CGS”), which is managed on behalf of The American Bankers Association by FactSet Research Systems Inc. CUSIP® is a registered trademark of the American Bankers Association. This information is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of the registered owners of the applicable Bonds. Neither the District nor the Underwriter nor their agents or counsel are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds..

This Official Statement does not constitute an offer to sell, the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized by the District to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein, other than that provided by the District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District.

The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. Although certain information set forth in this Official Statement has been provided by the County of Los Angeles (the "County"), the County has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement.

The Bonds have not been registered under the Securities Act of 1933, as amended (the "Securities Act") or the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), in reliance upon exemptions contained in Section 3(a)2 of the Securities Act and Section 3(a)12 of the Exchange Act, and have not been registered or qualified under the securities laws of any state.

The following statement has been provided by the Underwriter: "The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS, BANKS OR OTHERS AT PRICES LOWER OR HIGHER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Statements included or incorporated by reference in the following information constitute "forward looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the Exchange Act, and Section 27A of the Securities Act. Such statements are generally identifiable by the terminology used such as "plan," "project," "expect," "estimate," "budget" or other similar words. The achievement of results or other expectations contained in forward looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Actual results may differ from the District's forecasts. The District is not obligated to and does not plan to issue any updates or revisions to the forward looking statements in any event.

The District maintains a website and certain social media accounts. However, the information presented thereon is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds. The references to internet websites in this Official Statement are shown for reference and convenience only; unless explicitly stated to the contrary, the information contained within the websites is not incorporated herein by reference and does not constitute part of this Official Statement.

LANCASTER SCHOOL DISTRICT

Board of Trustees

Pamela Starlson, President
Greg Tepe, Vice President
Keith Giles, Clerk
Jullie Eutsler, Member
Duane Winn, Member

District Administrators

Dr. Paul M. Marietti, Superintendent
Dr. Larry Freise, Deputy Superintendent of Business⁽¹⁾

SPECIAL SERVICES

Bond Counsel and Disclosure Counsel

Nixon Peabody LLP
San Francisco, California

Municipal Advisor

CFW Advisory Services, LLC
Alameda, California

Paying Agent

U.S. Bank Trust Company, National Association, as agent of the
Treasurer and Tax Collector of the County of Los Angeles
Los Angeles, California

⁽¹⁾ Dr. Larry Freise has announced his intention to retire as of June 30, 2025. The Board has selected Charles Coleman as his successor, who is expected to begin July 1, 2025

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\$48,000,000*
LANCASTER SCHOOL DISTRICT
(County of Los Angeles, California)
GENERAL OBLIGATION BONDS
ELECTION OF 2024, SERIES 2025A

INTRODUCTION

This Introduction is only a brief description of, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page through the appendices hereto, and the documents summarized or described herein. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. A full review should be made of the entire Official Statement.

General

The Lancaster School District (the “District”), a school district in the State of California (the “State”), proposes to issue \$48,000,000* aggregate principal amount of its General Obligation Bonds, Election of 2024, Series 2025A (the “Bonds”), under and pursuant to a bond authorization (the “Authorization”) for the issuance and sale in the maximum principal amount of \$122,100,000 of general obligation bonds, which was approved by more than 55% of voters within the District voting on the measure at an election held on November 5, 2024 (the “Election”). The Bonds are the first issuance of bonds under the Authorization. Following the issuance of the Bonds, \$74,100,000* of the Authorization will remain unissued.

Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

The District

The District, located in Antelope Valley in northern Los Angeles County (the “County”), was formed in 1885 and serves the City of Lancaster as well as surrounding unincorporated areas. Covering approximately 82.5 square miles, the District serves over 125,000 residents. The District operates pre-school and transitional kindergarten (“TK”) through grade 8 educational program with fourteen elementary schools, four middle schools, one alternative education school, and one 6-8 STEAM school. The District serves a population of approximately 13,854 TK-8 students and 433 pre-school students for an enrollment for fiscal year 2024-25 of 14,476 students, as of its second interim report for fiscal year 2024-25.

The District has certain outstanding general obligation bonds as set forth in APPENDIX A and under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Direct and Overlapping Debt.” The District’s audited financial statements for fiscal year 2023-24 are attached hereto as APPENDIX C.

For further information concerning the District, see APPENDIX A – “THE DISTRICT.”

Description of the Bonds

Authorization. The Bonds are general obligations of the District only. The Bonds are issued pursuant to the provisions of (i) Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the State Government Code commencing with Section 53506, (ii) applicable provisions of the California Education

* Preliminary; subject to change.

Code, (iii) Article XIII A of the State Constitution (collectively, the “Act”), and pursuant to a resolution of the Board of Trustees of the District adopted on February 4, 2025 (the “Resolution”). For more information about the Act, see the caption “– Proposition 39” under the heading “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” herein.

Plan of Finance. Proceeds from the sale of the Bonds will be used for construction, acquisition, furnishing and equipping of certain District facilities included on the project list approved by the voters under the Authorization at the Election (the “Projects”), to pay capitalized interest on the Bonds, and to pay the costs of issuance thereof, as more fully described herein under the captions “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS”.

Security and Source of Payment. The Bonds are general obligations of the District only, payable from *ad valorem* property taxes which may be levied upon all taxable property in the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). For more complete information regarding taxation of property within the District, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

THE BONDS ARE GENERAL OBLIGATION BONDS OF THE DISTRICT, SECURED BY AND PAYABLE SOLELY FROM AD VALOREM PROPERTY TAXES ASSESSED ON TAXABLE PROPERTIES WITHIN THE DISTRICT, WITHOUT LIMITATION AS TO RATE OR AMOUNT. THE BONDS ARE NOT AN OBLIGATION OF THE GENERAL FUND OF THE DISTRICT OR OF THE COUNTY. SEE “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” HEREIN.

Redemption. The Bonds are subject to redemption prior to their stated maturity as further described herein*. See “THE BONDS – Redemption” herein.

Payments. The Bonds will be dated as of their initial date of delivery (the “Date of Delivery”), and interest on the Bonds will accrue from the Date of Delivery, and is payable semiannually on each February 1 and August 1 of each year (each, an “Interest Payment Date”), commencing August 1, 2025*. The principal amount of the Bonds is payable at maturity or at earlier redemption upon surrender of the applicable Bond for payment. Payments of the principal of and interest on the Bonds will be made by U.S. Bank Trust Company, National Association, as agent for the Treasurer and Tax Collector of the County, as the initial paying agent for the Bonds (the “Paying Agent”) to DTC for subsequent distribution through DTC Participants (the “DTC Participants”) to the Beneficial Owners of the Bonds.

Denominations. The Bonds will be issued in initial denominations of \$5,000 or any integral multiple thereof.

Form and Registration. The Bonds will be issued in fully registered form only, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), who will act as securities depository for the Bonds. See “THE BONDS – Book-Entry Only System” herein and APPENDIX E – “BOOK-ENTRY ONLY SYSTEM” hereto. Purchasers of the Bonds (the “Beneficial Owners”) will not receive physical certificates representing their interests in the Bonds purchased. In the event that the book-entry only system described herein is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution.

* Preliminary, subject to change.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the “Owners,” “Bondowners,” or “Holders” of the Bonds (other than under the caption “TAX MATTERS”) will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Continuing Disclosure

Pursuant to that certain Continuing Disclosure Undertaking (defined herein) relating to the Bonds, the District will covenant for the benefit of the Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in compliance with Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission. The specific nature of the information to be made available and of the notices of listed events is summarized under “LEGAL MATTERS – Continuing Disclosure” herein and in APPENDIX D – “FORM OF CONTINUING DISCLOSURE UNDERTAKING” attached hereto.

Professionals Involved in the Offering

Nixon Peabody LLP, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds, and will receive compensation from the District contingent upon the sale and delivery of the Bonds. CFW Advisory Services, LLC, Alameda, California, is acting as Municipal Advisor to the District with respect to the Bonds.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “intend,” “expect,” “estimate,” “project,” “budget,” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED FROM SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

THE BONDS

Authority for Issuance

The Bonds are general obligations of the District and shall be payable solely from the proceeds of *ad valorem* property taxes levied within the District. The District received the Authorization at the Election. The Bonds are being issued by the District under the Act as well as other applicable laws and regulations

of the State, and pursuant to the Resolution and the Authorization. The Bonds represent the first series of bonds issued under the Authorization, following which, \$74,100,000* will remain outstanding.

Purpose of Issue; Application of Funds

The District submitted a project list (the “Project List”) to the voters at the Election, specifying the types of projects eligible to be financed, from which a number of components will be financed with the proceeds of the Bonds. Details regarding the Project List and the proposed components to be financed are set forth under the caption “PLAN OF FINANCE” herein.

The majority of the proceeds of the sale of the Bonds, after payment of costs of issuance of the Bonds, shall be deposited into a Building Fund established under the Resolution (the “Building Fund”). The District shall, from time to time, disburse or cause to be disbursed amounts from the Building Fund to pay project costs; provided, however, that the proceeds of sale of the Bonds shall be applied only to the financing of the Projects. Interest earned on the investment of monies held in the Building Fund shall be retained in such Building Fund.

Any excess proceeds of the Bonds not needed for the authorized purposes for which such Bonds are being issued, as well as any premium on the Bonds received by the District, shall be kept separate and apart and transferred to the District’s “Series 2025A Debt Service Fund” (the “Debt Service Fund”) as appropriate and as directed by the District, and applied to the payment of the principal of and interest on the Bonds. Interest earned on the investment of monies held in the Debt Service Fund shall be retained in the Debt Service Fund.

Permitted Investments

Under State law, the District is generally required to pay all moneys received from any source into the County treasury to be held on behalf of the District. The proceeds from the sale of the Bonds to the extent of the principal amount thereof, will be deposited in the County Treasury to the credit of the Project Fund and shall be accounted for, together with the proceeds of other bonds of the District separately from all other District and County funds. Such proceeds shall be applied solely for the purposes for which the Bonds were authorized. Any premium or accrued interest received by the District will be deposited in the Debt Service Fund. Interest and earnings on each fund will accrue to that fund.

All funds held by the Los Angeles County Treasurer and Tax Collector (the “County Treasurer”) in the Debt Service Fund are expected to be invested at the sole discretion of the County Treasurer, on behalf of the District, in such investments as are authorized by Section 53601 and following of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. See “THE LOS ANGELES COUNTY TREASURY POOL” herein.

Description of the Bonds

The Bonds will be dated their Date of Delivery and will be issued in authorized denominations of \$5,000 or any integral multiple thereof. The Bonds will be issued with principal amount payable at the maturity dates of the respective Bonds or upon their earlier redemption. **The Bonds are not subject to acceleration.**

The Bonds will be issued in fully registered form, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the

* Preliminary, subject to change.

Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners (as defined herein) or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer by the Paying Agent to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to the Beneficial Owners. Payments of principal of and premium, if any, on any Bonds shall be made only upon the surrender of such Bonds to the Paying Agent. See APPENDIX E – “BOOK-ENTRY ONLY SYSTEM” herein.

Payment of the Bonds

Interest on each Bond shall accrue from its dated date, computed using a year of three hundred and sixty (360) days comprised of twelve 30-day months and shall be payable on each Interest Payment Date, commencing August 1, 2025*, to the registered owner (each, an “Owner”) thereof as of the close of business on the fifteenth (15th) calendar day of the month next preceding any Interest Payment Date (whether or not such day is a business day) (a “Record Date”). Interest on each Bond will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered after the close of business on any Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest thereon shall be payable from such following Interest Payment Date; or (ii) it is registered prior to the close of business on the first Record Date, in which event interest shall be payable from its dated date; provided, however, that if at the time of registration of any Bond, interest thereon is in default, interest thereon shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest on the Bonds will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of one million dollars (\$1,000,000) aggregate principal amount or more of such Bonds, to the bank account in the United States specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent, which shall not be more than fifteen (15) days and not less than ten (10) days prior to the date of the proposed payment of defaulted interest.

Redemption*

Optional Redemption. The Bonds maturing on or before August 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after August 1, 20__, may be redeemed before maturity, at the option of the District, from any source of available funds, in whole or in part on any date on or after August 1, 20__, at par, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption on August 1 of each year, commencing August 1, 20__, in the following principal amounts, at a redemption price of par, plus accrued interest to the redemption date, without premium:

* Preliminary; subject to change.

**Mandatory Sinking
Fund Payment Date
(August 1)**

**Mandatory Sinking
Fund Payment**

⁽¹⁾ Maturity.

The Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption on August 1 of each year, commencing August 1, 20__, in the following principal amounts, at a redemption price of par, plus accrued interest to the redemption date, without premium:

**Mandatory Sinking
Fund Payment Date
(August 1)**

**Mandatory Sinking
Fund Payment**

⁽¹⁾ Maturity.

The Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption on August 1 of each year, commencing August 1, 20__, in the following principal amounts, at a redemption price of par, plus accrued interest to the redemption date, without premium:

**Mandatory Sinking
Fund Payment Date
(August 1)**

**Mandatory Sinking
Fund Payment**

⁽¹⁾ Final Maturity.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds of a series and less than all outstanding Bonds of that series are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds of that series for redemption in such order as the District may direct, or, in the absence of such direction, by lot. Within a maturity, the Paying Agent shall select Bonds for redemption in such order as the District may direct, or in the absence of such direction, by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; *provided, however*, that the portion of any Bond to be redeemed in part shall be in the principal amount of five thousand US dollars (\$5,000) or any integral multiple thereof.

Notice of Redemption

When redemption is authorized or required pursuant to the Resolution, the Paying Agent, upon written instruction from the District, shall give notice (each, a "Redemption Notice") of the redemption of

the Bonds. Such Redemption Notice shall specify: (a) the Bonds and series or designated portions thereof (in the case of any Bond to be redeemed in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP® numbers (if any) assigned to the Bonds to be redeemed, (f) the bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, together with the interest accrued to the redemption date, and that from and after such date, interest on such Bonds shall cease to accrue and become payable.

The Paying Agent shall take the following actions with respect to each such Redemption Notice: (i) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first-class mail, postage prepaid, at their addresses appearing on the Bond Register and the Municipal Securities Rulemaking Board (the “MSRB”); and (ii) in the event that the Bonds are no longer held in book-entry only form, at least 20 but not more than 45 days before the redemption date, such Redemption Notice shall be given by (1) first-class mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to each of the Securities Depositories and to the MSRB.

“Securities Depositories” means DTC and, in accordance with then-current guidelines of the SEC, such other addresses and/or such other securities depositories as the District may designate in a certificate delivered to the Paying Agent.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by issue, series and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Conditional Notice of Redemption

Any Redemption Notice may be made conditional upon the satisfaction of certain conditions and/or the receipt of sufficient moneys to pay the redemption price of the designated Bonds and may be rescinded by the District at any time prior to the scheduled date of redemption by so notifying the Paying Agent, who shall notify the Owners of the affected Bonds and the MSRB in the event such conditions are not met or are not expected to be met and/or such funds are not received or are not expected to be received, in the same manner in which the Redemption Notice was originally given. In the event that a Redemption Notice contains such a condition and such moneys are not so received and/or such conditions are not met, the redemption shall not be made and the Paying Agent will, within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the Redemption Notice was given, that such moneys were not so received and/or such condition was not met.

Partial Redemption of Bonds

Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like series, tenor, maturity and interest rates and of authorized denominations equal in principal amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption

Notice having been given as required in the Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the District's Debt Service Fund or deposited with a duly appointed escrow agent, in trust, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent, or deposited with a duly appointed escrow agent, in trust, so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, and any conditions to such redemption described in the Redemption Notice shall be met, interest on the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like series, tenor, maturity and principal amount upon presentation and surrender at the principal office of the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like series and tenor and of any authorized denomination or denominations equal to the principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Discharge and Defeasance

All or any portion of the outstanding maturities of the Bonds of a series may be defeased prior to maturity in the following ways:

- (a) by paying or causing to be paid the principal of and premium, if any, and interest on such Bonds, and when the same become due and payable;
- (b) by depositing with the Paying Agent or with a duly appointed escrow agent, in trust, at or before maturity, cash which together with amounts transferred from or then on deposit in the Debt Service Fund (and the accounts therein other than amounts that are not available to pay debt service) together with the interest to accrue thereon without the need for further investment, is fully sufficient to pay such Bonds at maturity or earlier redemption thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or
- (c) by depositing in escrow with an institution that meets the requirements of serving as successor Paying Agent under the Resolution selected by the District, in trust, lawful moneys or noncallable direct obligations issued by the United States Treasury (including State and Local

Government Series) or obligations which are unconditionally guaranteed by the United States of America or “prerefunded” municipal obligations rated in the highest category by Moody’s or S&P, and, with respect to any Bonds designated under the Resolution as exempt from federal income taxes, permitted under Section 149(b) of the Code (defined below) and Regulations which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient, as fully verified by the report of an independent certified public accountant, to pay and discharge such Bonds at maturity or earlier redemption thereof, for which notice has been given or provided for, including any premium and all interest thereon.

Notwithstanding that any Bonds of the affected series have not been surrendered for payment, then all obligations of the District and the Paying Agent with respect to all such Bonds of that series will cease and terminate. However, the obligation of the Paying Agent or escrow agent to pay or cause to be paid to the Owners of such Bonds all sums due thereon, and the obligation of the District to pay the Paying Agent certain amounts due under the Resolution, shall not terminate.

Book-Entry Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in principal amounts of \$5,000, or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC. For further information regarding DTC and the book-entry system, see APPENDIX E hereto.

PLAN OF FINANCE

The District intends to apply the net proceeds of sale of the Bonds to finance various types of capital improvements included on the Project List approved by the voters at the Election. The Board of Trustees retains the ability to set priorities among listed project types, in order to meet the needs of the District and its students.

The Project List includes the following types of projects:

- Upgrade aging classrooms to meet 21st century educational requirements;
- Provide, modernize and upgrade facilities needed to support high quality instruction;
- Improve and modernize health, safety and security features of schools, classrooms, campuses, and other school and District facilities;
- Repair or replace deteriorating roofs, plumbing, heating, ventilation, gas lines, sewer lines, and electrical systems
- Remove asbestos and lead pipes;
- Upgrade or rehabilitate schools and facilities to meet health and safety codes;
- Improve, upgrade and modernize classroom technology;
- Replace old portable structures with permanent classrooms and facilities;

- Construct TK classrooms to meet mandates to accommodate younger students at schools;
- Modernize science labs at the middle schools;
- Transform, renovate, upgrade and modernize school libraries into 21st Century Library Media and Learning Centers;
- Construct, upgrade and modernize facilities dedicated to support the District's art and music programs;
- Qualify local schools to receive state matching funds; and
- Furnish and equip classrooms, school facilities, and other projects listed herein.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

Sources of Funds

Principal Amount	\$
Net Original Issue Premium	
Total Sources	<hr/> \$ <hr/>

Uses of Funds

Deposit to Building Fund	\$
Deposit to Debt Service Fund	
Costs of Issuance ⁽¹⁾	
Total Uses	<hr/> \$ <hr/>

⁽¹⁾ Includes Underwriter's discount, payment of Bond and Disclosure Counsel fees, Municipal Advisor fees, Paying Agent fees, rating agency fees, bond insurance premium, if any, Preliminary Official Statement and Official Statement printing and other costs of issuance.

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DEBT SERVICE SCHEDULE

The following table summarizes the debt service requirements for the outstanding general obligation bonds of the District, including the Bonds, assuming no optional redemption thereof:

Year Ending August 1	Total Outstanding Debt Service	The Bonds		Total Debt Service
		Principal	Interest	
2025	\$8,584,730.36			
2026	9,158,361.32			
2027	3,290,370.62			
2028	3,395,263.12			
2029	3,532,656.86			
2030	3,675,676.86			
2031	3,823,789.76			
2032	3,976,167.30			
2033	4,133,940.90			
2034	4,300,700.90			
2035	4,471,445.00			
2036	4,651,133.20			
2037	4,839,677.90			
2038	5,032,699.10			
2039	5,232,700.00			
2040	3,032,718.76			
2041	3,153,881.26			
2042	3,284,268.76			
2043	3,413,856.26			
2044	3,548,212.50			
2045	3,692,731.26			
2046	3,841,600.00			
2047	3,994,225.00			
2048	-			
2049	-			
2050	-			
2051	-			
2052	-			
2053	-			
2054	-			
2055	-			
Total	<u>\$100,060,807.00</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds are general obligations of the District only, and the Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. Pursuant to the California Education Code, the levy may include allowance for an annual reserve, established for the purpose of avoiding fluctuating tax levies. However, the County is not obligated to establish or maintain such a reserve for the Bonds, and the District can make no representations that the County will do so in future years.

California Senate Bill 222

On July 13, 2015, the Governor of the State (the “Governor”) signed Senate Bill 222 (“SB 222”) into law, effective January 1, 2016, to clarify the process of lien perfection for general obligation bonds issued by or on behalf of California school and community college districts. By clarifying that the lien created with each general obligation bond issuance is a “statutory” lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance. See “LEGAL MATTERS – Limitations on Remedies; – California Senate Bill 222; and – Special Revenues” herein for more information on SB 222.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS” herein.

The State-reimbursed exemption currently provides a credit of \$7,000 of the full value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies.

In addition, certain classes of property such as churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Economic and other factors beyond the District’s control, such as a decline in general economic conditions or a general market decline in property values, changes in supply and demand for real property in the area, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or other government regulations such as zoning, or the complete or partial destruction, or the complete or partial destruction of taxable property caused by natural or manmade disaster such as earthquake, fire or wildfire, flood, toxic dumping, etc., or outbreaks of infectious disease or pandemic could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the District’s outstanding general obligation bonds, including the Bonds. See “– Effect of Natural Disasters on Assessed Valuations” herein.

The District’s fiscal year 2024-25 total assessed valuation of property within its boundaries is \$12,466,112,504. Shown in the following tables are the assessed valuations of property in the District during the past five fiscal years, fiscal year 2024-25 assessed valuation and parcels by land use, per parcel fiscal year 2024-25 assessed valuation of single family homes and the twenty largest secured taxpayers in the District for fiscal year 2024-25.

**Lancaster School District
Summary of Assessed Valuation
Fiscal Years 2020-21 through 2024-25**

Fiscal Year	Local Secured	Utility	Unsecured	Total
2020-21	\$9,360,810,468	\$1,393,028	\$321,874,472	\$9,684,077,968
2021-22	9,931,192,668	1,172,484	295,442,357	10,227,807,509
2022-23	10,823,855,715	1,168,187	338,373,531	11,163,427,433
2023-24	11,366,769,007	1,165,459	368,294,357	11,736,228,823
2024-25	12,068,366,947	1,162,589	396,582,968	12,466,112,504

Source: California Municipal Statistics, Inc.

**Lancaster School District
2024-25 Assessed Valuation and Parcels by Land Use**

	2024-25 Assessed Valuation⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial/Office	\$ 1,874,045,569	15.53%	1,177	2.90%
Vacant Commercial	112,201,982	0.93	304	0.75
Industrial	631,193,054	5.23	383	0.94
Vacant Industrial	178,463,068	1.48	1,647	4.06
Recreational	31,527,913	0.26	23	0.06
Government/Social/Institutional	30,614,596	0.25	1,164	2.87
Miscellaneous	58,689,905	0.49	355	0.88
Subtotal Non-Residential	\$ 2,916,736,087	24.17%	5,053	12.46%
Residential:				
Single Family Residence	\$ 7,863,320,866	65.16%	27,960	68.94%
Condominium/Townhouse	193,559,387	1.60	1,515	3.74
Mobile Home Park	22,218,662	0.18	15	0.04
2-4 Residential Units	205,899,370	1.71	726	1.79
5+ Residential Units/Apartments	625,960,669	5.19	199	0.49
Vacant Residential	240,671,906	1.99	5,091	12.55
Subtotal Residential	\$ 9,151,630,860	75.83%	35,506	87.54%
Total	\$12,068,366,947	100.00%	40,559	100.00%

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Lancaster School District
Per Parcel 2024-25 Assessed Valuation of Single Family Homes

	<u>No. of Parcels</u>	<u>2024-25 Assessed Valuations</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	27,960	\$7,863,320,866	\$281,235	\$262,663

<u>2024-25 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$24,999	55	0.197%	0.197%	\$ 628,954	0.008%	0.008%
\$25,000 - \$49,999	331	1.184	1.381	13,354,347	0.170	0.178
\$50,000 - \$74,999	657	2.350	3.730	42,044,737	0.535	0.713
\$75,000 - \$99,999	1,101	3.938	7.668	96,293,364	1.225	1.937
\$100,000 - \$124,999	1,363	4.875	12.543	153,848,234	1.957	3.894
\$125,000 - \$149,999	1,725	6.170	18.712	237,617,709	3.022	6.915
\$150,000 - \$174,999	1,915	6.849	25.562	310,999,737	3.955	10.871
\$175,000 - \$199,999	2,056	7.353	32.915	386,069,092	4.910	15.780
\$200,000 - \$224,999	1,881	6.727	39.642	399,263,830	5.078	20.858
\$225,000 - \$249,999	1,877	6.713	46.356	445,751,379	5.669	26.527
\$250,000 - \$274,999	1,877	6.713	53.069	492,049,418	6.258	32.784
\$275,000 - \$299,999	1,623	5.805	58.873	465,673,372	5.922	38.706
\$300,000 - \$324,999	1,492	5.336	64.210	466,135,529	5.928	44.634
\$325,000 - \$349,999	1,329	4.753	68.963	448,263,873	5.701	50.335
\$350,000 - \$374,999	1,342	4.800	73.763	486,961,534	6.193	56.528
\$375,000 - \$399,999	1,342	4.800	78.562	519,269,073	6.604	63.131
\$400,000 - \$424,999	1,270	4.542	83.104	523,316,942	6.655	69.787
\$425,000 - \$449,999	1,018	3.641	86.745	444,968,386	5.659	75.445
\$450,000 - \$474,999	904	3.233	89.979	417,922,850	5.315	80.760
\$475,000 - \$499,999	681	2.436	92.414	331,922,245	4.221	84.981
\$500,000 and greater	2,121	7.586	100.000	1,180,966,261	15.019	100.000
Total	27,960	100.000%		\$7,863,320,866	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

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The 20 largest taxpayers in the District, as shown on the fiscal year 2024-25 secured tax roll, and the amounts of their assessed valuation for all taxing jurisdictions within the District, are shown below. As further discussed under “– *Appeals of Assessed Value; Proposition 8 Reductions*” herein, the *ad valorem* property tax is subject to certain appeals and reclassification, and may be challenged from time to time. The below table does not take into account any such appeal or challenge.

**Lancaster School District
2024-25 Largest Total Secured Taxpayers**

	Property Owner	Primary Land Use	2024-25 Assessed Valuation	% of Total⁽¹⁾
1.	AG Sunset Ridge Owner LP	Apartments	\$ 141,530,663	1.17%
2.	Westcore Bravo Lancaster LLC	Industrial	101,960,864	0.84
3.	AG Cordova Park Owner LP	Apartments	89,556,580	0.74
4.	Rami Darghalli	Shopping Center	75,800,166	0.63
5.	Granada Villas REI LLC	Apartments	69,986,306	0.58
6.	AG Sienna Heights Owner LP	Apartments	65,196,265	0.54
7.	B33 Valley Central II LLC	Shopping Center	63,493,980	0.53
8.	Wal Mart Real Estate Business Trust	Shopping Center	56,651,200	0.47
9.	Vereit Real Estate LP	Industrial	50,365,672	0.42
10.	Maisons at 40th LP	Residential Properties	49,159,210	0.41
11.	Byd Coach and Bus LLC	Industrial	39,048,486	0.32
12.	CP Antelope Shops LLC	Shopping Center	34,800,166	0.29
13.	Woodlands West REI LLC	Apartments	30,847,811	0.26
14.	Eretz Lancaster Properties LLC	Medical Buildings	28,849,942	0.24
15.	Lancaster Realty Holdings LLC	Apartments	28,482,471	0.24
16.	RIII 1SC LA II LLC	Residential Properties	28,003,355	0.23
17.	Quartz Hill Station LLC	Shopping Center	25,352,881	0.21
18.	43300 Gadsden Ave. LLC	Apartments	23,021,034	0.19
19.	Valley Central LP	Shopping Center	22,910,351	0.19
20.	Spirit Master Funding X LLC	Shopping Center	22,711,399	0.19
			<u>\$1,047,728,802</u>	<u>8.68%</u>

⁽¹⁾ 2024-25 Total Secured Assessed Valuation: \$12,466,112,504.
Source: California Municipal Statistics, Inc.

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer’s financial situation and ability or willingness to pay property taxes. Each taxpayer listed above is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table above.

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Tax Rates

The following table sets forth typical tax rates levied in Tax Rate Area 5438 (TRA 5438), a typical tax rate area within the District, for fiscal years 2020-21 through 2024-25. The 2024-25 assessed valuation of TRA 5438 is \$1,102,724,600, which is 8.85% of the District's total assessed valuation.

Lancaster School District
Typical Tax Rates per \$100 of Assessed Valuation (TRA 5438)
Fiscal Years 2020-21 Through 2024-25

	2020-21	2021-22	2022-23	2023-24	2024-25
General	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
Antelope Valley Union High School District	0.021627	0.023599	0.053533	0.020454	0.020988
Antelope Valley Joint Community College District	0.042466	0.044242	0.038870	0.040781	0.043355
Lancaster School District	0.065400	0.065668	0.026302	0.065367	0.066579
Antelope Valley-East Kern Water Agency	0.070490	0.070490	0.070600	0.070490	0.070490
Total	\$1.199983	\$1.203999	\$1.189305	\$1.197092	\$1.201412

Source: California Municipal Statistics, Inc.

***Ad Valorem* Property Taxes, Tax Rates, Levies, Collections and Delinquencies**

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and real property having a tax secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, then a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are currently due as of the January 1 lien date prior to the commencement of a fiscal year and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of 1.5% per month begins

to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

The County levies and collects all property taxes for property falling within its taxing boundaries. The District cannot predict or anticipate whether property tax payments will be delinquent, whether any further action will be taken by the State or the County with respect to property tax payment or deadlines or delinquent payment of property taxes, requests to cancel penalties on late property tax payments, any potential future adjustments to property tax payments or payment deadlines, or the impact of any such delay or delinquencies on the District's financial conditions or operations.

The County has not adopted the Teeter Plan (defined below), and therefore, the Teeter Plan is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies. See "– Unavailability of the Teeter Plan" herein. However, State law requires the County to levy *ad valorem* property taxes sufficient to pay the Bonds when due. If delinquencies increase substantially, the County does have the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies.

Tax Charges and Delinquencies

The County's secured tax roll charges and corresponding delinquencies with respect to property located in the District for the five-year period from fiscal year 2019-20 through 2023-24 are set forth in the following table.

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**Lancaster School District
Secured Tax Charges and Delinquencies
Fiscal Years 2019-20 through 2023-24**

Fiscal Year	Secured Tax Charge⁽¹⁾	Amt. Del. June 30	% Del. June 30
2019-20	\$5,249,687	\$173,611	3.31%
2020-21	5,471,811	93,530	1.71
2021-22	5,786,036	90,720	1.57
2022-23	6,306,766	98,927	1.57
2023-24	6,658,919	117,484	1.76

Fiscal Year	Secured Tax Charge⁽²⁾	Amt. Del. June 30	% Del. June 30
2019-20	\$5,174,317	\$172,082	3.33%
2020-21	6,145,762	203,476	3.31
2021-22	6,423,183	113,681	1.77
2022-23	6,642,900	124,961	1.88
2023-24	7,453,670	164,233	2.20

⁽¹⁾ 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects countywide delinquency rate.

⁽²⁾ General Obligation Bond debt service levy only.

Source: California Municipal Statistics, Inc.

Unavailability of the Teeter Plan

Certain counties in the State operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District’s receipt of property taxes is therefore subject to delinquencies.

Effect of Natural Disasters on Assessed Valuations

General. As referenced under “– Assessed Valuations” herein, assessed valuations are subject to change in each year and such changes may result from a variety of factors, including natural disasters. In recent years, there have been several notable natural disasters in the State, including wildfire, drought conditions, and winter storms.

On August 27, 2018, the California Natural Resources Agency released its Fourth Climate Change Assessment, which included as key findings that the frequency of drought and the amount of acres burned by wildfire in the State would both increase in the future. This report details significant economic impact to the State as a result of these and other natural disasters. The report is publicly available at <http://www.climateassessment.ca.gov/>. The reference to this internet website is shown for reference and convenience only; the information contained within the website may not be current, has not been reviewed by the District and is not incorporated herein by reference.

The District cannot predict or make any representation regarding the effects that natural disasters, such as fire, or wildfire, outbreaks of disease or pandemic, drought or extended drought conditions, earthquakes, or other natural or man-made conditions have or may have on the value of taxable property

within the District, or to what extent the effects of such natural disasters might have on economic activity within the District or throughout the State. See below under the heading “– Appeals of Assessed Value; Proposition 8 Reductions.”

Seismic. The District is located in a seismically active region of Southern California. Active earthquake faults include the San Andreas Fault that runs throughout the County and the Antelope Valley, where the District is located. Most of Southern California shares this risk. Earthquakes of magnitude of 6 to 8 on the Richter Scale are possible. Although no significant earthquake activity has occurred in the District within the last 20 years, an earthquake of large magnitude could result in extensive damage to property within the District and could adversely affect the region’s economy and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds.

Wildfire, Drought, and Winter Storms. Major wildfires have occurred in recent years in different regions of the State, most recently being a series of thirty-one fires beginning in January of 2025 affecting the Los Angeles metropolitan area and surrounding regions, and including the two largest fires, being the Palisades fire and the Eaton fire. The fires burned over 40,000 acres and destroyed several thousand structures. The total economic loss and impact from the fires, while unknown at this time, is expected to be significant. While these fires were located in the County and caused significant damage and loss of life, these fires were not located in or near the District, and the District did not sustain any property loss as a result of these fires.

Property damage due to wildfire could result in a significant decrease in the value of property within the District, and significant property damage has resulted in other areas of the State due to fire damage. The Governor has signed a number of measures into law addressing issues related to increased wildfire risk in the State, including forest management, mutual aid for fire departments, emergency alerts and safety mandates.

State law requires that all local jurisdictions identify very high fire hazard severity zones within their areas of jurisdiction. Inclusion within these zones is based on vegetation density, slope severity and other relevant factors that contribute to fire severity. The District is not located within a Very High Fire Severity Zones (“VHFSZ”). There are VHFSZ’s in the vicinity of the District, including in the neighboring city of Palmdale. The District has not sustained any serious property losses as a result of the wildfires occurring in the State in recent years

The State has been subject to numerous drought emergencies in recent years, affecting substantial portions of the State, including at times the areas in which the District is located. Governor Gavin Newsom declared regional drought emergencies throughout the State on April 12, 2021, May 10, 2021, July 8, 2021 and October 19, 2021. Since the October 19, 2021 proclamation, the State experienced a record-breaking dry period in January and February of 2022. On March 28, 2022, Governor Newsom filed Executive Order N-7-22, which, among other things, maintained the aforementioned emergency drought proclamations, and established State Water Resources Board review of emergency regulations related to drought conditions.

There can be no assurance that drought conditions will not return in the future, and any such drought conditions could impact the District. The Antelope Valley, where the District is located, is susceptible to drought. Unseasonably wet winters or winter storms can also lead to an increase in vegetation, creating conditions that lead to more substantial wildfires. As stated above, the District cannot make any prediction about the impact of drought conditions, wildfires, or winter storms on the District or the payment of the Bonds.

However, California experienced an unexpected increase in the amount of winter storms and increased rainfall and snowpack, leading to an unseasonably wet winter in late 2022 and early 2023, which

impacted communities across the State (the “2022-23 Winter Storms”). The increased rainfall caused by the 2022-23 Winter Storms eased drought conditions across the State considerably. Accordingly, in March 2023, the Governor rescinded some of the State’s drought restrictions, including restrictions in the County. In addition, in January 2023, the Governor announced an extension of its tax filing deadline for residents and businesses in Counties which were impacted by the 2022-23 Winter Storms and the resulting mudslides, and flooding (the “2023 Winter Storm Tax Extension”). Most counties in the State were included in the 2023 Winter Storm Tax Extension, such that certain individual and business tax payments which would have typically been due at various times between January and September 2023 were due on October 16, 2023. It is not possible for the District to make any representation regarding the extent to which any winter storms, or related increased rainfall, mudslides or flooding conditions, could cause reduced economic activity within the boundaries of the District or the extent to which such conditions may impact District facilities or the assessed value of taxable property within the District.

Appeals of Assessed Value; Proposition 8 Reductions

A property owner may appeal a county assessor’s determination of assessed value based on Proposition 8, passed by the voters in November 1978 (“Proposition 8”), or based on a challenge to the base year value.

Proposition 8 requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Property owners may apply for a Proposition 8 reduction of their property tax assessment with the County board of equalization or assessment appeals board. In most cases, an appeal is based on the property owner’s belief that market conditions cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the county assessor.

Any reduction in the assessed value granted as a result of a Proposition 8 appeal, or unilateral reassessment by the county assessor, applies to the year for which the application or reassessment is made. These reductions are subject to annual review and the assessed values are adjusted back to the original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it becomes subject to the annual inflationary factor growth rate allowed under Article XIII A.

Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is made and thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of change of ownership or new construction date.

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters, such as earthquakes, floods, fire, wildfire, pandemic, drought or other toxic contamination pursuant to relevant provisions of the State Constitution. Such reductions are subject to yearly reappraisals by the County Assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under the State Constitution.

The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate assessed valuation of property within the District due to appeals, as with any reduction in assessed valuation due to other causes, will result in an increase of the tax

rate levied upon all property subject to taxation within the District for the payment of principal of and interest on the Bonds, when due.

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIII A of the State Constitution to allow owners of property that was “substantially damaged or destroyed” by a disaster, as declared by the Governor (the “Damaged Property”), to transfer their existing base year value (the “Original Base Year Value”) to a comparable replacement property within the same county, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the “Original Cash Value”); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the “Replacement Base Year Value”) depends on the relation of the full cash value of the replacement property (the “Replacement Cash Value”) to the Original Cash Value: if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIII A of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a “comparable replacement property” located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Intra-county transfers under Proposition 171 are more restrictive than inter-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a “reasonable size that is used as a site for a residence;” (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of “equal or lesser value” than the Original Cash Value.

Within the context of Proposition 171, “equal or lesser value” means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

Certain Existing Obligations

A schedule of the District's changes in long-term debt for the year ended June 30, 2024, is shown in the table below.

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024	Amounts Due Within One Year
Government Activities:					
General Obligation Bonds	\$79,551,725	\$1,092,955	\$6,930,000	\$73,714,680	\$2,052,105
Unamortized Premium	1,720,788	-	71,629	1,649,159	71,629
Total General Obligation Bonds	81,272,513	1,092,955	7,001,629	75,363,839	2,123,734
Certificates of Participation	6,015,000	-	365,000	5,650,000	375,000
Unamortized Premium	293,572	-	22,582	270,990	22,582
Total Certificates of Participation	6,308,572	-	387,582	5,920,990	397,582
Special Tax Bonds	9,505,000	-	-	9,505,000	-
Unamortized Premium	160,628	-	5,737	154,891	5,737
Total Special Tax Bonds	9,665,629	-	5,737	9,659,891	5,737
Compensated absences	1,335,611	-	6,325	1,329,286	-
Total OPEB Liability	50,743,435	1,525,985	-	52,269,420	-
Net pension liability	168,521,903	20,323,234	-	188,845,137	-
Annuity payable	1,747,000	42,000	588,000	1,201,000	478,000
Total Long-Term Debt	\$319,594,662	\$22,984,174	\$7,989,273	\$334,589,563	\$3,005,053

Source: The District's audited financial statements for fiscal year 2023-24. See Appendix C hereto.

Direct and Overlapping Debt

Numerous local agencies which provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt (the "Debt Report"). The statement excludes self-supporting revenue bonds and non-bonded capital lease obligations.

The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

Column 1 in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in Column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

Inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

**Lancaster School District
Direct and Overlapping Bonded Indebtedness**

2024-25 Assessed Valuation: \$12,466,112,504

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 3/1/25</u>
Antelope Valley Joint Community College District	25.169%	\$103,891,570
Antelope Valley Union High School District	28.569	4,116,757
Lancaster School District	100.	61,412,293⁽¹⁾
Lancaster School District Community Facilities District No. 2004-1	100.	9,505,000
Lancaster Lighting & Maintenance District	70.912	6,814,643
Palmdale Street Lighting Assessment District No. 1-5	0.138	1,856
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$185,742,119
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	0.593%	\$ 18,768,464
Los Angeles County Superintendent of Schools Certificates of Participation	0.593	13,827
Antelope Valley Community College District Certificates of Participation	25.169	2,496,765
Antelope Valley Union High School District General Fund Obligations	28.569	1,169,901
Lancaster School District Certificates of Participation	100.	5,650,000
City of Lancaster Certificates of Participation	71.158	65,568,539
City of Palmdale Certificates of Participation and Parks Lease Revenue Bonds	0.330	237,834
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 93,905,330
Less: City of Lancaster supported obligations		11,616,544
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 82,288,786
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		
Lancaster Redevelopment Agency Project Areas	Various	\$ 92,736,303
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$ 92,736,303
 GROSS COMBINED TOTAL DEBT		\$372,383,752⁽²⁾
NET COMBINED TOTAL DEBT		\$360,767,208

⁽¹⁾ Excludes issue to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2024-25 Assessed Valuation:

Direct Debt (\$61,412,293)	0.49%
Total Gross Direct and Overlapping Tax and Assessment Debt.....	1.49%
Combined Direct Debt (\$67,062,293)	0.54%
Gross Combined Total Debt	2.99%
Net Combined Total Debt.....	2.89%

Ratios to Redevelopment Incremental Valuation (\$9,449,411,458):

Total Overlapping Tax Increment Debt.....	0.98%
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Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution

Article XIII A of the California Constitution limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under “full cash value,” or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” The full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

All taxable property is shown at full market value on the tax rolls, with tax rates expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

Prospective purchasers of the Bonds should be aware that, notwithstanding any decrease in assessed valuation for any fiscal year, the County is required to levy sufficient taxes to pay debt service on the Bonds. The consequence of any decrease in assessed valuation is a corresponding increase in the tax rate on taxable property so that sufficient tax revenues may be collected from taxpayers to cover debt service on the Bonds in full.

Property Tax Base Transfer (Proposition 19)

At the November 2020 Statewide election, voters enacted changes to certain property tax rules (“Proposition 19”) which: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the scope of legal entity ownership changes that trigger reassessment of properties. The

District cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the District.

Article XIII B of the California Constitution

Under Article XIII B of the California State Constitution, State and local government entities have an annual “appropriations limit” and are not permitted to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriations of moneys which are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Unitary Property

Assembly Bill 454 (Chapter 921, Statutes of 1986) (“AB 454”) provides that revenues derived from most utility property assessed by the State Board of Equalization (“Unitary Property”) are allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The State electric utility industry has experienced significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may affect ownership of utility assets or the State’s methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. See “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA” in APPENDIX A hereto.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the “Smaller Classes, Safer Schools and Financial Accountability Act” (“Proposition 39”) which amends Section 1 of Article XIII A, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness of school districts and community college districts by 55% of the vote, rather than the two-thirds majority

required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for “the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities,” (2) a list of projects to be funded and a certification that the school district board has evaluated “safety, class size reduction, and information technology needs in developing that list” and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIII A was added to exempt the 1% *ad valorem* tax limitation that Section 1(a) of Article XIII A of the Constitution levies, to pay bonds approved by 55% of the voters, subject to the restrictions explained above.

The State Legislature enacted AB 1908, Chapter 44 (“AB 1908”), which became effective upon passage of Proposition 39 and amends various sections of the California Education Code. Under amendments to Sections 15268 and 15270 of the California Education Code, the following limits on *ad valorem* property taxes apply in any single election: (1) for an elementary and high school district, indebtedness shall not exceed \$30 per \$100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed \$60 per \$100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed \$25 per \$100,000 of taxable property. Finally, AB 1908 requires that a citizens’ oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Proposition 98

On November 8, 1988, voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (“Proposition 98”). Proposition 98 guarantees K-14 schools a minimum share of the State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 schools are guaranteed the greater of (a) 40.9% of State General Fund revenues (the “first test”), or (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIII B by reference to *per capita* personal income) and enrollment (the “second test”), or (c) a “third test” which would replace the second test in any year when the percentage growth in *per capita* State General Fund revenues from the prior year plus 1/2 of 1% is less than the percentage growth in the State *per capita* personal income. Under the third test, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and *per capita* State General Fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test would become a “credit” to schools which would be paid in future years when State General Fund revenue growth exceeds personal income growth.

Proposition 98 permits the Legislature by two-thirds vote of both houses, with the Governor’s concurrence, to suspend this minimum funding formula for a one-year period, and any corresponding reduction in funding for that year will not be paid in subsequent years. However, in determining the funding level for the succeeding year, the formula base for the prior year will be reinstated as if such suspension had not taken place. The Legislature has suspended payment on a number of occasions since voters approved Proposition 98.

Proposition 98 also changes how tax revenues in excess of the State Appropriations Limit are distributed. “Excess” tax revenues are determined based on a two-year cycle, so that the State could avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year were under its limit. After any two-year period, if there are excess State tax revenues, 50% of the excess

would be transferred to K-14 schools, with the balance returned to taxpayers. Further, any excess State tax revenues transferred to K-14 schools are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit will not be increased by this amount.

For a discussion of recent State revenues and their corresponding effect on Proposition 98 funding, see APPENDIX A – "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Fiscal Year 2024-25 State Budget" herein.

Propositions 1A and 22

Proposition 1A (SCA 4), proposed by the State Legislature in connection with the 2004-05 State budget and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Pursuant to Proposition 1A, if the State reduces the Vehicle License Fee rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A required the State, beginning March 1, 2006, to suspend mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their costs of compliance with such mandates.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in fiscal year 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund ("ERAF") in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in fiscal year 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted fiscal year 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies. Because Proposition 22 reduces the State's authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's General Fund.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State Budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and K-14 school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling \$1.7 billion statewide. The District is unable to predict what affect the implementation of ABx1 26 will have on the District's future receipt of tax increment revenues.

As a result of the dissolution of State redevelopment agencies and ABx1 26, the tax increment previously paid to redevelopment agencies shall first be used to pay pass-through payments to other taxing entities and second to pay the redevelopment agencies enforceable obligations; with the remaining revenue (if any) paid to the taxing entities by the County Auditor-Controller in the same proportion as other tax revenue. The District does not expect to have any of its property tax payments deferred as a result of the dissolution of area redevelopment agencies.

Proposition 30 and Proposition 55

The passage of the Governor's November Tax Initiative ("Proposition 30") on November 6, 2012 resulted in an increase in the State sales tax by a quarter-cent for four years and, for seven years, raises taxes on individuals after their first \$250,000 in income and on couples after their first \$500,000 in earnings. These increased tax rates affect approximately 1% of California personal income tax filers and originally were to be in effect until the conclusion of the 2018 tax year. On November 8, 2016, voters approved Proposition 55, which extended the temporary tax increases created by Proposition 30 through the 2030 tax year. The State Office of Legislative Analyst (the "LAO") estimated that, as a result of Proposition 30, additional State tax revenues of about \$6 billion annually from fiscal years 2012-13 through 2016-17 would be received by the State, with lesser amounts of additional revenue available in fiscal years 2017-18 and later. Proposition 30 also placed into the State Constitution certain requirements related to the transfer of certain State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees, and providing substance abuse treatment services.

Proposition 30 provides additional tax revenues aimed at balancing the State's budget to help fund existing State programs, end K-14 education payment delays and pay other State debts. Future actions of the State Legislature and the Governor will determine the use of these funds. According to the LAO, revenues raised by Proposition 30 could be subject to multibillion-dollar swings, above or below the revenues projections, due to the fact that the majority of the additional revenue comes from personal income tax rate increases on upper-income taxpayers. The fluctuations in incomes of upper-income taxpayers will impact potential State revenue and could complicate State budgeting in future years. After the tax increases expire, the loss of the associated tax revenues could create additional budget pressure in subsequent years.

Revenues generated from this tax increase are included in the calculation of the Proposition 98 minimum funding guarantee for school and community college districts and are deposited into the Education Protection Account created pursuant to Proposition 30 (the “EPA”). See “—Proposition 98” herein. Pursuant to Proposition 30, funds in the EPA are allocated quarterly, with approximately 89% of such funds provided to school districts and approximately 11% to community college districts, which are then distributed to districts in the same manner as existing unrestricted per-student funding. However, no school district shall receive less than \$200 per unit of Average Daily Attendance (“ADA”) and no community college district shall receive less than \$100 per full-time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how moneys received from the EPA are spent, provided that governing boards may not use any of such funds for salaries or benefits for administrators or any other administrative costs. The ADA and enrollment of school districts across the State have been in decline, due to the impact of the COVID-19 pandemic, among other reasons. See “– Enrollment and Average Daily Attendance;” “– Fiscal Year 2024-25 State Budget – K-12 Education – School Fiscal Stability;” and “– Risks Related to COVID-19” in APPENDIX A hereto for more information on such declines and certain hold harmless provisions addressing these declines.

The District cannot predict the effect that the loss of revenues generated from the Proposition tax increase may have on total State revenues or the effect on the Proposition 98 formula for funding schools, should the tax not be further extended.

Proposition 2 (2014)

On November 4, 2014, voters approved the “Rainy Day Budget Stabilization Fund Act” (the “Budget Stabilization Act”). The Budget Stabilization Act changed the State’s existing requirements for the Budget Stabilization Account (the “BSA”) and establishes a Public School System Stabilization Account (the “PSSSA”).

The Budget Stabilization Act limits the ability of the Governor to suspend or reduce transfers to the BSA. Specifically, the Governor would have to declare a “budget emergency,” defined in Article XIIB of the State Constitution or determine that there are insufficient resources to maintain general fund expenditures for the current year, at the highest level of spending in the three most recent fiscal years. Any such declaration must be followed by a legislative bill passed by a majority vote of each house.

The Budget Stabilization Act also requires the State Controller to deposit annually 1.5% of general fund revenues and an amount equal to revenues derived from capital gains-related taxes in situations where such tax revenues are in excess of 8% of general fund revenues. Deposits to the BSA will be made until the BSA balance reaches an amount equal to 10% of general fund revenues. Additionally, from 2015-16 to 2029-30, half of any required transfers to the BSA must be allocated to reduce certain state liabilities, such as unfunded state-level pension plans and making certain payments owed to K-14 school districts.

The PSSSA will be funded by the capital gains-related tax revenues in excess of 8% of general fund revenues. The State may deposit amounts into the PSSSA only after certain conditions are met, including the payment of all amounts owing to school districts under the Proposition 98 maintenance factor and the existence of a “Test 1” year under Proposition 98.

State legislation (Senate Bill 858, as amended by Senate Bill 751) established certain limits on the amount that school districts are permitted to maintain in their reserve funds in any given period. These limits, often referred to as the “school district reserve cap,” can be triggered upon deposits into the PSSSA. If deposits in the PSSSA in a fiscal year equal or exceed 3% of the combined general fund revenues provided to school districts under Proposition 98, then a school district will be restricted from exceeding

10% of such funds in its general fund reserves in the immediately following fiscal year, among other provisions.

See “STATE FUNDING OF EDUCATION – Fiscal Year 2024-25 State Budget” in APPENDIX A hereto for the current balances and potential for draws on the BSA and PSSSA and other State reserves.

Proposition 2 (2024)

At the November 5, 2024 Election, voters in the State approved the Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024 (“Proposition 2”). Proposition 2 authorizes the sale and issuance of \$10 billion in State general obligation bonds to fund the construction and modernization of school facilities for both community colleges and K-12 schools within the state. Specifically, the \$10 billion will be allocated as follows:

- \$8.5 billion for transitional kindergarten (“TK”) through 12 school districts, including:
 - \$4 billion for repairs, replacement of portables at least 20 years old, and other modernization work;
 - \$3.3 billion for new construction;
 - \$600 million for facilities for career and technical education programs;
 - \$600 million for facilities for charter schools;
 - \$115 million set aside to remove lead in school water; and
- \$1.5 billion for community college districts.

The State issues general obligation bonds for facility projects. Typically, TK-12 schools can submit proposals for such projects to the State Office of Public School Construction for both modernization and new construction. If the project is approved, the school district will receive State grant funding and in turn the school district must contribute local funding to such projects. If sufficient local funding is unavailable, the school district may potentially receive the full project cost via State grant funding. Career technical education and charter school facilities face a similar approval process. Community college districts, on the other hand, must submit requests for facility projects to the Chancellor of the community college system. Selected projects are eventually approved and funded as part of the annual State budget. A scoring system is used to determine the State and local contributions for these community college sites.

To receive funding under Proposition 2, a district must develop a five-year master plan, including (i) an inventory of existing facilities, sites and property; (ii) existing classroom capacity and projected enrollment; (iii) a capital planning budget, and (iv) a deferred maintenance plan. Specific guidelines are being developed by the Department of General Services and the Department of Education. The District is taking the requirements of Proposition 2 into consideration in the development of its facilities master plan.

Some school districts may spend fewer local funds given the greater support of state funding. However, school districts may decide to spend more local funds by proposing an increased number of facility projects with the knowledge that additional state funding could be available. It is also possible that school districts make no changes to their number of proposals for construction and modernization projects.

The District intends to pursue funding under Proposition 2, however it cannot predict whether such funding will be approved, or if approved, what projects will be funded or the amount of funding which will be received.

Article XIII C and XIII D of the California Constitution

On November 5, 1996, an initiative to amend the State Constitution known as the “Right to Vote on Taxes Act” (“Proposition 218”) was approved by a majority of California voters. Proposition 218 added Articles XIII C and XIII D to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as “general taxes” (defined as those used for general governmental purposes) or “special taxes” (defined as taxes for a specific purpose even if the revenues flow through the local government’s general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District’s voters, depending upon the Article of the Constitution under which it is passed. Under previous law, the District could apply provisions of the Landscape and Lighting Act of 1972 to create an assessment district for specified purposes, based on the absence of a majority protest. Proposition 218 significantly reduces the ability of the District to create such special assessment districts.

Proposition 218 has no effect upon the District’s ability to pursue approval of a general obligation bond issue under Proposition 46 or a Mello-Roos Community Facilities District bond issue in the future, which have special Constitutional authority or are already subject to a 2/3 vote, although certain procedures and burdens of proof may be altered slightly. Any assessments, fees or charges levied or imposed by any assessment district created by the District will become subject to the election requirements of Proposition 218 as described above, a more elaborate notice and balloting process and other requirements. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 98, 46 and 39 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiative measures could be adopted, further affecting the District’s revenues or their ability to expend revenues.

THE LOS ANGELES COUNTY TREASURY POOL

The Treasurer and Tax Collector (the “Treasurer”) of the County of Los Angeles (the “County”) manages, in accordance with California Government Code Section 53600 et seq., funds deposited with the

Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County’s Treasury Pool (the “Treasury Pool”) as described below. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on the cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally. The Treasurer maintains a website, the address of which is <http://ttc.lacounty.gov>, on which the Treasurer periodically places information relating to the Treasury Pool. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the purchase of the Bonds.

The Treasurer has the delegated authority to invest funds on deposit in the County treasury (the “Treasury Pool”). As of January 31, 2025, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	\$ 25.036
Schools and Community Colleges	29.668
Discretionary Participants	4.023
Total	<u>\$58.727</u>

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	93.15%
Discretionary Participants:	
Independent Public Agencies	6.73
County Bond Proceeds and Repayment Funds	0.12
Total	<u>100.00%</u>

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer’s prior approval. In County of Los Angeles, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the County Board of Supervisors (“Board of Supervisors”) on an annual basis. The Investment Policy adopted on March 19, 2024 reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the “Investment Report”) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated February 28, 2025, the January 31, 2025 book value of the Treasury Pool was approximately \$58.727 billion, and the corresponding market value was approximately \$56.847 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board of Supervisors adopted Investment Policy. On a quarterly basis, the County's outside auditor (the "External Auditor") reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annual accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of January 31, 2025:

Type of Investment	% of Pool
Certificates of Deposit	3.41
U.S. Government and Agency Obligations	70.32
Bank Acceptances	0.00
Commercial Paper	26.23
Municipal Obligations	0.04
Corporate Notes & Deposit Notes	0.00
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	<u>100.00</u>

The Treasury Pool is highly liquid. As of January 31, 2025, approximately 38.17% of the investments mature within 60 days, with an average of 670 days to maturity for the entire portfolio.

None of the District, the Municipal Advisor or the Underwriter has made an independent investigation of the investments in the Pool nor have they made any assessment of the current County Investment Policy. The value of the various investments in the Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the Treasury Oversight Committee and the County Board of Supervisors, may change the County Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pool will not vary significantly from the values described herein.

LEGAL OPINION

The legal opinion of Nixon Peabody LLP, Bond Counsel to the District ("Bond Counsel"), attesting to the validity and tax status of the Bonds, will be supplied to the Underwriter of the Bonds without charge. The form of legal opinion is attached hereto as APPENDIX B. Bond Counsel will receive compensation contingent upon the sale and delivery of the Bonds and undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could

cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Resolution and the Tax and Nonarbitrage Certificate (the “Tax Certificate”) the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Resolution and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the District described above, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Interest on the bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the “adjusted financial statement income” of such corporations.

State Taxes

Bond Counsel is also of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California (the “State”) under present State law. Bond Counsel expresses no opinion as to other State or local tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than the State of California.

Original Issue Discount

Bond Counsel is further of the opinion that the excess of the principal amount of a maturity of the Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the Bonds was sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a “Discount Bond” and collectively the “Discount Bonds”) constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such issue price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

Bonds sold at prices in excess of their principal amounts are “Premium Bonds”. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which offsets the amount of tax-exempt interest and is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such

purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as Appendix B. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post-Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

BOND INSURANCE

The District has applied for a municipal bond insurance policy (the "Policy") from a bond insurer (the "Bond Insurer"). If the Policy is purchased, payment of the principal of and interest on any insured

Bonds when due will be guaranteed under the Policy, which will be issued concurrently with the issuance of the Bonds. The terms of the Policy will be described in the final Official Statement, and the terms of the Policy may grant certain additional rights of consent to amendment to the Bond Insurer, or deem the Bond Insurer as the sole bondholder of the Bonds for certain purposes, potentially including the right to direct enforcement of rights granted to the holders of the Bonds. The District's decision whether or not to obtain the Policy will be made at or about the time of the pricing of the Bonds and will be based upon, among other things, market conditions at the time of such pricing. No assurance can be given as to whether the District will obtain the Policy, and, if so, whether the Policy will cover all or less than all of the Bonds.

RISKS OF BOND INSURANCE

If a Policy is obtained, and in the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. If a Policy is obtained, the Policy does not insure against redemption premium, if any. If a Policy is obtained, the payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. If a Policy is obtained, the Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

If a Policy is obtained, and in the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the payment of *ad valorem* property taxes as described in this Official Statement. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. If a Policy is obtained, no assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "RATING" herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

LEGAL MATTERS

Continuing Disclosure

In accordance with the requirements of the Rule, the District will covenant in its Continuing Disclosure Undertaking to be executed on or before the date of delivery of the Bonds (the “Continuing Disclosure Undertaking”), substantially in the form of APPENDIX D hereto, for the benefit of the Beneficial Owners of the Bonds, to provide annual reports and notices of certain listed events as set forth therein. The covenants contained in the Continuing Disclosure Undertaking have been made to assist the Underwriter in complying with the Rule. See APPENDIX D – “FORM OF CONTINUING DISCLOSURE UNDERTAKING.”

In fiscal year 2019-20, the District failed to include updated information regarding the Summary of *Ad Valorem* Tax Rates – Typical Total Tax Rates with its annual reports. For fiscal year 2020-21, the District timely filed its unaudited financial statements and filed its audited financial statements dated January 28, 2022 on May 13, 2022, but failed to include updated information regarding the Per Parcel Assessed Valuation of Single Family Homes, Assessed Valuation by Land Use and Largest Local Secured Taxpayers with its annual reports. For fiscal year 2022-23, the District failed to include updated information regarding Assessed Valuation and Parcels by Land Use, Largest Local Secured Taxpayers, and Delinquency and Delinquency Rate of *Ad Valorem* Taxes. The District has subsequently filed a Notice Regarding Annual Reports to include all of the above-referenced information.

Limitation on Remedies

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX B, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against school and community college districts in the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the “Bankruptcy Code”), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

California Senate Bill 222

On July 13, 2015, the Governor signed SB 222 into law, effective January 1, 2016. SB 222 was introduced on February 12, 2015, initially to amend Section 15251 of the California Education Code to clarify the process of lien perfection for general obligation bonds issued by or on behalf of California school and community college districts. Subsequently, on April 15, 2015, SB 222 was amended to include an

addition to the California Government Code to similarly clarify the process of lien perfection for general obligation bonds issued by cities, counties, authorities and special districts, including the District.

SB 222, applicable to general obligations bonds issued after its effective date, such as the Bonds, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a “statutory” lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

Special Revenues

If the District were to become a debtor in a Chapter 9 proceeding, because the Bonds are for the financing of specific capital projects and are supported by a consensual lien on *ad valorem* property taxes that are use-restricted under state law to the repayment of the Bonds, the District believes that those taxes are “special revenues” as defined in the Bankruptcy Code, and thus there is a special revenue lien in favor of owners of the Bonds in addition to, and separate and independent of, the statutory lien created by SB 222. In comparison to other consensual pledges and liens arising by agreement (that are all made ineffective post-bankruptcy by Section 552 of the Bankruptcy Code), special revenues acquired by a municipality during a Chapter 9 case will remain subject to the lien that arose from the security agreement entered into prior to the beginning of the case, and will survive the conclusion of the Chapter 9 proceeding. In addition, the automatic stay arising upon the filing of the bankruptcy petition has historically been understood not to stay the application of special revenues to payment of the bonds secured by such special revenues. Thus, regularly scheduled payments of principal of and interest to owners of the Bonds likely would continue under 11 U.S.C. §922(d) throughout any bankruptcy proceeding.

Based on the foregoing, if the District were to become a debtor in a Chapter 9 proceeding, the District believes that: the *ad valorem* property taxes could not be used for any other purpose other than repayment of the Bonds; the *ad valorem* property taxes should be determined to be special revenues in a Chapter 9 proceeding, and thus owners of the Bonds would ordinarily continue to be paid post-petition; and the *ad valorem* property taxes are also protected by a statutory lien in favor of the bondholders. However, bankruptcy courts are courts of equity and as such have broad discretionary powers, and there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the bankruptcy court could find that the automatic stay exception for special revenues does not apply, and the parties to the proceedings may thus be prohibited from taking any action to collect any amount from the District (including *ad valorem* tax revenues), or to enforce any obligation of the District, without the bankruptcy court’s permission. It is also possible that the bankruptcy court may not enforce the state law use restriction imposed on *ad valorem* property taxes.

Even if the *ad valorem* property tax revenues are determined to be “special revenues,” the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the *ad valorem* property tax revenues to pay necessary operating expenses of the District and its schools, before the remaining revenues are paid to the owners of the Bonds. It should also be noted that it is possible – in the context of confirming a Plan of Adjustment (the “Plan”) in a Chapter 9 case where the Plan has not received the requisite consent of the holders of the Bonds – a bankruptcy court may confirm a Plan that

adjusts the timing of payments on the Bonds or the interest rate or other terms of the Bonds provided that (a) the bondholders retain their lien on the revenues subject to the statutory and/or special revenues lien, (b) the payment stream has a present value equal to the value of the revenues subject to the lien(s) and (c) the bankruptcy court finds that these and any other adjustments to the Bonds' terms are fair and equitable.

The Resolution and the Act require the County to levy *ad valorem* property taxes annually upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Bonds. The County on behalf of the District is thus expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County's Investment Pool, as described in "THE LOS ANGELES COUNTY TREASURY POOL" herein. In the event the District or the County were to file for bankruptcy relief, a bankruptcy court might hold that the owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Debt Service Fund where such amounts are invested in the County Treasury Pool. Further, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, or what amount of time would be required for such procedures to be completed. Under any such circumstances, there could be delays or reductions in the payments on the Bonds.

LEGALITY FOR INVESTMENT

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in the State to the extent that the Bonds, in the informed opinion of the investing bank, are prudent for the investment of funds of depositors. Under provisions of the Government Code, the Bonds are eligible to secure deposits of public moneys in California.

RATING

S&P Global Ratings ("S&P") has assigned the municipal bond rating of "AA-" on the Bonds, which in the event a Policy is issued, will be the underlying rating of the Bonds. The rating reflects only the view of S&P, and any explanation of the significance of such rating may be obtained only from S&P, at the following address: S&P, 55 Water Street, New York, New York 10041, telephone: (212) 438-2000. The District furnished S&P with certain information and materials relating to the Bonds that have not been included in this Official Statement. Generally, a rating agency bases its ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agency. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Neither the District nor the Underwriter has undertaken any responsibility to bring to the attention of the owners of the Bonds any proposed revision or withdrawal of a rating of the Bonds, or to oppose any such proposed revision or withdrawal. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Raymond James & Associates, Inc., as Underwriter (the "Underwriter"), has agreed to purchase the Bonds from the District at the purchase price of \$_____ (being the initial principal amount of the Bonds, plus net original issue premium of \$_____, less an Underwriter's discount of \$_____), at the rates and yields shown on the inside cover hereof.

The Underwriter intends to offer the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. The Underwriter may, however, offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover pages of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

NO LITIGATION

The District is not aware of any litigation pending or threatened questioning the validity of the Bonds, the political existence of the District or contesting the District's ability to receive *ad valorem* property taxes or to collect other revenues or contesting the District's ability to issue the Bonds.

The District is subject to lawsuits and claims in the ordinary course of its operations. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the finances of the District.

The County is subject to lawsuits and claims posed by taxpayers or related to certain property tax payments from time to time in its ordinary course of business. These lawsuits may include allegations that the County is not authorized to levy certain taxes against certain taxpayers, that certain property be reclassified on the tax roll or is exempt from taxation, that certain taxes were not levied at the appropriate levels, or other claims generally related to property tax levies, collections, or payments. Such claims may include or relate to the *ad valorem* property tax necessary to provide for the debt service payments on school district general obligation bonds, including the Bonds. The District is not aware of any litigation pending or threatened which would materially adversely affect the County's ability to levy or collect the *ad valorem* property taxes in the amounts necessary to make payment of principal of or interest on the Bonds.

MUNICIPAL ADVISOR

CFW Advisory Services, LLC (the "Municipal Advisor") is engaged as Municipal Advisor to the District in connection with the issuance and sale of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. CFW Advisory Services, LLC in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

An affiliate of the Municipal Advisor, Caldwell Flores Winters, Inc. ("Caldwell Flores Winters") is currently contracted with the District, as approved by the Board of Trustees under separate agreements, for the provision of program implementation services for facilities and educational programs and professional consultant services for procuring State aid grants for the modernization and construction of school facilities. Caldwell Flores Winters receives a monthly program implementation services fee based on the projected project costs for scheduled projects, which can include projects funded with the proceeds of the Bonds. Caldwell Flores Winters has also previously provided and currently provides professional consultant services for the provision of planning services; these services may influence the amount and frequency of bonds to be sold by the District.

OTHER INFORMATION

References are made herein to certain documents, reports, statutes, and constitutional provisions which are brief summaries thereof, and which do not purport to be complete, comprehensive or definitive, and are qualified in their entirety by reference each such document, report, statute and constitutional provision. Reference is made to such documents, reports, statutes, and constitutional provisions for full

and complete statements of the contents thereof. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District and the Resolution may be obtained by contacting: Lancaster School District, 44711 North Cedar Avenue, Lancaster, California 93534, Attention: Superintendent. The District may impose a fee for copying, shipping and handling.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the District.

LANCASTER SCHOOL DISTRICT

By: _____
Superintendent

APPENDIX A

THE DISTRICT

Prospective purchasers of the Bonds should be aware that the following discussion of the financial condition of the Lancaster School District (the “District”), its fund balances, budgets and obligations, is intended as general information only, and no implication is made that the payment of principal of or interest on the Bonds is dependent in any way upon the District’s financial condition. The District neither receives nor accounts for ad valorem property tax revenues collected by the County of Los Angeles (the “County”) to pay debt service on the Bonds (or its other general obligation bonds) in the following tables or in its annual financial statements. Pursuant to Section 15251 of the California Education Code, all tax revenues collected for payment of debt service on the Bonds must be deposited into the debt service fund of the District. The Bonds are and will continue to be payable solely from ad valorem taxes levied and collected by the County within the boundaries of the District. See the body of this Official Statement under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

This Appendix A provides information concerning the operations and finances of the District. The Bonds are general obligation bonds of the District, secured and payable from ad valorem property taxes assessed on taxable properties within the District. The Bonds are not an obligation of the County, the State of California (the “State”) or any of its other political subdivisions or of the general fund of the District. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” in the forepart of this Official Statement.

District General Information

The District, located in Antelope Valley in the northern section of the County, was formed in 1885 and serves the City of Lancaster as well as surrounding unincorporated areas. Covering approximately 82.5 square miles, the District serves over 125,000 residents. The District operates pre-school and transitional kindergarten (“TK”) through grade 8 educational program with fourteen elementary schools, four middle schools, one alternative education school, and one 6-8 STEAM school. The District serves a population of approximately 13,854 TK-8 students and 433 pre-school students for an enrollment for fiscal year 2024-25 of 14,476 students, as of its second interim report for fiscal year 2024-25.

The District has previously granted charters to two charter schools in the District, the iLEAD Lancaster Charter and the Life Source International Charter (“LSI”). The iLEAD Lancaster Charter School is operated by a separate nonprofit 501(c)(3) organization and is not considered a component unit of the District, and prior to its closure, LSI was operated by a separate nonprofit 501(c)(3) organization and was not considered a component unit of the District.

LSI closed on February 13, 2025, ahead of the expiration of its charter, which was scheduled to occur on June 30, 2025. LSI’s audited financial statements for fiscal year 2022-23 were delivered late, and its audited financial statements for fiscal year 2023-24 were not completed. The District is undertaking an investigation into the closure of LSI, the circumstances around the delay and non-delivery of its audited financial statements, and allegations of potential financial misconduct by LSI staff. Approximately 200 students were enrolled at LSI, and the District expects approximately half of those students to enroll with the District for the remainder of the 2024-25 school year. As the District’s investigation is not complete, the District cannot make any representation around whether LSI staff engaged in financial misconduct or the circumstances around delays or non-delivery of LSI’s audited financial statements. However, at this time, the District does not expect the closure of LSI to have a material impact on the District’s finances or operations.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Superintendent, Lancaster School District, 44711 N. Cedar Avenue, Lancaster, California 93534.

District Organization

The District is governed by a Board of Trustees (the “Board”) consisting of five members, each of which is elected by trustee area to a four-year term. The terms are staggered at two-year intervals to provide continuity of governance. Vacancies during terms are filled by an individual appointed by a majority of the remaining Board members or, if there is no majority, by a special election. Members appointed by a majority of the Board serve until the next scheduled election, at which time the voters elect a person to serve the remaining years of the term. Current members of the Board, together with their offices and the dates their terms expire, are listed below:

LANCASTER SCHOOL DISTRICT Board of Trustees

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Pamela Starlson	President	November 2026
Greg Tepe	Vice President	November 2028
Keith Giles	Clerk	November 2028
Jullie Eutsler	Member	November 2026
Duane Winn	Member	November 2026

Key Personnel

Brief biographies of the Superintendent and the Deputy Superintendent of Business follow:

Dr. Paul Marietti, *Superintendent* – Dr. Marietti is in his 32nd year serving students in California public education. He has served at every level of school administration, including as Superintendent, Assistant Superintendent, Director, and Principal. After teaching high school social science in the Los Angeles area for 14 years, he moved to Ventura County to pursue a career working in school administration, ultimately working as the Assistant Superintendent of Human Resources for Pleasant Valley School District. In 2019, Dr. Marietti accepted a position as Superintendent of the Fowler Unified School District. Over the next three years he worked to modernize Fowler Unified School District, implementing new policies, procedures, and departments. In addition, he oversaw the building of a new Agriculture Farm and a new Maintenance, Operations, and Transportation center with general obligation bond proceeds authorized pursuant to Fowler Unified School District’s \$42 million Measure “J” Bond election. In 2022, Dr. Marietti returned to the Los Angeles area accepting the position of Superintendent of Schools for the District.

Dr. Marietti earned his undergraduate degree in history from California State University, Fullerton, a master’s degree in history from California State University, Los Angeles, a master's degree in educational administration from Azusa Pacific University, and a doctorate in educational leadership from California Lutheran University. He holds a clear secondary social science credential, a clear special education credential, and a clear administrative credential.

Dr. Marietti is a member of the Association of California School Administrators, the California Association of Latino Superintendents and Administrators, and the American Association of School Administrators, the School Superintendents Association.

Dr. Larry Freise, Deputy Superintendent of Business – Dr. Freise just completed his 37th year in public education as a district office administrator, school-site administrator, and mathematics teacher. After teaching all levels of high school math for 10 years, he moved to site administration, serving as a Dean of Students, Vice Principal, and Assistant Principal. In 1999, he was invited to the District Office by the Assistant Superintendent of Business Services to oversee attendance accounting and assist with special projects in the business division including bond elections and sales, school construction and financing, developer fee study preparation and collections, and facilities master planning.

Dr. Freise earned his undergraduate degree in secondary mathematics education from the University of Nebraska, a master’s in educational administration from California State University – Bakersfield, and a doctorate in educational administration from the University of the Pacific. He holds a clear secondary mathematics credential in addition to his clear administrative credential. He earned his Chief Business Official certification from the California Association of School Business Officials (“CASBO”) through his studies at the USC Rossier School of Education School Business Management program. He recently completed the School Facilities Leadership Academy through the Coalition for Adequate School Housing

Dr. Freise is member of CASBO, the Association of California School Administrators (ACSA), and the Antelope Valley Board of Trade.

Dr. Freise has announced his intention to retire as of June 30, 2025. The Board has selected Mr. Charles Coleman as his successor, who is expected to begin July 1, 2025.

District Employees

As of January 1, 2025, the District employed 741 full-time equivalent certificated academic professionals as well as 1,156 full-time equivalent classified employees. In addition, as of such date, the District employed 752 part-time employees.

The certificated employees of the District have assigned the Teachers Association of Lancaster (“TAL”) as their exclusive bargaining agent. The certificated employees’ contract with TAL expires on June 30, 2025. The classified employees have assigned California School Employees Association (“CSEA”) as their exclusive bargaining agent, and the contract with CSEA expires on June 30, 2025. The District has entered into a Memorandum of Understanding with TAL that includes salary changes for the 2024-25 school year, and such salary change are reflected in the District’s adopted budget for fiscal year 2024-25. The District is currently in negotiations with CSEA for salary changes for the 2024-25 school year, with a projected outcome also included in the District’s adopted budget for fiscal year 2024-25.

LANCASTER SCHOOL DISTRICT CERTIFICATED EMPLOYEES AND CLASSIFIED EMPLOYEES

<u>Fiscal Year</u>	<u>Certificated Employees</u>	<u>Classified Employees</u>
2022-23	982	721
2023-24 ⁽¹⁾	782	1,000
2024-25 ⁽²⁾	741	1,156

⁽¹⁾ Estimated.

⁽²⁾ Projected.

Source: The District.

Risk Management

The District provides for its property and liability insurance through participation in two Joint Powers Authorities (“JPAs”) – one at the local level and one for the Southern California region. Property and liability coverage is provided through participation in the local Self-Insurance Risk Management Authority for Liability and Property Protection (“SIRMA II”), a local JPA composed of eleven Santa Clarita Antelope Valley school districts and associated agencies. Property coverage applies to both real and personal property, and buildings and contents are insured for full replacement cost. Property claims between \$5,000 and \$25,000 are covered by SIRMA II, amounts between \$25,000 and \$250,000 are covered through SIRMA II’s participation in the Southern California Regional Liability Excess Fund, amounts between \$250,000 and \$250,000,000 are covered through SAFER (pooled reinsurance). Liability coverage between \$5,000 and \$25,000 is covered through SIRMA II. Above \$25,000 to \$250,000,000 is covered by SAFER.

Workers’ compensation insurance is obtained through the Keenan Protected Insurance Program for Schools (“PIPS”) program. Each member of the Keenan PIPS programs pays a premium commensurate with the level of coverage requested and frequency and claims cost experience.

Cybersecurity Risk

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District’s systems for the purposes of misappropriating assets or information or causing operational disruption or damage.

No assurance can be given that the District’s efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the District. The District is also reliant on other entities and service providers, such as the County Treasurer-Tax Collector for the levy and collection of *ad valorem* property taxes, the Paying Agent for processing payments under the Resolution, and the Dissemination Agent in connection with compliance by the District with its continuing disclosure undertakings. No assurance can be given that the District may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Owners of the Bonds, e.g., systems related to the timeliness of payments on their respective Bonds or compliance with disclosure filings pursuant to the Continuing Disclosure Undertaking.

DISTRICT FINANCIAL INFORMATION

The District’s financial and operational information contained in this APPENDIX A and other sections of this Official Statement is provided as supplementary information only and it should not be inferred that it is a complete description of the District’s operations and finances. The information is summarized and excerpted from the District’s audited financials, adopted budgets, estimated actuals, and other publicly available data.

Framework for State Funding of Education

Public school district revenues consist primarily of guaranteed State moneys, *ad valorem* taxes and funds received from the State and federal government, some of which are in the form of categorical aid, which are amounts restricted to specific categories of use, under various ongoing programs. All State

apportionment (“State Aid”) is subject to the appropriation of funds in the State’s annual budget. Decreases in State revenues may affect appropriations made by the State Legislature to the District.

Payments made to K-12 public schools and public colleges and universities are priority payments for State funds and are expected to be made prior to other State payment obligations. Although the State Constitution protects the priority of payments to K-12 schools, college and universities, it does not protect the timing of such payments, and other obligations may be scheduled and have been scheduled to be paid in advance of those dates on which payments to school districts are scheduled to be made.

On June 27, 2013, the State adopted a new method for funding school districts commonly referred to as the “Local Control Funding Formula” (the “LCFF”). Descriptions of the prior revenue limit funding system and the LCFF follow.

Revenue Limit Funding. School districts in the State historically received most of their revenues under a formula known as the “revenue limit.” Generally, revenue limits were calculated for each school district by multiplying the average daily attendance (“ADA”) for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment to provide cost of living adjustments and to equalize revenues among school districts of the same type. Generally, State Aid to a school district amounted to the difference between the school district’s revenue limit and the school district’s local property tax allocation from the general 1% *ad valorem* tax levy. The revenue limit system of funding has been replaced by the LCFF.

Local Control Funding Formula. Effective in Fiscal Year 2013-14, the State established the LCFF, a new system for funding school districts, charter schools and county offices of education. The LCFF replaces the revenue limit funding system, as well as many categorical programs. The LCFF distributes State resources to schools through a guaranteed base funding grant per unit of ADA (a “Base Grant”). The Base Grants per unit of ADA for each grade span are: (i) \$9,919 for grades TK-3; (ii) 10,069 for grades 4-6; (iii) \$10,367 for grades 7-8; and (iv) \$12,015 for grades 9-12, in each case adjusted based on grade span (as described below) as well as for cost-of-living adjustments (“COLAs”), by applying the implicit price deflator for government goods and services. The provision of COLAs is subject to appropriation for such adjustment in the annual State budget.

The Base Grants for grades K-3 are subject to adjustments of 10.4% to cover the costs of class size reduction. Unless otherwise collectively bargained for, school districts serving students in grades TK-3 must maintain an average class enrollment of 24 or fewer students in grades TK-3 at each school site in order to continue receiving the adjustment to the TK-3 Base Grant. The Base Grants for grades 9-12 are subject to adjustments of 2.6% for the provision of career technical education.

School districts that serve students of limited English proficiency (“EL” students), students from low-income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated; if the school district has students with both limited English proficiency and eligibility for reduced price meals, for instance, such students will not be duplicated for purposes of determining the additional funding grants. Foster youths automatically qualify for free or reduced priced meals. A supplemental grant add-on (each, a “Supplemental Grant”) is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 65% of the applicable Base Grant multiplied the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

In 2021, legislation was passed that requires school districts operating a kindergarten program to also provide a TK program for all 4-year-old children by fiscal year 2025–26.

The LCFF provides for a permanent economic recovery target (“ERT”) add-on for school districts that would have received greater funding levels under the revenue limit system. The ERT is equal to the difference between the revenue limit allocations such districts would have received under the prior system in Fiscal Year 2020-21, and the target LCFF allocations owed to such districts in the same year. The District does not qualify for the ERT add-on.

The sum of a school district’s adjusted Base, Supplemental and Concentration Grants will be multiplied by such district’s P-2 ADA for the current or prior year, or average of the three prior years, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district’s total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district’s share of applicable local property taxes.

Funding Trends per ADA. Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial and public charter schools, inter-district transfers in or out and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs.

School districts throughout the State have experienced declining enrollment in recent years, primarily due to State-wide declines in birthrate and out-migration of families to other States. In particular, COVID-19 accelerated declines due to increased amounts of families moving to other States. Due to such declining enrollment and the need for stabilized funding for school districts, the State budget for fiscal year 2020-21 included a hold-harmless provision for the purpose of calculating apportionments in fiscal year 2020-21, providing that average daily attendance for fiscal year 2020-21 was to be based on fiscal year 2019-20 (specifically, the period July 1, 2019 through February 29, 2020). The State budget for fiscal year 2021-22 did not extend this ADA hold-harmless provision in that fiscal year, however, school districts with enrollment declines in fiscal year 2021-22 retained the ability to receive their apportionment based on the higher of their fiscal year 2019-20 or fiscal year 2020-21 ADA.

In light of continued pervasive declines in enrollment throughout nearly all school districts in the State, the 2022-23 State Budget (as defined below) revised the LCFF calculation beginning with fiscal year 2022-23 to consider the greater of a school district’s current fiscal year, prior fiscal year, or the average of three prior fiscal years’ ADA to allow school districts more time to adjust to enrollment-related LCFF funding declines. In addition, when calculating its ADA for fiscal year 2021-22 for purposes of calculating its prior year ADA or average of three prior years’ ADA, school districts which provided independent study offerings in such fiscal year may consider the greater of its actual fiscal year 2021-22 ADA or its fiscal year 2021-22 ADA as adjusted for pre-COVID-19 absence rates. See “Fiscal Year 2024-25 State Budget – K-12 Education – School Fiscal Stability” for more information on these provisions.

Local Control and Accountability Plan. Beginning July 1, 2014, school districts are required to develop a three-year Local Control and Accountability Plan (each, an “LCAP”). Each County Superintendent of Schools and the State Superintendent of Public Instruction will review and provide support to the districts and county offices of education under their jurisdiction. In addition, the Fiscal Year 2013-14 State Budget created the California Collaborative for Education Excellence (the “Collaborative”) to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. The State Superintendent of Public Instruction may direct the Collaborative to provide additional assistance to any district, county office, or charter school. For those entities that continue

to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction has authority to make changes to the district or county office’s local plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

For more information about recent adjustments to the LCFF and LCAP, see “– Fiscal Year 2024-25 State Budget” herein.

District Enrollment and Average Daily Attendance

Since fiscal year 2019-20, the District has experienced a decline in total ADA of 7% and a decline in total enrollment of 12%. The District is projecting an ongoing decrease in enrollment of approximately 1% per year. Such factors place the District in a position of providing programs for a projected number of students while simultaneously receiving less funds per student due to lower attendance rates.

The following table shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2019-20 through 2023-24 and projections for fiscal year 2024-25 through fiscal year 2025-26.

**LANCASTER SCHOOL DISTRICT
ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2019-20 through 2023-24 and Projections through 2025-26**

Fiscal Year	Average Daily Attendance⁽¹⁾			Total ADA	Enrollment	
	TK-3	4-6	7-8		Total Enrollment	% of EL/LI Enrollment
2019-20	6,104	4,491	2,905	13,500	15,477	88.94%
2020-21 ⁽¹⁾	6,104	4,491	2,905	13,500	15,477	88.94
2021-22	5,424	4,135	2,589	12,148	13,755	89.50
2022-23	5,572	4,217	2,688	12,477	14,001	89.50
2023-24	5,632	4,251	2,740	12,623	13,832	89.50
2024-25 ⁽²⁾⁽³⁾⁽⁴⁾	5,641	4,258	2,744	12,643	13,854	89.00
2025-26 ⁽²⁾⁽³⁾⁽⁴⁾	5,641	4,258	2,744	12,643	13,854	89.00

⁽¹⁾ The fiscal year 2020-21 State Budget included a hold harmless provision for the purpose of calculating apportionments under LCFF in fiscal year 2020-21, providing that ADA for fiscal year 2020-21 was based on ADA for fiscal year 2019-20 (specifically, the period July 1, 2019 through February 29, 2020), as discussed in more detail above.

⁽²⁾ Projected.

⁽³⁾ Funded ADA is based largely on the average of three prior fiscal years’ P-2 ADA for K-12, as adjusted in accordance with the COVID-19 ADA relief measures as described above.

⁽⁴⁾ As of the District’s second interim report for fiscal year 2024-25.

Source: The District.

District Investments

The Treasurer and Tax Collector of the County (the “County Treasurer”) manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the County Treasurer by school and community college districts located in the County, various special districts, and some cities

within the State. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County's Treasury Pool.

The composition and value of investments under management in the Treasury Pool vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates generally.

For a further discussion of the County's Treasury Pool, see the caption, "THE LOS ANGELES COUNTY TREASURY POOL" in the body of this Official Statement.

Financial Statements of the District

The following information concerning the operations and finances of the District is not intended to and does not suggest that the Bonds are secured by the general revenues or General Fund of the District, nor is the County obligated in any way with respect to the Bonds. The Bonds are general obligation bonds of the District, secured and payable solely from ad valorem property taxes collected against taxable properties within the boundaries of the District. Prospective purchasers of the Bonds should be aware that the following discussion of the District's financial condition, its fund balances, budgets and other obligations is intended as general information only, and no implication is made the payment of principal of or interest on the Bonds is dependent in any way upon the District's financial condition. The District neither receives nor accounts for ad valorem property taxes collected by the County to pay debt service on the Bonds. Pursuant to Section 15241 of the California Education Code, all tax revenues collected for payment of debt service on general obligation bonds, including the Bonds, must be deposited into the debt service fund of the District maintained within the County Treasury Pool. See the body of this Official Statement under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The General Fund of the District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General Fund revenues are derived from such sources as State fund apportionments, taxes, use of money and property, and aid from other governmental agencies.

The District generally categorizes its general fund revenues as coming from four sources: (i) LCFF sources (consisting of a mix of State and local revenues), (ii) federal revenues, (iii) other State revenues, and (iv) other local revenues. Each of these revenue sources is described below.

LCFF Sources. Funding of the District's local control funding is provided by a mix of local property taxes and State apportionments of funding under LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Local Control Funding Formula revenues comprise approximately 66% of the District's general fund revenues in fiscal year 2024-25. The District anticipates that it will receive approximately \$93.7 million in base grant funding, approximately \$51.6 million in supplemental and concentration grant funding, approximately \$827,000 in grade span adjustment funding, and approximately \$1.3 million related to TK, the Targeted Instructional Improvement Block Grant, and Home-to-School Transportation Reimbursements in Fiscal Year 2024-25.

Beginning in Fiscal Year 1978-79, Proposition 13 and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter-approved indebtedness) and prescribed how levies on county-wide property values were to be shared with local taxing entities

within each county. Property taxes collected by the County which are used to pay the principal of and interest on the general obligation bonds do not constitute local property taxes for purposes of being applied toward the District's LCFF limit.

The principal component of local revenues is the school district's property tax revenues, i.e., the District's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

The District received \$19.6 million as its share of the property tax revenues in the County for fiscal year 2023-24, and estimates it will receive \$20.8 million in fiscal year 2024-25. Any realized differences are backfilled by State Aid distributions to meet the LCFF Funding requirement.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Every Student Succeeds Act enacted in 2015, and specialized programs such as Individuals With Disabilities Education Act, Medi-Cal Billing, Medi-Cal Admin, school mental health, and the free and reduced lunch program. Most federal revenues are restricted.

On January 27, 2025, the Acting Director of the Office of Management and Budget under the Trump Administration issued a memorandum (the "OMB Memo") directing federal agencies, to the extent permissible under applicable law, to temporarily pause all activities related to obligation or disbursement of federal financial assistance (including federal grants, loans and other financial assistance impacting educational programs). The OMB Memo was later rescinded, and on January 31, 2025, a federal judge issued a temporary restraining order that says the Trump Administration cannot pause, freeze, impede, block, cancel, or terminate federal financial-assistance obligations to the states. On March 6, 2025, a second federal judge granted a preliminary injunction preventing any potential spending freeze of payments under federal grants or congressionally approved government programs from taking effect.

The District is unable to predict whether the Trump Administration's review of spending will be upheld in full or in part or whether legal challenges to any freeze or pause in spending will be successful. If the review is upheld in review or in part, the District cannot anticipate whether the amount of federal revenues in the District's General Fund will be reduced, or the extent of any reduction, or whether any reduction would occur in the current or any future fiscal year, however the District does not expect the loss of such federal funding to have a material impact on its general fund budget.

Other State Revenues. As discussed above, the District receives State apportionment of aid which now relate to the LCFF and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues ("Other State Revenues"). Some of the Other State Revenues are restricted to specific types of program uses, such as special education. These Other State Revenues are primarily restricted revenues funding items such as the Special Education Master Plan, California Clean Energy Jobs Act and the State on-behalf contributions to STRS.

As mentioned above, Other State Revenues include the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction or the financing of research. Lottery revenues comprised a nominal amount (less than 2%) of general fund revenues.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as the leases and rentals, interest earnings, transportation fees, interagency services, Special Education Local Plan Area (“SELPA”), apportionments and other local sources.

Developer Fees. The District maintains a capital project fund, separate and apart from the general fund, to account for developer fees collected by the District. The District’s developer fees may be utilized for any capital purpose related to growth.

Collection of such fees followed a formal declaration by the Board of Education which addressed the overcrowding of District schools as a result of new development. These fees are collected pursuant to certain provisions of the California Education Code. The square-foot amounts are periodically adjusted for inflation and the current Level I (for residential additions) developer fee is \$5.17 per square foot of habitable space on domestic housing developments. The current developer fee on commercial and industrial developments is \$0.84 per square foot.

For Fiscal Year 2023-24, the District collected \$1,215,249, in developer fees. The budgeted developer revenue for Fiscal Year 2024-25 is \$2,000,000.

Redevelopment Revenues. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON DISTRICT REVENUES AND APPROPRIATIONS – Proposition 22” regarding the dissolution of redevelopment agencies. The District entered into agreements with several Redevelopment Agencies, pursuant to which the District has, in the past, received Redevelopment Revenues.

The District received \$2.4 million in Redevelopment Revenues for Fiscal Year 2023-24 and is budgeted to receive approximately \$930,000 for Fiscal Year 2024-25.

The District, however, can make no representations that Redevelopment Revenues will continue to be received by the District in amounts consistent with prior years, or as currently projected, particularly in light of the legislation eliminating redevelopment agencies. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON DISTRICT REVENUES AND APPROPRIATIONS – Proposition 22” herein.

Significant Accounting Policies and Audited Financial Statements. The District’s financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the GASB. The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year.

Christy White Associates, San Diego, California, serves as independent auditor to the District and excerpts of their report for the Fiscal Year Ended June 30, 2024, are attached hereto as APPENDIX C. The District has not requested its auditor to provide any review or update of such financial statements in connection with their inclusion in this Official Statement., and the District’s auditor has not specifically approved the inclusion of such excerpts herewith.

The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the District and audited by independent certified public accountants each year. The District’s audited financial statements for fiscal year 2023-24 are attached hereto as APPENDIX C. Certain information from the District’s financial statements follows.

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LANCASTER SCHOOL DISTRICT
SUMMARY OF GENERAL FUND SOURCES AND EXPENDITURES
Fiscal Years 2020-21 to 2023-24

	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24
REVENUES				
LCFF Sources	\$152,375,266	\$165,900,317	\$186,517,086	\$187,205,431
Federal Revenue	29,847,312	46,043,149	39,562,378	27,249,958
Other State Revenue	19,938,982	35,741,612	76,909,294	65,532,032
Other Local Revenue	11,673,050	14,366,184	19,798,497	26,052,926
TOTAL REVENUE	\$213,835,050	\$262,051,262	\$322,787,255	\$306,040,347
EXPENDITURES				
Current				
Instruction	\$125,892,136	\$143,228,317	\$156,567,155	\$179,458,958
Instruction-related services				
Instruction supervision and administration	3,391,745	4,680,405	5,587,305	6,138,034
School site administration	14,292,607	16,237,543	17,795,987	19,344,785
Pupil services				
Home-to-school transportation	5,235,922	6,101,063	8,345,147	8,811,617
Food services	8,837	335,287	674,880	760,881
All other pupil services	12,372,716	17,867,635	19,190,711	21,647,303
General administration				
Centralized data processing	2,305,854	3,527,309	3,824,588	3,635,609
All other general and maintenance	7,963,851	8,958,350	10,175,397	13,857,433
Plant Services	16,605,393	19,951,106	23,267,925	29,136,934
Facilities acquisition and construction	—	—	—	403,834
Ancillary services	—	—	8,086	—
Community services	1,377,324	1,489,162	1,480,090	2,246,668
Enterprise activities	1,902,055	1,951,990	1,709,413	2,140,446
Transfer to other agencies	2,742,289	3,274,541	1,285,920	1,156,153
Debt service				
Principal	—	10,000	—	—
Interest and other	116,316	56,749	—	—
TOTAL EXPENDITURES	\$194,207,045	\$227,669,457	\$249,912,604	\$288,738,655
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$19,628,005	\$34,381,805	\$72,874,651	\$17,301,692
OTHER SOURCES/USES				
Transfer In	—	—	—	—
Transfers Out	(4,000,000)	(1,000,000)	(2,303,602)	(2,500,000)
TOTAL OTHER SOURCES/USES	(4,000,000)	(1,000,000)	(2,303,602)	(2,500,000)
NET INCREASE (DECREASE) IN FUND BALANCE	\$15,628,005	\$44,381,805	\$70,571,049	\$14,801,692
Beginning Fund Balance	\$29,505,722	\$45,133,727	\$78,515,532	\$149,086,581
Ending Fund Balance	\$45,133,727	\$78,515,532	\$149,086,581	\$163,888,273

Budgets of the District

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

California Assembly Bill 1200 (“A.B. 1200”), effective January 1, 1992, tightened the budget development process and interim financial reporting for school districts, enhancing the authority of the county schools superintendents and establishing guidelines for emergency State aid apportionments. Many provisions affect District operations directly, while others create a foundation from which outside authorities (primarily state and county school officials) may impose actions on the District. A school district governing board must file with the county superintendent of schools a tentative budget by July 1 in each fiscal year and an adopted budget by September 8 of each fiscal year.

Under the provisions of California Assembly Bill 1200, school districts in the State must also conduct a review of their budgets according to certain standards and criteria established by the State Department of Education, and each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. A written explanation must be provided for any element in the budget that does not meet the established standards and criteria. The district superintendent or designee must certify that such a review has been conducted and the certification, together with the budget review checklist and a written narrative, must accompany the budget when it is submitted to the governing board for approval. The balanced budget requirement makes appropriations reductions necessary to offset any revenue shortfalls. The county office of education reviews the certification, completes the budget review checklist and conducts an analysis of any budget item that does not meet the established standards and issues either a positive, negative or qualified certification. A copy of the completed checklist, together with any comments or recommendations, must be provided to the district and its governing board by November 1. By November 30, every district must have an adopted and approved budget, or the county superintendent of schools will impose one. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. Each certification is based on then-current projections. Within the previous five fiscal years, the District has not received a qualified or negative certification from the County Office of Education. Presented on the following page are the District’s adopted budgets for fiscal years 2020-21 through 2024-25 and the second interim report for fiscal year 2024-25 (the “2024-25 Second Interim”). The District adopted its budget for fiscal year 2024-25 on June 4, 2024.

The 2024-25 Second Interim projects a deficit of approximately \$42 million in expenditures in excess of revenues, primarily due to the expenditure of one-time monies. In response, the District has prepared a fiscal stabilization plan to address the instructional budget deficit and maintain fiscal solvency (the “Fiscal Stabilization Plan”).

The Fiscal Stabilization Plan includes (i) a review of student achievement and cost comparison of programs and contract obligations, (ii) a review of staffing levels for classified and certificated positions to implement cost reductions and efficiencies, (iii) administrative review of programs, supports and services added during the COVID-19 pandemic, (iv) a review of potential grant opportunities, (v) a plan to ensure accurate and improved attendance at school sites, and (vi) identification of fund assignments to ensure

future obligations are met. The District cannot make any prediction at this time whether the Fiscal Stabilization Plan will be successful in reducing the deficit spending or if reduced, by how much.

LANCASTER SCHOOL DISTRICT
GENERAL FUND ADOPTED BUDGETS
Fiscal Years 2020-21 through 2024-25, and
Second Interim Report for Fiscal Year 2024-25⁽¹⁾

	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2024-25	Second Interim 2024-25
REVENUES:						
LCFF Sources	\$139,771,961	\$159,386,982	\$169,494,927	\$195,934,822	\$193,437,279	\$191,492,671
Federal	10,570,212	68,031,342	47,287,252	18,075,221	15,021,666	18,253,340
Other State	5,007,531	22,748,785	30,195,088	38,895,798	45,700,344	53,456,403
Other Local	9,489,180	9,9896,004	10,424,929	11,418,113	16,621,857	16,406,403
Total Revenues	<u>\$164,838,884</u>	<u>\$260,063,113</u>	<u>\$257,402,196</u>	<u>\$264,323,954</u>	<u>\$270,781,146</u>	<u>\$279,608,689</u>
EXPENDITURES:						
Certificated Salaries	\$72,169,184	\$92,608,504	\$87,188,368	\$88,359,012	\$97,606,750	\$104,037,986
Classified Salaries	25,222,220	31,630,959	44,997,339	39,726,375	47,834,242	47,067,724
Employee Benefits	43,454,172	54,126,254	58,443,109	59,632,036	66,057,030	68,021,650
Books and Supplies	6,775,187	53,236,415	43,342,128	16,533,028	31,718,750	32,052,743
Services and Other Operating Expenditures	19,373,061	29,648,589	40,305,856	46,886,826	38,155,236	54,066,692
Capital Outlay	337,000	205,820	461,652	10,805,814	7,656,101	15,428,459
Other Outgo (excluding Transfers of Indirect Costs)	1,288,989	1,888,989	—	3,259,381	—	2,439,788
Other Outgo (Transfers of Indirect Costs)	(749,492)	(649,492)	(737,523)	(516,866)	(810,706)	(808,003)
Total Expenditures	<u>\$167,870,321</u>	<u>\$262,696,038</u>	<u>\$274,000,929</u>	<u>\$264,685,606</u>	<u>\$288,217,403</u>	<u>\$322,307,040</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES:	\$(3,031,437)	\$(2,632,935)	\$(16,598,733)	\$(361,652)	\$(17,966,591)	\$(42,307,040)
OTHER FINANCING SOURCES AND USES:						
Interfund Transfers Out	(1,000,000)	(1,000,000)	(1,001,000)	—	(2,500,000)	(2,500,000)
Interfund Transfers In	—	—	—	—	—	—
Other Sources/Uses	—	—	—	—	—	—
Contributions	—	—	—	—	—	—
Total Other Financing Sources and Uses	<u>\$(1,000,000)</u>	<u>\$(1,000,000)</u>	<u>\$(1,001,000)</u>	<u>—</u>	<u>\$(2,500,000)</u>	<u>\$(2,500,000)</u>
Net Change in Fund Balances	\$(4,031,437)	\$(3,632,925)	\$(17,599,733)	\$(361,652)	\$(20,466,591)	\$(45,198,351)
Fund Balance, Beginning of Year	\$27,493,312	\$50,417,186	\$82,077,745	\$156,201,571	\$150,752,946	\$163,888,261
Fund Balance, End of Year	\$23,461,875	\$46,784,261	\$64,478,012	\$155,839,919	\$130,286,356	\$116,689,911

⁽¹⁾ Totals may not add due to rounding.
Source: The District.

Pension Plans

The District participates in the State Teachers' Retirement System ("STRS") which provides retirement benefits to certificated personnel. The District's employer contribution to STRS was \$17,557,171 for fiscal year 2023-24, estimated to be \$20,104,325 for fiscal year 2024-25 as of the District's second interim report for such fiscal year, and projected to be \$19,218,962 for fiscal year 2025-26.

The District also participates in the State Public Employees' Retirement System ("PERS") which provides retirement benefits to classified personnel who work four or more hours per day. The District's employer contribution to PERS was \$13,401,802 for fiscal year 2023-24, estimated to be \$13,090,543 for fiscal year 2024-25 as of the District's second interim report for such fiscal year, and projected to be \$13,143,373 for fiscal year 2025-26.

Declines in investment earnings as a result of COVID-19 may lead to increases in District contributions to each of these retirement systems. The District is unable to predict the likelihood or the amount of such increases on its contributions to STRS or PERS.

The information set forth below regarding STRS and PERS has been obtained from publicly available sources and has not been independently verified by the District, the Underwriter or the Municipal Advisor, is not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the District, the Underwriter or the Municipal Advisor. Furthermore, the summary data below should not be read as current or definitive, as recent gains or losses on investments made by the retirement systems generally may have changed the unfunded actuarial accrued liabilities.

Both PERS and STRS are operated on a statewide basis. The PERS and STRS defined benefit programs are funded through a combination of investment earnings and contributions by members, employees and the State. Both PERS and STRS have substantial State unfunded actuarial liabilities. PERS may issue certain pension obligation bonds to reach funded status. Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282. The amounts of the pension/award benefit obligation (PERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The District is not able to predict what the amount of liabilities will be in the future, or the amount of the contributions which the District may be required to make.

District contribution rates to PERS can vary annually depending on changes in actuarial assumption and other factors, such as liability. Unlike typical defined benefit programs, prior to fiscal year 2014-15, neither the STRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. As a result, in recent years, the combined employer, employee and State contributions to STRS have not been sufficient to pay actuarially required amounts. As a result, and due to significant investments losses, the unfunded actuarial liability of STRS increased significantly. The District is unable to predict what the STRS program liabilities will be in the future.

In order to address STRS funding inadequacies, the 2014-15 State Budget set forth a plan of shared responsibility among the State, school districts and teachers to shore up STRS. The first year's increased contributions from all three entities were approximately \$275 million. The contributions would increase in subsequent years, reaching more than \$5 billion annually. Then Governor Brown expected that this would eliminate the unfunded liability in approximately 30 years. The 2018-19 State Budget included \$3.1 billion for state contributions to STRS, which reflects action by the STRS board to increase state contributions by 0.5% of teacher payroll. The 2019-20 State Budget included approximately \$3.3 billion for State contributions to STRS and PERS. However, the 2020-21 State Budget redirected approximately \$2.3

billion of this amount to further reduce employer contribution rates in fiscal years 2020-21 and 2021-22, reducing the STRS employer rate from 18.41% to approximately 16.15% in fiscal year 2020-21, and from 17.9% to approximately 16.92% in fiscal year 2021-22, and reducing the PERS employer rate from 22.67% to approximately 20.7% in fiscal year 2020-21, and from 24.6% to approximately 22.84% in fiscal year 2021-22. For fiscal year 2022-23, the State Teachers' Retirement Board adopted a 10.85% supplemental contribution rate resulting in a total employer contribution rate of 19.10%. The employer contribution rate for fiscal year 2023-24 was 19.10% and the rate will continue to be 19.10% for fiscal year 2024-25.

**STATE OF CALIFORNIA
ACTUARIAL VALUE OF STATE RETIREMENT SYSTEMS**

Name of Plan	Market Value of Assets	Actuarial Value of Assets⁽³⁾	Actuarial Obligation	Unfunded Actuarial Accrued Liability⁽⁴⁾	Funded Ratio (Market Value)	Funded Ratio (Actuarial Value)
Public Employees' Retirement Fund Schools Pool (PERS) ⁽¹⁾	\$84.292 billion	—	\$124.924 billion	\$40.632 billion	67.5%	—
State Teachers' Retirement Fund Defined Benefit Program (STRS) ⁽²⁾	\$299.148 billion	\$273.155 billion	\$359.741 billion	\$86.586 billion	76.2%	75.9%

Figures as of June 30, 2023.

⁽¹⁾ As of June 30, 2023, the PERS provided pension benefits to 1,446,497 active and inactive program members and 791,514 retirees, beneficiaries, and survivors.

⁽²⁾ As of June 30, 2024, the STRS Defined Benefit Program had approximately 706,891 active and inactive program members and 333,410 retirees and benefit recipients.

⁽³⁾ PERS no longer uses an actuarial value of assets and only uses the market value of assets.

⁽⁴⁾ The PERS unfunded actuarial accrued liability is based on the market value of assets and the STRS unfunded actuarial accrued liability is based on the actuarial value of assets.

Source: PERS State and Schools Actuarial Valuation, STRS Defined Benefit Program Actuarial Valuation, PERS Annual Comprehensive Financial Report 2022-23, PERS Schools Pool Actuarial Valuation, as of June 30, 2023 and STRS Annual Comprehensive Financial Report 2023-24.

California State Teachers' Retirement System. STRS is a defined benefit program and member benefits are determined pursuant to the Education Code and are generally determined based on a member's age, final compensation and years of credited service. As a result of the California Public Employees' Pension Reform Act of 2013 (Chapter 296, Statutes of 2012), there are two benefit structures for members that apply according to the members' first date of hire to perform STRS creditable activities. Members first hired on or before December 31, 2012, are 100% vested in retirement benefits after five years of credited service and are eligible for "normal" retirement at age 60 and for early retirement at age 55 or at age 50 with 30 years of credited service. The normal retirement benefit is 2% of final compensation (as defined in the Education Code) for each year of credited service (up to 2.4% of final compensation for members retiring after age 60), and members who retire on or after January 1, 2011 with 30 or more years of service by December 31, 2010 receive monthly bonus payments of up to \$400 per month. Members first hired on or after January 1, 2013 who retire at age 62 are eligible for a benefit equal to 2% of final compensation for each year of credited service (up to 2.4% of final compensation for members retiring after age 62). Additional benefits under both benefit structures include a 2% cost of living increase (computed on a simple, non-compounded, basis based on the initial allowance) on each September 1 following the first anniversary of the effective date of the benefit.

Prior to fiscal year 2014-15, neither the STRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. As a result, the combined

employer, employee and State contributions to STRS were not sufficient to pay actuarially required amounts. Assembly Bill 1469 (“A.B. 1469”), enacted in connection with the adoption of the 2014-15 State budget authorizes shared contribution increases among the program’s three contributors – STRS members, employers and the State. Defined Benefit Program contribution rate increases for all contributing parties will be incrementally phased-in over the next several years, with the first increases having taken effect July 1, 2014. The rate increases authorized by A.B. 1469 are projected to fund the STRS Defined Benefit Program fully in 32 years.

Employer contribution rates, including those of the District, increased through fiscal year 2020-21 as shown in the following table. Beginning fiscal year 2021-22, employer contribution rates will be set each year by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

<u>Effective Date</u>	<u>Prior Rate</u>	<u>AB 1469 Increases</u>	
		<u>Increase</u>	<u>Total</u>
July 1, 2017	8.25%	6.18%	14.43%
July 1, 2018	8.25	8.03	16.28
July 1, 2019	8.25	8.85	17.10
July 1, 2020	8.25	10.15	18.40

The State contributions are set pursuant to the Education Code. As of July 1, 2022, the State contributed 8.328% of members’ annual earnings to the defined benefit plan for fiscal year 2022-23 and will contribute 8.328% for fiscal year 2023-24. The employee contribution rate for STRS members first hired on or before December 31, 2012 to perform STRS creditable activities (i.e., STRS 2% at 60 members) is 10.25% for fiscal year 2023-24 and will be 10.25% for fiscal year 2024-25. The employee contribution rate for STRS members first hired on or after January 1, 2013 to perform STRS creditable activities (i.e., STRS 2% at 62 members) is 10.205% for fiscal year 2023-24 and will be 10.205% for fiscal year 2024-25.

The State Teachers’ Retirement Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the defined benefit plan. The STRS actuarial consultant determines the actuarial value of the defined benefit plan’s assets by using a one-third smoothed recognition method of the difference between the actual market value of assets to the expected actuarial value of assets. Accordingly, the actuarial value of assets will not reflect the entire impact of certain investment gains or losses on an actuarial basis as of the date of the valuation or legislation enacted subsequent to the date of the valuation.

In February 2017, the State Teacher’s Retirement Board voted to revise the actuarial methods and assumptions beginning with the STRS Defined Benefit Program for fiscal year 2016. The actuarial assumptions set forth in the 2016 STRS actuarial valuation use a 7.25% investment rate of return for measurements as of June 30, 2016 and an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016 3.00% interest on member accounts, 3.50% wage growth, and 2.75% inflation. The STRS unfunded liability will vary based on actuarial assumptions, actual returns on investments and contribution rates.

The Defined Benefit Program of the California State Teachers’ Retirement System, June 30, 2023 Actuarial Valuation (the “2023 STRS Actuarial Valuation”) states that for fiscal year 2022-23 the funded ratio increased by 1.5% over the previous year, mainly due to the expected year-to-year change attributable to contributions received to pay down the unfunded actuarial obligation and the new assumptions (primarily the mortality assumption change) that were adopted for use with the 2023 STRS Actuarial Valuation.

California Public Employees' Retirement System. PERS is a defined benefit program and member benefits are determined pursuant to the Public Employees' Retirement Law and are generally determined based on a member's age, final compensation and years of credited service.

Member contribution rates are determined by the Public Employees' Retirement Law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by statute. For fiscal year 2023-24, the employee contribution rate for classic plan members is 7.0% of monthly salary and the estimated employee contribution rate for PEPRAs members is 7.0% of monthly salary. The employer contribution rate increased from 25.37% of covered payroll for fiscal year 2022-23, to 26.68% of covered payroll for fiscal year 2023-24. The employer contribution rate for fiscal year 2024-25 is 27.05%, as further discussed below.

At its April 17, 2013 meeting, the PERS Board of Administration approved a recommendation to change the PERS amortization and smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. The new amortization and smoothing policy was used for the first time in the June 30, 2014 actuarial valuations. These valuations were performed in early 2015 and set employer contribution rates for the fiscal year 2015-16.

The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of PERS. At its December 21, 2016 meeting, the PERS Board of Administration approved a discount rate assumption decrease from its current rate of 7.50% to 7.00% over the next three years. For the School Pool, the discount rate was lowered for the first time to 7.375% effective with the June 30, 2017 actuarial valuation (the "2017 PERS Schools Pool Actuarial Valuation"), impacting the Schools Pool employer contribution rates beginning in fiscal year 2018-19. The discount rate was lowered further to 7.25% for the June 30, 2018 actuarial valuation, to 7.00% for the June 30, 2019 actuarial valuation and lowered again to 6.8% for the June 30, 2021 actuarial valuation. Lowering the discount rate results in increases in both the normal cost and the accrued liabilities which results in higher required employer contributions. The District cannot predict how these changes will affect its contribution levels.

On December 20, 2017, the PERS Board of Administration adopted new actuarial demographic assumptions to update various assumptions including mortality, retirement rates and inflation. These new assumptions were applied beginning with the June 30, 2018 valuation for the schools pool, setting employer contribution rates for fiscal year 2019-20. As a result, the June 30, 2019 actuarial valuation assumed a reduced inflation rate of 2.50% per year and reduced payroll growth of 2.75% per year. The actuarial funding method used in the PERS Schools Pool Actuarial Valuation as of June 30, 2019 (the "2019 PERS Schools Pool Actuarial Valuation") is the "Individual Entry Age Normal Cost Method." At its February 12, 2018 meeting, the PERS Board of Administration approved a recommendation to change the PERS amortization policy once again. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 30-year period with the increases or decreases in the rate spread directly over a 5-year period. After this change, PERS employed an amortization and smoothing policy that will pay for all gains and losses over a fixed 20-year period rather than a 30-year period. The new amortization policy was used for the first time in the June 30, 2019 actuarial valuations.

CalPERS reported a negative 6.1% net return on investments for fiscal year 2021-22, its first negative return on investments since fiscal year 2008-09, on July 20, 2022. This negative return on investments was less than the assumed 6.80% annual rate of returns on investments and resulted in a \$12.4 billion investment loss. At that time, the employer contribution rates for future fiscal years were adjusted due, in part, to the negative return on investments for fiscal year 2021-22.

On April 15, 2024, the CalPERS Finance and Administration Committee of the Board was presented with a summary of the CalPERS Schools Pool Actuarial Valuation as of June 20, 2023 (the “2023 PERS Schools Pool Actuarial Valuation”). The summary reflected projections for future employer contribution rates of 27.0%, 27.6%, 28.0%, 29.2%, 29.0 and 28.8% in fiscal years 2024-25, 2025-26, 2026-27, 2027-28, 2028-29 and 2029-30 respectively. The summary based these projections on an expected actual investment return of 6.80% for fiscal year 2023-24.

In July 2024, CalPERS reported a preliminary net investment return of 9.3%, outpacing the expected investment return of 6.80%. A circular letter was subsequently released on August 30, 2024 with updated projections for future employer contribution rates that reflect the fiscal year 2023-24 preliminary net investment return of 9.3%. The circular letter reflects an employer contribution rate of 27.05% for fiscal year 2024-25 and also projects future employer contribution rates of 27.4%, 27.5%, 28.5%, 28.2% and 27.8% in fiscal years 2025-26, 2026-27, 2027-28, 2028-29 and 2029-30, respectively. These projections are based on an expected actual investment return of 6.80%, however the actual contribution requirements for the projected years will likely differ if the actual investment return is not 6.80%. Projected employer contribution rates may increase absent investment returns that are higher than the expected 6.80% in fiscal year 2024-25 and beyond. Additionally, pursuant to CalPERS’ amortization policy, required employer contributions may change gradually and significantly due to investment gains or losses that are amortized using a five-year ramp up (while making it less likely that there are significant changes in the required employer contributions in any one year). The District is unable to anticipate or predict the impact of future events (State, national or otherwise) on investment returns and employer contribution rates and no assurances can be given that the District’s required CalPERS contributions will not increase in the future.

The 2023 PERS Schools Pool Actuarial Valuation was later released in October 2024, but because the actual investment return for fiscal year 2023-24 was not yet known at the time of preparation, the report reflected identical projections for future employer contribution rates as the April 15, 2024 summary.

Both PERS and STRS are operated on a statewide basis and, based on available information, STRS and PERS both have unfunded liabilities. PERS may issue certain pension obligation bonds to reach funded status. Additional funding of STRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282. The amounts of the pension/award benefit obligation (PERS) or actuarially accrued liability (STRS) will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution.

STRS and PERS each issue separate annual comprehensive financial reports that include financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from www.calstrs.com or by written request mailed to STRS, P.O. Box 15275, Sacramento, California 95851-0275, and copies of the PERS annual financial report may be obtained from www.calpers.ca.gov or by written request mailed to the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information presented in those reports is not incorporated by reference in this Official Statement.

The District is unable to predict what the amount of liabilities will be in the future, or the amount of future contributions that the District may be required to pay. See APPENDIX C for additional information concerning STRS and PERS contained in the notes to said financial statements.

Pension Reform Act of 2013 (Assembly Bill 340)

On September 12, 2012, Governor Brown signed AB 340, a bill that enacted the California Public Employees’ Pension Reform Act of 2013 (“PEPRA”), amending various sections of the California

Education and Government Codes. AB 340 (i) increased the retirement age for new State, school, and city and local agency employees depending on job function, (ii) capped the annual PERS and STRS pension benefit payouts, (iii) addressed abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRAs will apply to all public employers except the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations, including employee associations of the District, had a five-year window to negotiate compliance with AB 340 through collective bargaining. A city, public agency or school district could require employees to pay their half of the costs of PERS pension benefits, up to 8% of pay for civil workers and 11% or 12% for public safety workers.

PERS has predicted that the impact of AB 340 on employers, including the District and other employers in the STRS system, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in lower retirement benefits than employees currently earn. Additionally, PERS has noted that AB 340 changes may have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

With respect to STRS, for employees hired after January 1, 2013, members will pay the greater of either (1) at least 50% of the cost of their retirement plan, rounded to the nearest 1/4%, or (2) the contribution rate paid by current members. The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Public employers will pay at least the normal cost rate, after subtracting the member's contribution. The District is unable to predict the amount of future contributions it will make to STRS as a result of the implementation of AB 340 (being its future contributions for the normal costs of new employees), and as a result of negotiations with its employee associations, or, notwithstanding the adoption of AB 340, resulting from any legislative changes regarding STRS employer contributions that may be adopted in the future.

More information about AB 340 can be accessed through the PERS's web site at www.calpers.ca.gov and through the STRS website at www.calstrs.com. The references to these internet websites are shown for reference and convenience only; the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference. The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. See APPENDIX C – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024" for additional information concerning STRS and PERS contained in the notes to said financial statements.

GASB Statement Nos. 67 and 68. On June 25, 2012, GASB voted to approve two new standards that aimed to improve the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 67, Financial Reporting for Pension Plans, revised existing guidance for the financial reports of most pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, revised and established new financial reporting requirements for most governments that provide their employees with pension benefits.

Statement 67 replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement 50, Pension

Disclosures as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. Statement 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

Statement 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

The provisions in Statement 67 became effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 became effective for fiscal years beginning after June 15, 2014. See APPENDIX C — “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024” for additional information.

As noted in APPENDIX C — “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024,” in 2015, the District implemented the new required pension standard known as “GASB 68.” This standard requires government entities across the country to change the method of accounting and reporting for pensions. Before GASB 68, the District reported pension expense based solely on annual contributions to STRS and PERS. While the District continues that practice within its governmental funds, there are new requirements for how those expenditures are measured within the “government-wide” financial statements. While the governmental funds continue to use the “modified accrual” basis of accounting, the “government-wide” financial statements use the “full accrual” accounting method. Therefore, pension expense is based on a new measure which requires the District to measure its “proportionate share” of the expenses, net pension liability, deferred outflows of resources, and deferred inflows of resources that exist within the STRS and PERS pension plans’ financial statements. These financial statement elements are unique in that the District has no control over them. The impact of this new liability is not felt in the District’s General Fund and does not affect reserves, other than the fact that the employer contribution rates for STRS and PERS are projected to increase significantly over the next few years to help reduce the overall pension plan unfunded liabilities.

At Fiscal Year 2023-24 year end, the District had an outstanding pension liability of \$104,319,955 with respect to STRS and \$84,525,182 with respect to PERS, as a result of the adoption of GASB No. 68, Accounting Reporting for Pensions. The District has recorded its proportionate share of net pension liabilities for STRS and PERS. See APPENDIX C — “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2024” attached hereto.

Other Post-Employment Benefits (“OPEB”)

The Governmental Accounting Standards Board (the “GASB”) released its Statement Number 45 (“Statement Number 45”), which requires municipalities to account for other post-employment benefits (meaning other than pension benefits) (“OPEB”) liabilities much like municipalities are required to account for pension benefits. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most municipalities and public sector organizations. OPEBs generally include post-employment health benefits (medical, dental, vision,

prescription drug and mental health), life insurance, disability benefits and long term care benefits. Statement Number 45 was phased in over a three-year period based upon the entity's revenues. Statement Number 45 became effective for the District beginning in fiscal year 2008-09.

In June 2015, GASB voted to approve a new standard that aimed to improve the accounting and financial reporting for OPEB by state and local governments. Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("Statement Number 75") requires the recognition of the entire OPEB liability, new disclosures and notes in financial reporting, supplemental information, and a more comprehensive measure of OPEB expense. These changes followed a comprehensive review of the effectiveness of preexisting standards of accounting and reporting. GASB expects that the requirements of Statement Number 75 will improve the decision-usefulness of financial information and will enhance its value for assessing accountability and inter-period equity. Statement Number 75 replaces Statement Number 45 became effective beginning in fiscal year 2017-18.

In addition to the retirement plan benefits with STRS and PERS, the District provides certain post-retirement healthcare benefits, in accordance with District employment contracts. The District's health care plan (the "Plan") is a multi-employer defined benefit healthcare plan administered by contracted third parties. Currently, 1,903 employees meet the eligibility requirements, which includes 107 retirees and beneficiaries who are receiving such benefits.

The District currently finances benefits on a pay-as-you-go basis for retirement liability. The District contributes 100% of the cost of the current year premiums for eligible retired plan members and their spouses as applicable.

Total Compensation Systems, Inc. has prepared an actuarial valuation dated September 26, 2024 (the "2024 Actuarial Report"), covering the District's retiree health benefits with a valuation date of June 30, 2024 and a measurement date of June 30, 2024. Certain assumptions incorporated in the 2024 Actuarial Valuation include a 3.93% discount rate, a 2.50% inflation rate, a 2.75% annual increase for salaries, and various other assumptions. The District had a total OPEB liability ("TOL") of \$50,743,435 as of June 30, 2023 and \$52,269,420 as of June 30, 2024. The 2024 Actuarial Report describes the TOL as the liability that would have accumulated if all actuarial assumptions are exactly met and the District expensed the service cost every year for all past and current employees and retirees. The District also had a net OPEB liability ("NOL") of \$52,269,420 as of June 30, 2024, which the 2024 Actuarial Report describes as the excess of the TOL over the value of the plan assets. Under GASB Statement 74 and Statement 75, in order for assets to count toward offsetting the TOL, the assets have to be held in an irrevocable trust that is safe from creditors and can only be used to provide OPEB benefits to eligible participants. The District has not established an irrevocable trust for OPEB assets.

According to the 2024 Actuarial Valuation, the District's annual OPEB expense for the fiscal year ending June 30, 2024 of \$5,813,164, which is comprised of a service cost of \$3,972,235 plus interest on the TOL of \$1,885,555 minus \$2,639,649 of recognized assumption changes and minus \$448,889 of experience loss deferrals. This annual expense does not include the estimated \$2,141,045 in contributions made by the District.

According to the 2024 Actuarial Report, the District has a "pay-as-you-go" annual OPEB expense, or cost of providing retiree health benefits, estimated at \$2,141,045 for fiscal year 2022-23, \$1,923,714 for fiscal year 2023-24 and \$2,224,137 for fiscal year 2024-25.

For additional information about the District's Plan, as well as information regarding a previous actuarial valuation, see District's financial statements attached hereto as APPENDIX C. A copy of the latest actuarial valuation is available upon request from the District at the address listed on the first page of

the forepart of this Official Statement. The District may impose a charge for copying, handling and mailing such requested documents.

Risks Related to COVID-19

General. The outbreak of a strain of coronavirus (“COVID-19”) was characterized as a pandemic by the World Health Organization and resulted in numerous emergency declarations, causing State-wide school closures for the 2019-20 and 2020-21 school years, as well as stay-at-home orders, restrictions on gatherings and widespread temporary closings of businesses. School districts state-wide, including the District, incurred additional operational costs to implement distance learning strategies, deep clean and sanitize its facilities, and purchase additional sanitation and cleaning supplies necessary to maintain the sanitation of its facilities.

The resulting economic disruption caused concerns of a general market decline in property values. In response, the State suspended fees, penalties, costs and interest for delinquent property taxes on certain residential and small business property, and certain penalties for delinquent payment of taxes were suspended.

Potential to Impact State Funding of School Districts. In the 2020-21 State Budget, the State anticipated substantial declines in State Revenues, which had they materialized, would have been offset with significant deferrals of payments due to school districts into future fiscal years and draws on reserves from the BSA, Safety Net Reserve and PSSSA. In addition, in prior fiscal years when the State has received significantly reduced revenues, the State has delayed certain payments to school districts. Under certain conditions, the State may suspend funds guaranteed pursuant to Proposition 98 for one or more years, and payments have been suspended in the past during periods of decreased State revenues. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 98” in the forepart of this Official Statement and “ – State Budget - *Potential for Funding Deferrals in the Event of Reduced State Revenues*” below for discussion of the ability of the State to defer payments to school districts.

State and Federal Aid. Governor Newsom enacted a number of executive orders and the State Legislature also adopted legislation in response to the COVID-19 pandemic, and additional executive orders or legislation may be enacted in response to future outbreaks. The District previously received approximately \$5.68 million under Assembly Bill 86 enacted to provide COVID-19 relief funding.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) was signed into law, which provided \$30 billion to education, with a school district’s share based on the proportion of Title I funding received for the most recent fiscal year. The District received \$35.3 million in supplemental funding as a result of the CARES Act.

In December 2020, the Coronavirus Response and Relief Supplemental Appropriations Act was passed to, among other things, provide \$54.3 billion in emergency relief for schools. The District received \$85.6 million in supplemental relief funding as a result of this legislation.

On March 11, 2021, the President signed into law a \$1.9 trillion COVID-19 relief package referred to as the American Rescue Plan Act of 2021 (“ARPA”). ARPA provides approximately \$126 billion for K-12 schools, and known as “Elementary & Secondary School Emergency Relief (“ESSER”) funding, the allocation of which will be based on the proportion of funding received for the most-recent fiscal year. The District has received approximately \$80.4 million in federal COVID-19 related ARPA supplemental funding.

The District does not expect to receive any additional funding from these bills or measures.

In the event of a resurgence of COVID-19 or another global pandemic, the District may incur additional costs. However, the District cannot predict if such an event will occur, or if so, whether additional costs will need to be incurred to protect student and staff safety or to provide or enhance technology for distance learning or otherwise. Such costs cannot be predicted, nor can the amount of reimbursement, if any, from State or Federal sources.

State Assistance

The District's principal funding formulas and revenue sources are derived from the budget of the State. **The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the Underwriter, Bond and Disclosure Counsel or the Owners of the Bonds to provide State budget information to the District or the Owners of the Bonds. Although they believe the State sources of information listed above are reliable, none of the District, Bond and Disclosure Counsel or the Underwriter assumes any responsibility whatsoever for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites, including www.dof.ca.gov and www.ebudget.ca.gov, which websites are not incorporated herein by reference.**

State Budget

General. The District's operating income consists primarily of three components, which include the State Aid portion funded from the State General Fund and a locally generated portion derived from the District's share of the general 1% *ad valorem* tax levy authorized by the State Constitution. In addition, school districts, including the District, may be eligible for other special categorical funding, including State and federal programs. As a result, decreases in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

The State Budget Process. The State's fiscal year begins on July 1 and ends on June 30. According to the State Constitution, the Governor of the State is required to propose a budget for the next fiscal year (the "Governor's Budget") to the State Legislature no later than January 10 of each year. Proposition 25, which was adopted by voters in the State at an election held on November 2, 2010, amended the State Constitution such that a final budget must be adopted by a simple majority vote of each house of the State Legislature by no later than June 15 and the Governor must sign the adopted budget by no later than June 30. The budget becomes law upon the signature of the Governor. In certain recent years, the State's final budget has not been timely adopted.

Under State law, the annual Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the State Legislature takes up the proposal. Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the State Legislature and signed by the Governor. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the State Legislature. Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each house of the State Legislature and be signed by the Governor. Bills containing K-14 education appropriations require only a simple majority vote. Continuing

appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution. Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt. However, delays in the adoption of a final State budget in any fiscal year may affect payments of State funds during such budget impasse.

Potential for Funding Deferrals in the Event of Reduced State Revenues. In the 2020-21 State Budget, the State anticipated approximately an overall 7% decline in State Revenues due to the COVID-19 pandemic, which without other action, would have resulted in an approximately \$10 billion reduction in spending from the Proposition 98 minimum guarantee set forth the 2019-20 State Budget. The 2020-21 State Budget offset this loss in several ways, including the deferral of approximately \$12.9 billion in payments into the 2021-22 fiscal year to preserve programs for school districts and community college districts and draws of approximately \$8.8 billion in reserves from the BSA, Safety Net Reserve and PSSSA. While all K-12 deferrals in the 2021-22 fiscal year were ultimately eliminated, there can be no assurance that similar deferrals would not be proposed in the future either due to the COVID-19 pandemic or other financial uncertainty or loss of State revenues in the event of a recession.

In prior fiscal years when the State has received significantly reduced revenues, the State has delayed certain payments to school districts. Under certain conditions, the State may suspend funds guaranteed pursuant to Proposition 98 for one or more years, and payments have been suspended in the past during periods of decreased State revenues. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS – Proposition 98” in the body of this Official Statement. While payments from the State were delayed during the 2020-21 fiscal year and could potentially be delayed during future fiscal years, the District cannot predict whether such future delays will occur, the length of any delay or the amount of funds the payment of which will be delayed.

School districts, may hold reserves in their local operating accounts, and although there is significant variation in the level of reserves held by the various school districts, the LAO indicates that school district reserves average 17% of school funding statewide. According to the LAO, the median school district holds reserves equal to approximately 22% of its expenditures, although about 25% of school districts hold reserves that account for less than 14% of their expenditures. The District holds unrestricted reserves that account for 15.7% of its expenditures.

The District also has the ability to rely on interfund borrowing or the issuance of tax and revenue anticipation notes to manage cash flow if necessary. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Certain Existing Obligations” in the body of this Official Statement for a discussion of certain resolutions related to cash management being considered by the District.

Fiscal Year 2024-25 State Budget

Introduction. On June 26, 2024, Governor Gavin Newsom signed the fiscal year 2024-25 budget (the “2024-25 State Budget”). In addressing a \$46.8 billion deficit, the 2024-25 State Budget maintains a multiyear fiscal structure providing positive balances in the State’s operating reserve, the Special Fund for Economic Uncertainties (“SFEU”), not only in the 2024-25 fiscal year, but also for fiscal year 2025-26. The 2024-25 State Budget includes commitments to support further budget resilience with agreements for additional legislation requiring the State to set aside a portion of anticipated surplus funds to be allocated in a subsequent budget act and adding further fiscal protections so that the State does not commit certain amounts of future anticipated revenues until those revenues have been realized. The 2024-25 State Budget solves the \$46.8 billion deficit through a mix of broad-based solutions, which includes \$16.0 billion in reduced funding for various items (including a reduction of approximately \$500 million from the California Student Housing Revolving Loan Program and an ongoing reduction of \$110 million in middle class

scholarships beginning in fiscal year 2025-26), \$13.6 billion from additional revenue sources and internal borrowing from special funds, \$6.0 billion in withdrawals from reserves, \$6.0 billion in shifting certain expenditures from the General Fund to other funds, \$3.1 billion from delayed programs, and \$2.1 billion from payment deferrals.

The 2024-25 State Budget projects State general fund revenues in the amount of \$189.4 billion in fiscal year 2023-24 and \$212.1 billion in fiscal year 2024-25. State general fund expenditures for fiscal year 2024-25 are expected to be \$211.5 billion (a decrease of approximately \$11.6 billion from fiscal year 2023-24 general fund expenditures), of which \$81.3 billion (38.4 percent) is allocated to K-12 education and \$23.5 billion (11.1 percent) is allocated to higher education. The 2024-25 State Budget projects that the State will end fiscal year 2023-24 with a balance of approximately \$26.3 billion in budgetary reserves (comprised of approximately \$2.9 billion in the SFEU, \$0 in the PSSSA, \$900 million in the Safety Net Reserve and \$22.6 billion in the BSA). Further, the 2024-25 State Budget projects that the State will end fiscal year 2024-25 with an approximately \$22.2 billion reserve balance (comprised of approximately \$3.5 billion in the SFEU, \$1.1 billion in the PSSSA, \$0 in the Safety Net Reserve and \$17.6 billion in the BSA). In addition to the balance of \$3.5 billion in the SFEU in fiscal year 2024-25, the 2024-25 State Budget includes a positive SFEU in fiscal year 2025-26 of \$1.5 billion, putting the State on more solid fiscal footing by balancing the budget through the next two fiscal years.

Over the past decade, the State has built historic levels of reserves to better prepare for economic downturns and to mitigate against the volatility in the State's revenue structure. In particular, the BSA met its constitutional maximum mandatory deposit limit of 10% of General Fund tax proceeds under the 2023-24 State Budget. The 2024-25 State Budget utilizes funds from the BSA, but does so over two fiscal years, assuming the use of approximately \$5.1 billion in fiscal year 2024-25 and approximately \$7.1 billion in fiscal year 2025-26. Spreading the use of the BSA over two years allows more of the structural budget issues to be addressed in fiscal year 2024-25 and provides greater budget resiliency.

The 2024-25 State Budget maintains core programs serving millions of the State's most vulnerable populations, which includes funding the minimum Proposition 98 guarantee for education at \$115.3 billion (\$82.6 billion General Fund) for fiscal year 2024-25 for Pre-K-12 schools and community colleges.

K-12 Education. The 2024-25 State Budget includes total funding of \$133.8 billion (\$81.5 billion General Fund and \$52.3 billion other funds) for all K-12 education programs. The 2024-25 State Budget reflects significant Proposition 98 funding that enables increased support for core programs such as the LCFF, special education, transitional kindergarten, nutrition, and preschool.

Proposition 98. Proposition 98 is a voter-approved constitutional amendment that guarantees minimum funding levels for K-12 schools and community colleges (collectively referred to as "K-14 schools"). The Proposition 98 Minimum Guarantee (the "Guarantee"), which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, *per capita* personal income, and school attendance growth or decline. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 98" in the body of this Official Statement for more information on Proposition 98. The LCFF is the primary mechanism for distributing these funds to support students attending K-12 public schools in the State.

Under certain circumstances, the State Constitution allows the Legislature to suspend the Guarantee and create a maintenance factor to be paid in future fiscal years when conditions require it. The 2024-25 State Budget suspends the Guarantee in fiscal year 2023-24 and projects the Guarantee to be in "Test 1" in fiscal year 2024-25. In Test 1 years, the Guarantee is equal to the percentage of General Fund appropriated for K-14 schools in the 1986-87 fiscal year. Suspending the Guarantee is projected to create a maintenance

factor obligation of approximately \$8.3 billion in fiscal year 2023-24 and is projected to result in a \$4.1 billion maintenance factor payment in fiscal year 2024-25, which will be paid in addition to the Guarantee level in fiscal year 2024-25.

To accommodate enrollment increases related to the expansion of transitional kindergarten, and the implementation of Proposition 28, the 2024-25 State Budget rebenchs the Test 1 percentage, from approximately 38.6% to approximately 39.2 percent, to increase the percentage of General Fund revenues obligated to the Guarantee. As fiscal year 2024-25 is a Test 1 year, the value of the Guarantee is the sum of 39.2% of General Fund revenues, fiscal year 2024-25 local property tax revenues, and the \$4.1 billion maintenance factor payment.

The 2024-25 State Budget reflects Proposition 98 funding levels of \$103.7 billion in fiscal year 2022-23, \$98.5 billion in fiscal year 2023-24, and \$115.3 billion in fiscal year 2023-24. Of the \$103.7 billion in fiscal year 2022-23, the 2024-25 State Budget accrues approximately \$6.2 billion of the State's General Fund costs to the 2026-27 through 2035-36 fiscal years for budgetary and financial reporting purposes.

Proposition 98 Rainy Day Fund. The 2024-25 State Budget reflects a total balance of \$8.4 billion in the PSSSA at the end of fiscal year 2022-23 and reflects the withdrawal of this balance in fiscal year 2023-24. The 2024-25 State Budget also reflects a roughly \$1.1 billion discretionary payment into the PSSSA in fiscal year 2024-25, leaving a balance in the account of \$1.1 billion.

Under current law, there is a cap of 10% on school district reserves in fiscal years immediately succeeding those in which the balance in the PSSSA is equal to or greater than 3% of the total K-12 share of the Guarantee. Because there is no ending balance in the PSSSA in fiscal year 2023-24 and a balance of \$1.1 billion in fiscal year 2024-25, school district reserve caps would not be triggered in fiscal year 2024-25 and are not projected to be triggered in fiscal year 2025-26.

Local Control Funding Formula ("LCFF"). The 2024-25 State Budget includes a LCFF cost-of-living adjustment of 1.07 percent. When combined with population growth adjustments, this will result in an increase of approximately \$983 million, as compared to the 2023-24 State Budget, in discretionary funds for local educational agencies ("LEAs"). To fully fund the LCFF, the 2024-25 State Budget withdraws approximately \$5.3 billion from the PSSSA to support LCFF costs in fiscal year 2023-24, and uses available reappropriation and reversion funding of \$253.9 million to support ongoing LCFF costs in fiscal year 2024-25.

Deferrals. The 2024-25 State Budget reflects LCFF apportionment deferrals from fiscal year 2023-24 to fiscal year 2024-25 of approximately \$3.6 billion and from fiscal year 2024-25 to fiscal year 2025-26 of approximately \$246 million. Additionally, the 2024-25 State Budget reflects approximately \$2.3 billion in categorical program deferrals from fiscal year 2022-23 to fiscal year 2023-24, with the deferred categorical amount being repaid using PSSSA resources.

Learning Recovery Emergency Block Grant. The 2024-25 State Budget focuses the use of allocated but unexpended Learning Recovery Emergency Block Grant funds on actions to address the needs of students most impacted by learning loss, based on an assessment of needs, and incorporates the use of these funds into the existing LCAP development process. The 2024-25 State Budget also clarifies that the allowable uses of the Learning Recovery Emergency Block Grant include professional development aligned to the new Mathematics Framework and the English Language Arts/English Language Development Framework.

Employee Protections. To ensure stable employment for school staff, the 2024-25 State Budget includes a suspension of the August 15, 2024, layoff window for certificated and classified staff.

Instructional Continuity and Attendance Recovery. The 2024-25 State Budget includes statutory changes to allow LEAs to provide attendance recovery opportunities to students to make up lost instructional time, thereby offsetting student absences, and mitigating learning loss, as well as related fiscal impacts to LEAs. For example, the 2024-25 State Budget beginning in fiscal year 2025-26, allows LEAs to add up to 10 days of attendance recovery time per pupil to the attendance data submitted to the California Department of Education (“CDE”) for funding purposes. Attendance recovery programs that are offered during summer school, intersessional school, on weekends, or before/after school, must be taught by certificated teachers, be exempt from minimum day requirements, and be non-compulsory.

The 2024-25 State Budget also allows Expanded Learning Opportunities Program funds to be utilized for attendance recovery programs when an LEA operates the program in conjunction with, and on the same school site as, its expanded learning opportunities program.

There is also the requirement that CDE to report an alternative chronic absenteeism rate calculation, in addition to the existing chronic absenteeism rate, that includes pupil attendance accrued through attendance recovery programs.

Beginning July 1, 2025, the 2024-25 State Budget requires LEAs to include an instructional continuity plan in their School Safety Plan as a component of their emergency funding application. The plan must include procedures for student engagement within 5 days of an emergency and a plan to provide hybrid or remote learning opportunities to students within 10 instructional days. The plan can include supporting students and their families with temporary reassignment to another school.

When students must be absent for any reason, the 2024-25 State Budget encourages LEAs to provide remote instruction to mitigate learning loss by streamlining independent study. Specifically, the language allows LEAs to earn funding for independent study programs regardless of duration, reduces the burden on teachers to account for remote/hybrid learning, and provides flexibility on when signed written agreements for short-term independent study must be collected.

Additionally, the 2024-25 State Budget directs the department to explore local student information systems to identify opportunities and make recommendations to allow LEAs to report individual student absence data to the state in a manner that allows for, at a minimum, local and statewide disaggregation of absences related to emergency events that prevent students from attending school. The 2024-25 State Budget also includes \$4 million one-time Proposition 98 General Fund to research existing, and develop new models of hybrid and remote learning to support students’ attendance, including developing and disseminating guidance and resources for LEAs to develop their own hybrid and remote learning programs to enable instructional continuity.

Teacher Professional Development and Preparation. To further expand the State’s educator training infrastructure, the 2024-25 State Budget:

- Provides \$25 million one-time Proposition 98 General Fund to support necessary costs, including training for educators to administer literacy screenings to meet the requirement to screen students in kindergarten through second grade for risk of reading difficulties, including dyslexia, by the 2025-26 school year.
- Provides \$20 million one-time Proposition 98 General Fund for a county office of education to work with the University of California Subject Matter Projects, as well as other well-qualified

governmental or non-profit providers, to develop and provide training aligned with the new California Mathematics Framework for mathematics coaches and leaders who in turn can provide training and support to mathematics teachers to deliver high-quality instruction.

Additionally, to encourage more well-prepared individuals to enter the field of teaching, the 2024-25 State Budget includes statutory changes to recognize the completion of a bachelor's degree as satisfying the basic skills requirement for a credential and to improve transcript review to certify subject matter competency.

State Preschool.

Significant budget adjustments:

- The 2024-25 State Budget includes \$53.7 million General Fund to support reimbursement rate increases previously supported by available one-time federal stimulus funding.
- The 2024-25 State Budget reflects one-time savings of \$190.7 million General Fund and \$522.3 million Proposition 98 General Fund. These adjustments align with the level of support necessary for CDE to meet preschool collective bargaining agreement requirements.
- The 2024-25 State Budget authorizes California State Preschool Program providers to serve two-year-old children, in addition to three and four-year old children, until June 30, 2027.
- The 2024-25 State Budget maintains that the California State Preschool Program continue to require providers to reserve 5% of funded enrollment for children with disabilities. However, the 2024-25 State Budget suspends provisions to increase this requirement to 7.5% in fiscal year 2025-26 and 10% in fiscal year 2026-27.
- The 2024-25 State Budget provides authority for CDE to develop and implement a streamlined request for application process to award new State Preschool slots to existing providers.

Transitional Kindergarten. The 2024-25 State Budget provides \$988.7 million Proposition 98 General Fund to support the second year (the 2023-24 school year) of expanded eligibility for transitional kindergarten, shifting age eligibility from all children turning five-years-old between September 2 and February 2 to all children turning five-years-old between September 2 and April 2 (roughly 36,000 additional children). Additionally, the 2024-25 State Budget provides \$390.2 million Proposition 98 General Fund to support the second year of adding one additional certificated or classified staff person to every transitional kindergarten class.

Further, the 2024-25 State Budget provides \$1.5 billion ongoing Proposition 98 General Fund to support the third year (the 2024-25 school year) of expanded eligibility for transitional kindergarten, shifting age eligibility from all children turning five between September 2 and April 2 to all children turning five-years-old between September 2 and June 2 (roughly 38,000 additional children). The 2024-25 State Budget also provides \$515.5 million ongoing Proposition 98 General Fund to support the third year of adding one additional certificated or classified staff person to every transitional kindergarten class.

Addressing the Budget Problem. To address the projected budget shortfall, the 2024-25 State Budget includes General Fund solutions to achieve a balanced budget. These include:

- School Facility Program—Forgoes a planned investment of \$875 million to support the School Facility Program.
- California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program—Forgoes a planned investment of \$550 million to support the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program.
- Zero-Emission School Buses—Forgoes a planned \$500 million one-time Proposition 98 General Fund investment in fiscal year 2024-25 to support greening school bus fleets through programs operated by the California Air Resources Board and the California Energy Commission.

Other K-12 Budget Adjustments.

Other significant budget adjustments include:

- The Arts and Music in Schools: Funding Guarantee and Accountability Act (Proposition 28) - \$907.1 million to support the Arts and Music in Schools: Funding Guarantee and Accountability Act in fiscal year 2024-25.
- Categorical Program Cost-of-Living Adjustments - \$89.2 million ongoing Proposition 98 General Fund to reflect a 1.07% cost-of living adjustment for specified categorical programs.
- Nutrition - An additional \$179.4 million ongoing Proposition 98 General Fund and an additional \$120.8 million one-time Proposition 98 General Fund to fully fund the universal school meals program in the 2023-24 and 2024-25 fiscal years. This is on top of \$1.6 billion in base funding for the program.
- Classified School Employee Summer Assistance Program - \$9 million one-time Proposition 98 General Fund for the Classified School Employee Summer Assistance Program, which provides supplemental pay for classified staff during intersessional months when they are not employed.
- Curriculum-Embedded Performance Tasks for Science - \$7 million one-time Proposition 98 General Fund to support inquiry-based science instruction and assessment through the development of a bank of curriculum-embedded performance tasks.
- California Teachers Collaborative for Holocaust and Genocide Education - \$5 million one-time Proposition 98 General Fund to support the California Teachers Collaborative for Holocaust and Genocide Education.
- After School Education and Safety Programs - \$5 million one-time General Fund for Save the Children, which supports after school programs in rural districts.
- State Special Schools Infrastructure Support - \$3.4 million General Fund, of which \$380,000 is ongoing, to replace critical servers, maintain warranty coverage for network infrastructure, and refresh laptops, tablets, and workstations for students and staff at the State Special Schools and Diagnostic Centers.

- K-12 High Speed Network - \$3.2 million ongoing Proposition 98 General Fund to support the K-12 High Speed Network program.
- Student Friendly Services - \$2.1 million ongoing Proposition 98 General Fund to support the California College Guidance Initiative.
- Parks Access - \$2.1 million ongoing Proposition 98 General Fund for the Sacramento County Office of Education to enable fourth graders attending public schools to access California state parks.
- Inclusive College Technical Assistance Center - \$2 million ongoing Proposition 98 General Fund to establish a Technical Assistance Center to:
- Assist LEAs with the development and submittal of federal comprehensive transition and postsecondary program applications, so that students can apply for the Free Application for Federal Student Aid.
- Facilitate collaboration between LEAs and institutions of Higher Education to support students, including those with intellectual disabilities, and their parents to plan for postsecondary transition.
- Assist LEAs with the identification of potential funding sources and student financial assistance opportunities.
- The 2024-25 State Budget includes statute to better equip school staff with the tools needed to recognize and offer appropriate mental health supports to students in a way that is aligned with other state investments in this area, including professional development opportunities.

LAO Overview of 2024-25 State Budget.

The Legislative Analyst's Office (the "LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its analysis of the fiscal year 2024-25 State Budget Act, entitled "The 2024-25 Budget: Overview of the Spending Plan" (the "2024-25 Budget Overview"). In the 2024-25 Budget Overview, the LAO summarizes the 2024-25 State Budget and highlights certain major features, including the condition of the general fund, revenues and spending.

The LAO estimates that the State Legislature addressed a \$55 billion budget problem in the 2024-25 State Budget package, noting that the budget problem is essentially unchanged from the Governor's May revision of the 2024-25 State Budget (the "May Revision"). However, the LAO notes that its estimate of the budget problem is higher than the figure cited by the administration, which was \$47 billion. The reasons for the difference are the same as those the LAO cited in its analyses of the Governor's proposed budget for fiscal year 2024-25 and the May Revision, mainly being the differing treatment of baseline spending for schools and community colleges.

The LAO's report details that the State has several types of solutions or options for addressing a budget problem, with the most important being: reserve withdrawals, spending reductions, revenue increases and cost shifts. In addressing the budget problems for the current fiscal year, the LAO highlights that spending-related solutions (including both school and community college spending and other spending) total \$39 billion and represent about 70% of the total solutions. Spending-related solutions include reductions, fund shifts, delays and reversions. In addition, the LAO notes that the 2024-25 State Budget

includes approximately \$6 billion in reserve withdrawals (\$5 billion from the BSA and \$900 million from the Safety Net Reserve), \$2 billion in cost shifts (\$1.7 billion in special fund loans to the General Fund and \$400 million in savings generated by extending the repayment schedule for some existing loans), and \$8 billion in revenue-related solutions (temporary increase in corporation tax revenues by about \$6 billion in fiscal year 2024-25 and an increase to the managed care organization tax of approximately \$2 billion to offset General Fund costs) to help solve the budget problem.

The LAO details how spending-related solutions (excluding school and community colleges spending) total approximately \$20 billion. Schools and community college spending-related solutions total approximately \$19 billion, of which \$13 billion reduces spending by suspending Proposition 98 minimum funding requirements. In its report, the LAO details how for fiscal year 2023-24, the 2024-25 State Budget invokes a provision allowing the State to suspend the Proposition 98 minimum funding requirement with a two-thirds vote of each house of the State Legislature. The 2024-25 Budget Overview further details how the State then reduces spending on schools and community colleges by \$8.3 billion relative to the level otherwise required for fiscal year 2023-24 and also makes a \$2.6 billion reduction attributable to fiscal year 2022-23. According to the 2024-25 Budget Overview, the fiscal year 2022-23 reduction does not require suspension of the Proposition 98 minimum funding requirement because funding remains above the minimum requirement for that year. The LAO highlights that both of these reductions lower the Proposition 98 minimum funding requirement on an ongoing basis, though the suspension creates an obligation to increase funding more quickly in the future. The LAO notes that the combined effect of these reductions, including their effect on fiscal year 2024-25, is to reduce General Fund spending by \$12.7 billion over the fiscal year 2022-23 through 2024-25 period.

Additionally, the 2024-25 Budget Overview details how the 2024-25 State Budget introduces a new type of fiscal maneuver that accrues \$6.2 billion in previous school and community college payments to future fiscal years. Specifically, the State will not recognize these payments as a cost to the General Fund in the year it provided them (fiscal year 2022-23), but instead, it will recognize the cost in equal installments over ten years, beginning in fiscal year 2026-27. These costs, when recognized, will be attributed to the non-Proposition 98 side of the State's budget. The LAO notes that while not formally structured as borrowing, this maneuver is similar to the State taking an internal loan from its cash reserves. The maneuver does not delay or reduce any payments to schools or community colleges and does not reduce the Proposition 98 funding requirement moving forward. It will, however, reduce funding available for other State programs over the next ten years.

General Fund. The 2024-25 Budget Overview recognizes that under the 2024-25 State Budget's assumptions, the State will end fiscal year 2024-25 with approximately \$21 billion in total reserves, consisting of (i) \$17.6 billion in the BSA, (ii) \$3.5 billion in the SFEU, and (iii) \$0 in the Safety Net Reserve, and as required by the State Constitution, the 2024-25 State Budget also withdraws the entire balance from the Proposition 98 Reserve (\$8.4 billion) in fiscal year 2023-24 to supplement the funding provided to schools and community colleges. The LAO recognizes that in fiscal year 2024-25 however, the budget begins to build back the Proposition 98 Reserve by making a discretionary deposit of nearly \$1.1 billion.

Revenues. The 2024-25 Budget Overview highlights that revenues from the State's three major sources are expected to grow from fiscal year 2023-24 to 2024-25, including with 5% growth in the personal income tax, the State's single largest revenue source. Despite growing revenues in the budget year, the State faces a budget problem in fiscal year 2024-25 because revenue shortfalls relative to past estimates have occurred in the prior and current years.

Spending. The 2024-25 Budget Overview details that the spending plan assumes total State spending of \$295 billion in fiscal year 2024-25 (\$31 billion lower than the fiscal year 2023-24 level), and

includes a 19% decrease in special fund spending and a 5% decrease in General Fund spending. The LAO attributes the decline in State spending in fiscal year 2024-25 generally to the State's budget problem.

School and Community College Budget. The 2024-25 Budget Overview highlights how compared with the estimate the State made in June 2023, the 2024-25 State Budget reflects a \$9.8 billion decrease in Proposition 98 funding across fiscal years 2022-23 through 2024-25. This reduction consists of an \$11.7 billion decrease in State General Fund, partially offset by a \$1.9 billion increase in local property tax revenue. Most of the General Fund reduction is attributable to the suspension of the Proposition 98 minimum funding requirement in fiscal year 2023-24.

The 2024-25 Budget Overview further notes that the State allocates most funding to schools based on their average daily attendance, however, in response to significant declines in attendance over the past several years, the State adopted a series of policies temporarily funding school districts based on the attendance they reported prior to the COVID-19 pandemic. For fiscal year 2024-25, the 2024-25 State Budget assumes savings of \$1.8 billion as these higher pre-pandemic attendance levels phase out of district funding calculations. Additionally, the 2024-25 Budget Overview highlights how the 2024-25 State Budget obtains \$1.2 billion in savings by (1) deferring some payments from fiscal year 2024-25 to fiscal year 2025-26, (2) reducing funding for State preschool that is expected to go unused, and (3) repurposing certain unspent appropriations from previous years. Under the State constitution, the State must dedicate all of these savings to other school and community college purposes.

Finally, the 2024-25 Budget Overview recognizes that after accounting for the reduction in overall funding, reserve withdrawals and deposits, cost savings, and various other baseline adjustments, the State has \$1.5 billion available to augment school and community college programs. The 2024-25 State Budget allocates most this amount to cover a 1.07% cost-of-living adjustment for existing programs. Most of the remaining funds are allocated to cover enrollment and caseload driven increases in a few specific areas.

The 2024-25 Budget Overview is available on the LAO website at www.labo.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such references.

Fiscal Year 2025-26 Proposed State Budget

Introduction. On January 10, 2025, Governor Newsom released his proposed fiscal year 2025-26 State budget (the "2025-26 Proposed State Budget"), which is a balanced budget that addresses the 2024-25 State Budget's projections of shortfalls in fiscal years 2024-25 and 2025-26 and makes significant upward revisions in the State's near-term economic condition. The 2025-26 Proposed State Budget projects general fund revenues at \$217 billion in fiscal year 2024-25 and \$218 billion in fiscal year 2025-26. The forecast upgrade is based primarily on the economy, stock market, capital gains realizations, and cash receipts all outperforming prior expectations. Notably, the fiscal year 2023-24 personal income growth projection is almost 50% higher than anticipated in the 2024-25 State Budget, due in part to higher than actual and projected wage growth in the technology sectors. Although the 2025-26 Proposed State Budget projects capital gains realizations to increase in fiscal years 2023-24 and 2024-25, it still recognizes that stock market and asset price volatility, geopolitical instability, and federal policy changes could negatively impact the State's economy and revenues. Additionally, while the 2025-26 Proposed State Budget is balanced and indicates significant reserves in fiscal year 2025-26, it still foresees shortfalls in subsequent fiscal years due to expenditures exceeding revenues.

The 2024-25 State Budget assumed a \$7.1 billion withdrawal from the BSA in fiscal year 2025-26, and the 2025-26 Proposed State Budget maintains this planned withdrawal. Even with proposed

withdrawals, the 2025-26 Proposed State Budget projects total reserve balances of approximately \$17 billion at the end of fiscal year 2025-26, which includes \$10.9 billion in the BSA, \$1.5 billion in the PSSSA, and \$4.5 billion in the SFEU. The 2025-26 Proposed State Budget sets forth an expectation that fiscal year 2024-25 will end with approximately \$18 billion in the BSA, \$8 billion in the SFEU, and \$1.2 billion in the PSSSA.

The 2025-26 Proposed State Budget also proposes to increase the BSA deposit limit from the 10% constitutional maximum mandatory deposit limit to 20% of general fund revenues and proposes to exempt deposits into the BSA from the State Appropriations Limit in order to better mitigate against future economic downturns by saving more during economic upswings. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 (2014)” in the forepart of this Official Statement.

Proposition 98. Under the 2025-26 Proposed State Budget, general fund expenditures for fiscal year 2025-26 are \$228.9 billion (a decrease of nearly \$3.2 billion from fiscal year 2024-25 general fund expenditures), of which \$83.1 billion (36.3%) is allocated to TK-12 education. Due to the revised estimates of the general fund revenues, considerable adjustments in Proposition 98 funding for TK-12 schools and community colleges are presented in the 2025-26 Proposed State Budget, including \$98.5 billion, \$119.2 billion and \$118.9 billion in fiscal years 2023-24, 2024-25, and 2025-26, respectively. While these revised Proposition 98 levels represent an increase of approximately \$7.5 billion over the three-year period relative to the 2024-25 State Budget, the 2025-26 Proposed State Budget intends to appropriate only \$117.6 billion in 2024-25 to mitigate against potential risks in revenue projections. Overall, the 2025-26 Proposed State Budget provides \$137.1 billion in total funding for all TK-12 education programs (comprised of \$83.3 billion general fund and \$53.8 billion other funds).

Universal Transitional Kindergarten. The 2025-26 Proposed State Budget proposes a total of \$1.5 billion ongoing Proposition 98 funds in academic year 2024-25 to support expanded eligibility for transitional kindergarten by shifting the eligibility age to include all children turning five years old between September 2 and June 2 (adding approximately 39,000 children). Additionally, the 2025-26 Proposed State Budget proposes a total of \$2.4 billion ongoing Proposition 98 funds support the third year of adding one additional certificated or classified staff person to every transitional kindergarten class.

The 2025-26 Proposed State Budget also invests a total of \$2.4 billion ongoing Proposition 98 funds (inclusive of all prior years’ investments) to aid in the full implementation of universal transitional kindergarten, so that all children turning four years old by September 1 of the academic year can enroll in TK, along with an additional \$1.5 billion ongoing Proposition 98 funds to continue supporting lowering the average student-to-adult ratio from 12:1 to 10:1 in every TK classroom.

Expanded Learning Opportunities Program. The Expanded Learning Opportunities Program aims to provide all students in low income communities with no-cost access to nine hours of developmentally appropriate academics and enrichment activities per instructional day and for six weeks each summer. The 2025-26 Proposed State Budget intends the program to be fully implemented by fiscal year 2025-26 and includes \$435 million ongoing Proposition 98 funds to cover the cost of full implementation. This investment increases the total ongoing funding to \$4.4 billion Proposition 98 funds for the program.

Master Plan for Career Education: TK-12 Education and Teacher Preparation and Professional Development. The Master Plan for Career Education has focused on creating pathways to in-demand careers in the State through dual enrollment, college career pathways and career technical education programs. The 2025-26 Proposed State Budget proposes an increase of \$3 million ongoing Proposition 98 funds to support the California College Guidance Initiative and Cradle-to-Career Data System.

In an effort to address staffing and qualified teacher shortages, and ensure teachers are provided with adequate training, the 2025-26 Proposed State Budget also allocates \$150 million in one-time Proposition 98 funds to provide financial assistance for teacher candidates through the new Teacher Recruitment Incentive Grant Program, along with \$100 million in one-time Proposition 98 funds to extend the timeline of the existing National Board Certificate Incentive Program to support National Board Certified teachers to teach and mentor instructional staff in high poverty schools.

Additionally, the 2025-26 Proposed State Budget proposes \$1.8 billion one-time Proposition 98 funding for a discretionary block grant which will provide LEAs with additional fiscal support to address rising costs and statewide priorities in the areas of teacher professional development, teacher recruitment and career pathways, and dual enrollment expansion efforts. The 2025-26 Proposed State Budget proposes including dual enrollment and career pathway programs as allowable expenditures for funds allocated through this grant.

Literacy. The State has invested in its English Language Arts/English Language Development Framework (the “ELA/ELD Framework”) to guide literacy instruction over the past six years. The 2025-26 Proposed State Budget continues this support by proposing: \$500 million in one-time Proposition 98 funds for TK-12 literacy and mathematics coaches; \$40 million in one-time Proposition 98 funds to support necessary costs to administer literacy screenings, and \$5 million Proposition 98 funds annually through fiscal year 2029-30 to launch a literacy network to serve as a clearinghouse for state-developed literacy resources and provide support to LEAs.

K-12 School Facilities. Since 1998, State voters have approved more than \$50 billion in statewide general obligation bonds to construct or renovate public school classrooms used by the State’s approximately six million TK-12 students. In November 2024, California voters approved the Proposition 2—Kindergarten through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024, which authorizes a total of \$8.5 billion in State general obligation bonds for TK-12 schools to be allocated through the School Facility Program. Proposition 2 funds include \$4 billion for modernization projects, \$3.3 billion for new construction, \$600 million for charter schools and \$600 million for career technical education programs, while also supporting programmatic changes for energy-efficient components in new construction and modernization projects and health and safety components in school facilities. The 2025-26 Proposed State Budget also includes roughly \$3 billion from the General Fund to support the debt service costs associated with Proposition 2 bonds. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2 (2024)” in the forepart of this Official Statement.

Other K-12 Budget Adjustments. The 2025-26 Proposed State Budget included the following significant adjustments affecting California TK-12 school districts:

- Learning Recovery Emergency Block Grant - \$378.6 million in one-time Proposition 98 funds to support the Learning and Recovery Emergency Block Grant, which supports LEAs in establishing learning recovery initiatives through the 2027-28 school year.
- Cost-of-Living Adjustments - \$204 million ongoing Proposition 98 funds to reflect a 2.43% cost-of-living adjustment for specified categorical programs and the LCFF Equity Multiplier. The specified categorical programs include Special Education, Child Nutrition, State Preschool, Youth in Foster Care, Mandates Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.

- Kitchen Infrastructure and Training - \$150 million one-time Proposition 98 funds for specialized kitchen equipment, infrastructure, and training to support schools in providing more freshly prepared meals made with locally grown ingredients.
- Local Property Tax Adjustments - \$125 million in additional Proposition 98 funds for school districts and county offices of education in fiscal year 2024-25, and a decrease of \$1.5 billion ongoing Proposition 98 funds for school districts and county offices of education in fiscal year 2025-26, resulting from increased offsetting property taxes.
- Nutrition - \$106.3 million in additional ongoing Proposition 98 funds to fully fund the universal school meals program in fiscal year 2025-26.
- County Offices of Education - \$12.2 million ongoing Proposition 98 funds to reflect ADA changes applicable to the county office of education LCFF, and a 2.43% cost-of-living adjustment.
- English Language Proficiency Screener for Transitional Kindergarten Students - \$10 million one-time Proposition 98 funds for the statewide use of English language proficiency screeners to support multilingual learnings in transitional kindergarten.
- TK-12 High Speed Network - \$3.5 million in additional ongoing Proposition 98 funds to support the K-12 High Speed Network program.
- Individualized Education Program (“IEP”) Template and Translation Digitization - \$2 million one-time Proposition 98 funds to support the digitization of the IEP template and translate the template into multiple languages.
- Homeless Education Technical Assistance Centers - \$1.5 million in additional ongoing Proposition 98 funds to maintain support for Homeless Education Technical Assistance Centers that were first established through the American Rescue Plan Act's Homeless Children and Youth Program. This funding would continue the momentum in increasing homeless youth identification, which is essential to providing the necessary support to improve outcomes.
- Curriculum Framework, Standards, and Instructional Materials Process - \$1 million in one-time Proposition 98 funds to evaluate the State’s process for developing and adopting standards, curriculum frameworks, and instructional materials and make recommendations to streamline and improve the process.

LAO Overview of 2025-26 Proposed State Budget. The LAO released its report on the 2025-26 Proposed State Budget entitled “The 2025-26 Budget: Overview of the Governor’s Budget” on January 13, 2025 (the “2025-26 Proposed Budget Overview”). In the 2025-26 Proposed Budget Overview, the LAO assesses the 2025-26 Proposed State Budget to be “roughly balanced” and does not indicate the budget condition as having either a surplus or a deficit at this time. The LAO details that while there are a handful of differences in its budget estimates, the differences are not significant enough to substantively change its assessment of the budget condition. The LAO also agrees with the 2025-26 Proposed State Budget’s projection of budget deficits in the coming years.

The 2025-26 Proposed State Budget provides for \$1.6 billion less in total funding for schools and community colleges than the estimated constitutional minimum funding level for fiscal year 2024-25. This results in one-time general fund savings for that fiscal year, but also creates a “settle-up” obligation, which will need to be paid in a future year if revenues for fiscal year 2024-25 were to remain at, or come in higher

than, its current projection. If revenues for fiscal year 2024-25 come in below current projections, this payment could decline all the way to zero and would reflect an overall worse budget condition. The LAO understands that while the 2025-26 Proposed State Budget indicates it will provide this payment in the future—after the final calculation of the minimum funding requirement—it notes that it also has not accounted for this future obligation in its multiyear planning estimates. The LAO does note that the 2025-26 Proposed State Budget \$7.1 billion withdrawal from the BSA in fiscal year 2025-26 remains reasonable and recommends that the State Legislature maintain Governor Newsom’s approach on the use of reserves in its own budget plan.

The 2025-26 Proposed State Budget projects operating deficits of \$13 billion, \$19 billion and \$15 billion in fiscal years 2026-27, 2027-28 and 2028-29, respectively. The 2025-26 Proposed Budget Overview summarizes the differences in its multiyear revenues and spending estimates, as stemming from three factors: (1) the 2025-26 Proposed State Budget assumes the State continues to suspend deposits into the BSA throughout the multiyear period, while the LAO assumes there will be deposits of approximately \$3 billion to \$4 billion each year; (2) the 2025-26 Proposed State Budget estimates of revenues are somewhat higher than those of the LAO in fiscal years 2026-27 and 2027-28; and (3) the 2025-26 Proposed State Budget estimate of spending is lower than the LAO’s estimate for fiscal year 2028-29. Despite this, the LAO does not find these estimation differences to be meaningful.

While the LAO does not view the differences as significant, the LAO further notes that it remains concerned about market volatility and its effects on the State’s revenues. Though the 2025-26 Proposed State Budget highlights positive trends in tax collection, the LAO notes that these gains are not the result of improvements in the State’s broader economy. The LAO highlights that the State’s broader economy has underperformed, seen elevated unemployment, little job growth and low consumer spending. Additionally, a tax deadline delay has been implemented in response to the recent January 2025 wildfires in Los Angeles, which may affect tax collection trends in the next few months. The LAO notes that recent wildfires may also create budget uncertainty for the State as it continues to assess the extent of its costs from these fires and the costs related to cleanup, recovery, and other assistance. The LAO recommends that the State Legislature assess these risks and avoid relying on the revenue rebound until there are additional changes in the State’s broader economy.

The LAO finds the 2025-26 Proposed State Budget’s interest in changing the State’s reserve policy by increasing the BSA deposit limit from the 10% constitutional maximum mandatory deposit limit to 20% of general fund revenues and exempting deposits into the BSA from the State Appropriations Limit to be reasonable steps in rethinking the State’s reserve policies. However, the LAO also indicates that more changes are needed. The LAO recommends also changing the formulas that set aside funds each year to increase how much is saved.

The LAO further recommends that the State Legislature maintain the previous year’s momentum in addressing the budget problems projected in future years. The State will have to increase revenues or reduce spending to balance the budget in the coming years and the LAO advises the State Legislature to begin reviewing programs performance to address the future structural deficits now, rather than waiting for the May budget revision.

The 2025-26 Proposed Budget Overview is available on the LAO website at www.lao.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. The final fiscal year 2025-26 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from Governor Newsom’s

budget proposal. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2025-26 State budget from the 2025-26 Proposed State Budget. Additionally, the District cannot predict the impact that the final fiscal year 2025-26 State budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2025-26 State budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Additional Information. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of the State budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading “California Budget.” Summaries and detail of the State budget may be found at www.ebudget.ca.gov. Various analyses of the budget may be found at the website of the LAO at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found via the website of the State Treasurer, www.treasurer.ca.gov. The information presented in these websites is not incorporated by reference in this Official Statement.

Future State Budgets. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address any future budget deficits and cash management practices. Future State budgets will be affected by national and State economic conditions over which the District has no control, and other factors over which the District will have no control, including by the COVID-19 pandemic. To the extent that the State budget process results in reduced revenues deferred revenues or increased expenses for the District, the District will be required to make adjustments to its budget and cash management practices. In the event current or future State Budgets decrease the District’s revenues or increase required expenditures by the District from the levels assumed by the District, the District will be required to generate additional revenues, curtail programs or services, or use its reserve funds to ensure a balanced budget.

DEMOGRAPHIC DATA

Population

The populations of the City of Lancaster, the County and the State during the period from 2020 through 2024 are set forth in the following table.

CITY OF LANCASTER, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA POPULATION FIGURES ⁽¹⁾ 2020 THROUGH 2024

<u>Year</u>	<u>City of Lancaster</u>	<u>County of Los Angeles</u>	<u>State of California</u>
2020	162,057	10,135,614	39,648,938
2021	176,166	9,931,338	39,303,157
2022	174,590	9,834,503	39,078,674
2023	172,460	9,819,312	39,061,058
2024	172,631	9,824,091	39,128,162

⁽¹⁾ As of January 1 of the respective year.
Source: California State Department of Finance.

Employment

The following chart compares labor force, employment, civilian employment and the unemployment rate in the City of Lancaster, the State and the United States during the period from 2020 through 2024.

CITY OF LANCASTER, STATE OF CALIFORNIA, UNITED STATES LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT Yearly Average for Years 2020 through 2024

<u>Year and Area</u>	<u>Labor Force</u>	<u>Civilian Employment</u>	<u>Civilian Unemployment</u>	<u>Unemployment Rate (%)</u>
<u>2020</u>				
City of Lancaster	63,300	54,100	9,200	14.5
California	18,931,100	16,996,700	1,934,500	10.2
United States	160,742,000	147,795,000	12,947,000	8.1
<u>2021</u>				
City of Lancaster	64,500	56,500	8,000	12.4
California	18,923,200	17,541,900	1,381,200	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
<u>2022</u>				
City of Lancaster	63,900	59,200	4,700	7.3
California	19,169,300	18,348,900	820,400	4.3
United States	164,287,000	158,291,000	5,996,000	3.6
<u>2023</u>				
City of Lancaster	63,400	59,200	4,200	6.7
California	19,308,300	18,388,300	920,000	4.8
United States	167,116,000	161,037,000	6,080,000	3.6
<u>2024</u>				
City of Lancaster ¹	64,100	59,000	5,100	8.0
California ¹	19,337,200	18,313,500	1,023,700	5.3
United States ¹	168,304,000	161,543,000	6,761,000	4.2

¹ Preliminary figures for November 2024.

Source: State of California Employment Development Department; U.S. Department of Labor, Bureau of Labor Statistics.

Principal Employers

The following table lists the top ten employers in the City of Lancaster, where the District is located, as of June 30, 2023.

CITY OF LANCASTER Principal Employers

	<u>Employer</u>	<u>Number of Employees</u>
1.	Edwards Air Force Base	10,000
2.	Northrop Grumman Corp.	8,000
3.	Naval Weapons Air Station – China Lake	7,100
4.	Palmdale School District	3,000
5.	Antelope Valley Hospital Medical Center	2,600
6.	Wal-Mart	2,075
7.	County of Los Angeles	2,045
8.	Antelope Valley Union High School District	1,087
9.	BYD	750
10.	Lancaster School District	638

Source: City of Lancaster June 30, 2023 Annual Comprehensive Financial Report.

APPENDIX B

FORM OF BOND COUNSEL OPINION

[Closing Date]

Board of Trustees
Lancaster School District
44711 Cedar Avenue
Lancaster, California 93534

Re: \$_____ Lancaster School District General Obligation Bonds, Election of 2024, Series 2025A

Ladies and Gentlemen:

We have acted as Bond Counsel to the Lancaster School District (the “District”), County of Los Angeles (the “County”), State of California, in connection with the issuance by the District of \$_____ in aggregate principal amount of General Obligation Bonds, Election of 2024, Series 2025A (the “Bonds”). The Bonds are issued pursuant to (i) Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, (ii) applicable provisions of the California Education Code of the State, (iii) Article XIII A of the California Constitution, and (iv) pursuant to a resolution of the Board of Trustees of the District adopted on February 4, 2025 (the “Resolution”). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As Bond Counsel, we have examined copies, certified to us as being true and complete copies, of the proceedings of the District for the authorization and issuance of the Bonds. In connection thereto, we have also examined such certificates of public officials and officers of the District as we have considered necessary for the purposes of this opinion, and we have assumed that all such representations therein are true and correct and that the District will comply with such covenants. We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted to us as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Bonds have been duly authorized and issued and constitute legally valid and binding obligations of the District, enforceable in accordance with their terms and the terms of the Resolution.
2. The Bonds are payable solely from and are secured by a pledge of *ad valorem* taxes which may be levied without limitation as to rate or amount upon all taxable real property in the District, and which, under the laws now in force with respect to the Bonds, may be levied within the limit prescribed by law upon all taxable personal property in the District, as set forth in the Resolution.
3. The Resolution has been duly authorized by the District and constitutes the legally valid and binding obligation of the District, enforceable in accordance with its terms. The Bonds,

assuming due authentication by the Paying Agent, are entitled to the benefits of the Resolution.

4. The Internal Revenue Code of 1986 (the “Code”) sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Resolution and the Tax and Nonarbitrage Certificate executed by the District in connection with the issuance of the Bonds (the “Tax Certificate”), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Resolution and Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Bonds (including any original issue discount properly allocable thereto) is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Interest on the bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the “adjusted financial statement income” of such corporations.

5. Interest on the Bonds is exempt from personal income taxes of the State of California under present State law.

The opinions set forth in paragraphs 1, 2 and 3 above (i) assume that the Paying Agent has duly authenticated the Bonds and (ii) are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors’ rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California. As to the due adoption of the Resolution and the other resolutions adopted by the Board of Trustees of the District relating to the approval of the Bonds, we have entirely relied upon certificates of officials of the District and other representations made by the District in connection with the issuance of the Bonds.

In rendering the opinions set forth in paragraphs 4 and 5 above, we are relying upon representations and covenants of the District in the Tax Certificate concerning the investment and use of Bond proceeds, the rebate to the federal government of certain earnings thereon, and the use of the property and facilities financed with the proceeds of the Bonds. In addition, we have assumed that all such representations are true and correct and that the District will comply with such covenants. We express no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the District fails to comply with such covenants, unless such failure to comply is based on our advice or opinion.

Except as stated in paragraphs 4 through 5 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of, or the amount, accrual or receipt of

interest, on the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

Our opinions are limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

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APPENDIX C

**LANCASTER SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2024**

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LANCASTER SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2024



LANCASTER SCHOOL DISTRICT
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JUNE 30, 2024

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FINANCIAL SECTION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTSIndependent Auditors' Report

Governing Board
Lancaster School District
Lancaster, California

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lancaster School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Lancaster School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lancaster School District, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2024 on our consideration of the Lancaster School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lancaster School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lancaster School District's internal control over financial reporting and compliance.

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

San Diego, California
December 16, 2024

LANCASTER SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

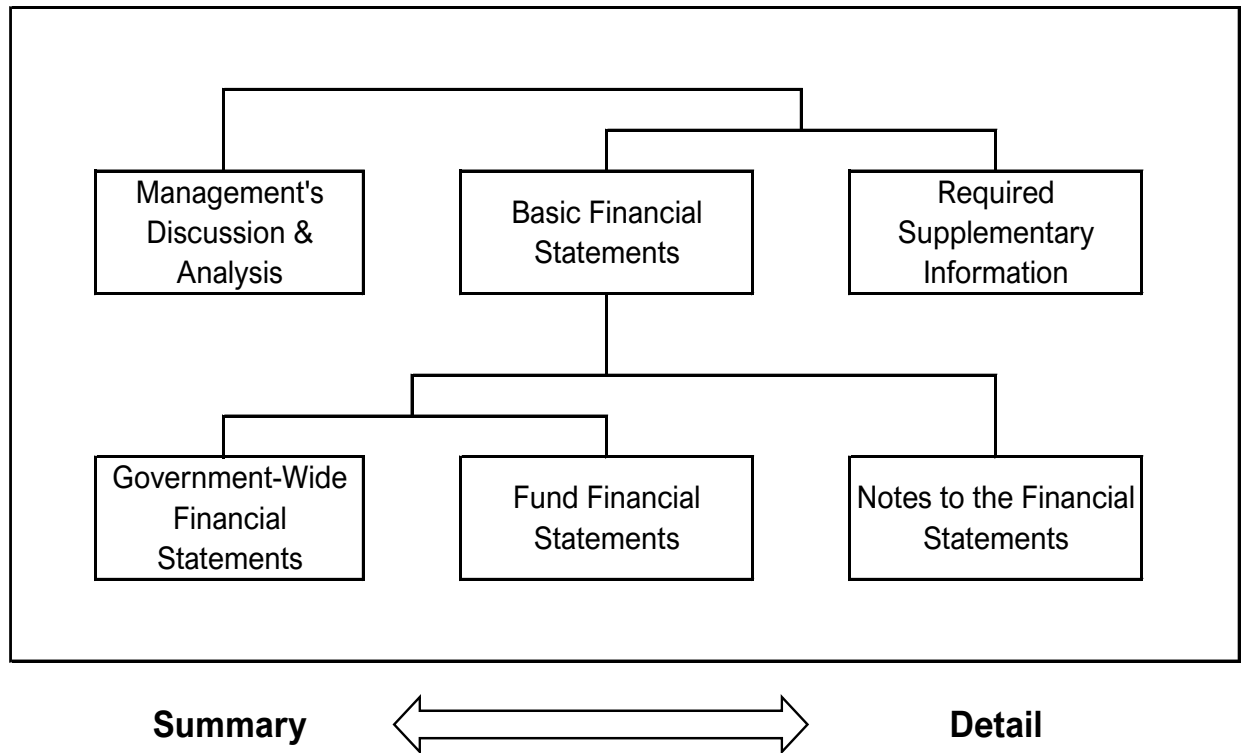
Our discussion and analysis of Lancaster School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2024. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$136,411,565 at June 30, 2024. This was an increase of \$20,835,806 from the prior year.
- Overall revenues were \$339,504,692 which exceeded expenses of \$318,668,886.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**LANCASTER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2024**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

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

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

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

Government-Wide Statements

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

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

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

**LANCASTER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$136,411,565 at June 30, 2024, as reflected in the table below. Of this amount, \$(106,977,096) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2024	2023	Net Change
ASSETS			
Current and other assets	\$ 241,925,150	\$ 234,442,270	\$ 7,482,880
Capital assets	191,012,951	176,481,143	14,531,808
Total Assets	432,938,101	410,923,413	22,014,688
DEFERRED OUTFLOWS OF RESOURCES	93,610,958	80,733,374	12,877,584
LIABILITIES			
Current liabilities	37,257,120	33,830,673	3,426,447
Long-term liabilities	331,584,510	315,893,283	15,691,227
Total Liabilities	368,841,630	349,723,956	19,117,674
DEFERRED INFLOWS OF RESOURCES	21,295,864	26,357,072	(5,061,208)
NET POSITION			
Net investment in capital assets	111,843,368	112,729,036	(885,668)
Restricted	131,545,293	126,701,322	4,843,971
Unrestricted	(106,977,096)	(123,854,599)	16,877,503
Total Net Position	\$ 136,411,565	\$ 115,575,759	\$ 20,835,806

**LANCASTER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities		
	2024	2023	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 1,219,880	\$ 1,892,356	\$ (672,476)
Operating grants and contributions	127,345,455	139,905,073	(12,559,618)
Capital grants and contributions	1,118,810	-	1,118,810
General revenues			
Property taxes	35,484,819	34,260,841	1,223,978
Unrestricted federal and state aid	174,238,387	169,960,107	4,278,280
Other	97,341	(3,393,982)	3,491,323
Total Revenues	339,504,692	342,624,395	(3,119,703)
EXPENSES			
Instruction	183,283,032	138,435,061	44,847,971
Instruction-related services	26,816,189	22,226,363	4,589,826
Pupil services	45,735,187	36,463,648	9,271,539
General administration	18,381,118	14,721,101	3,660,017
Plant services	31,221,772	23,788,075	7,433,697
Ancillary and community services	2,620,990	1,799,557	821,433
Debt service	3,775,354	4,047,622	(272,268)
Other outgo	1,156,386	1,286,153	(129,767)
Enterprise activities	5,678,858	5,403,377	275,481
Total Expenses	318,668,886	248,170,957	70,497,929
Change in net position	20,835,806	94,453,438	(73,617,632)
Net Position - Beginning	115,575,759	21,122,321	94,453,438
Net Position - Ending	\$ 136,411,565	\$ 115,575,759	\$ 20,835,806

The cost of all our governmental activities this year was \$318,668,886 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$35,484,819 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**LANCASTER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

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

	Net Cost of Services	
	2024	2023
Instruction	\$ 100,392,616	\$ 31,960,907
Instruction-related services	20,703,135	17,636,747
Pupil services	20,277,694	14,152,839
General administration	12,629,832	10,523,946
Plant services	26,275,280	22,050,180
Ancillary and community services	(1,526,980)	(228,255)
Debt service	3,775,354	4,047,622
Transfers to other agencies	778,952	826,165
Enterprise activities	5,678,858	5,403,377
Total	\$ 188,984,741	\$ 106,373,528

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 \$208,623,109, which is more than last year's ending fund balance of \$205,223,853. The District's General Fund had \$17,301,692 more in operating revenues than expenditures for the year ended June 30, 2024. The District's Child Development Fund had \$3,425,821 more in operating revenues than expenditures for the year ended June 30, 2024.

CURRENT YEAR BUDGET 2023-2024

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, 2024**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2023-2024 the District had invested \$191,012,951 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2024	2023	Net Change
CAPITAL ASSETS			
Land	\$ 9,507,508	\$ 9,507,508	\$ -
Construction in progress	31,854,785	18,370,639	13,484,146
Land improvements	25,660,859	22,826,347	2,834,512
Buildings & improvements	229,020,595	228,566,470	454,125
Furniture & equipment	41,808,898	37,384,398	4,424,500
Less: Accumulated depreciation	(146,839,694)	(140,174,219)	(6,665,475)
Total	\$ 191,012,951	\$ 176,481,143	\$ 14,531,808

Long-Term Liabilities

At year-end, the District had \$331,584,510 in long-term liabilities, an increase of 4.97% from last year's balance – as shown in the table below. More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities		
	2024	2023	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 75,363,839	\$ 81,272,513	\$ (5,908,674)
Total certificates of participation	5,920,990	6,308,572	(387,582)
Total special tax bonds	9,659,891	9,665,628	(5,737)
Annuity payable	1,201,000	1,747,000	(546,000)
Compensated absences	1,329,286	1,335,611	(6,325)
Total OPEB liability	52,269,420	50,743,435	1,525,985
Net pension liability	188,845,137	168,521,903	20,323,234
Less: current portion of long-term liabilities	(3,005,053)	(3,701,379)	696,326
Total	\$ 331,584,510	\$ 315,893,283	\$ 15,691,227

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Several economic factors could impact California school district funding and the District's budget in the next fiscal year:

Long-term Declining Enrollment: Lower birth rates and increased migration out of state have resulted in long-term declining enrollment across California schools. Enrollment can fluctuate due to factors such as population growth, competition from private and parochial schools, 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 adjust fixed operating costs.

Revenue Uncertainties: Proposition 98 guarantees have improved over the 23-24 fiscal year, but the prior 22-23 revenues fell short of estimates, reducing the guarantee and resulting in the use of Proposition 98 reserves. California faced a significant budget deficit due to a severe revenue decline in 2022-23, driven mainly by lower income tax collections and economic downturns. However, recent tax forecasts show that actual revenues surpass projections. Surpluses could help fund more Proposition 98 revenue for school districts.

**LANCASTER SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2024**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Underfunded Pension Liabilities: The District participates in state employee pension 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, 2024. The amount of the liability is material to the District's financial position. The CalSTRS projected employer contribution rate for 2024-25 is 19.10 percent. The CalPERS projected employer contribution rate for 2024-25 is 27.05 percent. The projected increased pension costs to school employers remain a significant fiscal factor.

Economic Downturn: Higher borrowing costs and reduced investment have slowed economic activity, particularly affecting sectors like technology and startups, which are crucial to California's economy. The unemployment rate is up but might reverse with future jobs in the technology and aerospace industries.

Federal Reserve Actions: The Federal Reserve's interest rate hikes have increased borrowing costs, reducing investment and economic growth.

Stock Market Performance: The steep decline in the stock market in prior years has negatively impacted income tax collections from high-income Californians and corporations. But performance in 2024 is overall positive.

These factors contribute to a challenging fiscal environment, potentially affecting the state's ability to maintain or increase funding for school districts. All these factors were considered in preparing the District's 2024-25 fiscal year budget.

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, 2024

	Governmental Activities
ASSETS	
Cash and investments	\$ 215,306,265
Accounts receivable	22,647,879
Inventory	198,286
Prepaid expenses	3,772,720
Capital assets, not depreciated	41,362,293
Capital assets, net of accumulated depreciation	149,650,658
Total Assets	432,938,101
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	80,882,646
Deferred outflows related to OPEB	11,698,162
Deferred amount on refunding	1,030,150
Total Deferred Outflows of Resources	93,610,958
LIABILITIES	
Accrued liabilities	26,312,253
Unearned revenue	7,939,814
Long-term liabilities, current portion	3,005,053
Long-term liabilities, non-current portion	331,584,510
Total Liabilities	368,841,630
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	9,144,226
Deferred inflows related to OPEB	12,151,638
Total Deferred Inflows of Resources	21,295,864
NET POSITION	
Net investment in capital assets	111,843,368
Restricted:	
Capital projects	21,364,069
Debt service	8,380,416
Educational programs	95,831,790
Food service	5,831,209
Associated student body	137,809
Unrestricted	(106,977,096)
Total Net Position	\$ 136,411,565

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

**LANCASTER SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024**

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 183,283,032	\$ 562,150	\$ 81,209,456	\$ 1,118,810	\$ (100,392,616)
Instruction-related services					
Instructional supervision and administration	6,779,681	151,946	3,643,883	-	(2,983,852)
Instructional library, media, and technology	12,104	-	-	-	(12,104)
School site administration	20,024,404	788	2,316,437	-	(17,707,179)
Pupil services					
Home-to-school transportation	9,294,009	46,475	1,533,223	-	(7,714,311)
Food services	15,412,062	4,489	14,553,881	-	(853,692)
All other pupil services	21,029,116	437,265	8,882,160	-	(11,709,691)
General administration					
Centralized data processing	3,659,264	-	321,019	-	(3,338,245)
All other general administration	14,721,854	141	5,430,126	-	(9,291,587)
Plant services	31,221,772	1,541	4,944,951	-	(26,275,280)
Ancillary services	368,010	-	238,052	-	(129,958)
Community services	2,252,980	15,085	3,894,833	-	1,656,938
Enterprise activities	5,678,858	-	-	-	(5,678,858)
Interest on long-term debt	3,775,354	-	-	-	(3,775,354)
Other outgo	1,156,386	-	377,434	-	(778,952)
Total Governmental Activities	\$ 318,668,886	\$ 1,219,880	\$ 127,345,455	\$ 1,118,810	(188,984,741)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					24,217,799
Property taxes, levied for debt service					8,804,357
Property taxes, levied for other specific purposes					2,462,663
Federal and state aid not restricted for specific purposes					174,238,387
Interest and investment earnings					(784,064)
Miscellaneous					881,405
Subtotal, General Revenue					209,820,547
CHANGE IN NET POSITION					20,835,806
Net Position - Beginning					115,575,759
Net Position - Ending					\$ 136,411,565

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

**LANCASTER SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2024**

	General Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 164,980,749	\$ 7,679,808	\$ 42,645,708	\$ 215,306,265
Accounts receivable	19,947,619	1,872,756	827,504	22,647,879
Stores inventory	-	-	198,286	198,286
Prepaid expenditures	3,772,720	-	-	3,772,720
Total Assets	\$ 188,701,088	\$ 9,552,564	\$ 43,671,498	\$ 241,925,150
LIABILITIES				
Accrued liabilities	\$ 17,706,246	\$ 3,245,675	\$ 4,410,306	\$ 25,362,227
Unearned revenue	7,106,569	833,245	-	7,939,814
Total Liabilities	24,812,815	4,078,920	4,410,306	33,302,041
FUND BALANCES				
Nonspendable	3,787,720	-	650,126	4,437,846
Restricted	90,358,146	5,473,644	37,158,234	132,990,024
Committed	25,989,424	-	1,452,832	27,442,256
Assigned	12	-	-	12
Unassigned	43,752,971	-	-	43,752,971
Total Fund Balances	163,888,273	5,473,644	39,261,192	208,623,109
Total Liabilities and Fund Balances	\$ 188,701,088	\$ 9,552,564	\$ 43,671,498	\$ 241,925,150

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, 2024

Total Fund Balance - Governmental Funds **\$ 208,623,109**

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	\$ 337,852,645	
Accumulated depreciation	<u>(146,839,694)</u>	191,012,951

Deferred amount on refunding:

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

1,030,150

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:

(950,026)

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	\$ 75,363,839	
Total certificates of participation	5,920,990	
Total special tax bonds	9,659,891	
Annuity payable	1,201,000	
Compensated absences	1,329,286	
Total OPEB liability	52,269,420	
Net pension liability	<u>188,845,137</u>	(334,589,563)

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	\$ 80,882,646	
Deferred inflows of resources related to pensions	<u>(9,144,226)</u>	71,738,420

(continued on the next page)

LANCASTER SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION, continued
JUNE 30, 2024

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	\$ 11,698,162	
Deferred inflows of resources related to OPEB	<u>(12,151,638)</u>	(453,476)
Total Net Position - Governmental Activities		<u>\$ 136,411,565</u>

LANCASTER SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 187,205,431	\$ -	\$ 1,000,000	\$ 188,205,431
Federal sources	27,249,958	-	10,815,531	38,065,489
Other state sources	65,532,032	11,459,594	4,014,973	81,006,599
Other local sources	26,052,926	459,984	14,434,934	40,947,844
Total Revenues	306,040,347	11,919,578	30,265,438	348,225,363
EXPENDITURES				
Current				
Instruction	179,458,958	6,221,095	-	185,680,053
Instruction-related services				
Instructional supervision and administration	6,138,034	709,668	-	6,847,702
School site administration	19,344,785	778,524	-	20,123,309
Pupil services				
Home-to-school transportation	8,811,617	-	-	8,811,617
Food services	760,881	14,126	14,374,088	15,149,095
All other pupil services	21,647,303	257,537	-	21,904,840
General administration				
Centralized data processing	3,635,609	-	-	3,635,609
All other general administration	13,857,433	406,195	406,833	14,670,461
Plant services	29,136,934	68,022	-	29,204,956
Facilities acquisition and construction	403,834	38,590	22,481,163	22,923,587
Ancillary services	-	-	368,010	368,010
Community services	2,246,668	-	-	2,246,668
Enterprise activities	2,140,446	-	-	2,140,446
Transfers to other agencies	1,156,153	-	-	1,156,153
Debt service				
Principal	-	-	3,007,694	3,007,694
Interest and other	-	-	6,955,907	6,955,907
Total Expenditures	288,738,655	8,493,757	47,593,695	344,826,107
Excess (Deficiency) of Revenues Over Expenditures	17,301,692	3,425,821	(17,328,257)	3,399,256
Other Financing Sources (Uses)				
Transfers in	-	-	3,367,647	3,367,647
Transfers out	(2,500,000)	-	(867,647)	(3,367,647)
Net Financing Sources (Uses)	(2,500,000)	-	2,500,000	-
NET CHANGE IN FUND BALANCE	14,801,692	3,425,821	(14,828,257)	3,399,256
Fund Balance - Beginning	149,086,581	2,047,823	54,089,449	205,223,853
Fund Balance - Ending	\$ 163,888,273	\$ 5,473,644	\$ 39,261,192	\$ 208,623,109

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, 2024**

Net Change in Fund Balances - Governmental Funds **\$ 3,399,256**

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:	\$	21,197,283	
Depreciation expense:		(6,665,475)	14,531,808

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 7,295,000

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was: (74,830)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (39,149)

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. (1,092,955)

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: 6,325

(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, 2024

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: (3,672,119)

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: (163,478)

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: 546,000

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: 99,948

Change in Net Position of Governmental Activities

\$ 20,835,806

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

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

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

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

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

Major Governmental Funds

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

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

Non-Major Governmental Funds

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

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

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

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

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

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

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

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

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

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

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Project Funds (continued):

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

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

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

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

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

D. Basis of Accounting – Measurement Focus

Government-Wide Financial Statements

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

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

Governmental Funds

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

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

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

Expenses/Expenditures

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

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

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

Investments

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

Inventories

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

Capital Assets

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

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

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

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

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

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

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

Valuation Date	June 30, 2024
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

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

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Premiums and Discounts

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance

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

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

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

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

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

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

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

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has fully implemented this Statement as of June 30, 2024.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has fully implemented this Statement as of June 30, 2024.

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

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

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

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities
Investment in county treasury	\$ 218,965,434
Fair value adjustment	(8,385,702)
Cash on hand and in banks	207,442
Cash with fiscal agent	4,052,251
Cash in revolving fund	466,840
Total	\$ 215,306,265

B. Policies and Practices

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

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

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

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$210,579,732. The average weighted maturity for this pool is 668 days.

E. Credit Risk

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

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2024, the District's bank balance of \$4,226,533 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, 2024 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	<u>\$ 210,579,732</u>
Total	<u>\$ 210,579,732</u>

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2024 consisted of the following:

	General Fund	Child Development Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government				
Categorical aid	\$ 11,613,555	\$ -	\$ 8,985	\$ 11,622,540
State Government				
Categorical aid	5,366,798	1,735,542	-	7,102,340
Lottery	848,247	-	-	848,247
Local Government				
Other local sources	2,119,019	137,214	818,519	3,074,752
Total	\$ 19,947,619	\$ 1,872,756	\$ 827,504	\$ 22,647,879

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance July 01, 2023	Additions	Deletions	Balance June 30, 2024
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 9,507,508	\$ -	\$ -	\$ 9,507,508
Construction in progress	18,370,639	15,539,982	2,055,836	31,854,785
Total capital assets not being depreciated	27,878,147	15,539,982	2,055,836	41,362,293
Capital assets being depreciated				
Land improvements	22,826,347	2,834,512	-	25,660,859
Buildings & improvements	228,566,470	454,125	-	229,020,595
Furniture & equipment	37,384,398	4,424,500	-	41,808,898
Total capital assets being depreciated	288,777,215	7,713,137	-	296,490,352
Less: Accumulated depreciation				
Land improvements	16,640,791	792,838	-	17,433,629
Buildings & improvements	97,353,414	4,491,274	-	101,844,688
Furniture & equipment	26,180,014	1,381,363	-	27,561,377
Total accumulated depreciation	140,174,219	6,665,475	-	146,839,694
Total capital assets being depreciated, net	148,602,996	1,047,662	-	149,650,658
Governmental Activities				
Capital Assets, net	\$ 176,481,143	\$ 16,587,644	\$ 2,055,836	\$ 191,012,951

Depreciation expense was allocated to governmental functions as follows:

Governmental Activities	
Instruction	\$ 4,556,800
Instructional supervision and administration	125,704
Instructional library, media, and technology	12,104
School site administration	575,101
Home-to-school transportation	482,392
Food services	181,731
All other pupil services	13,642
Centralized data processing	60,230
All other general administration	218,449
Plant services	413,788
Community services	25,534
Total	\$ 6,665,475

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2024 consisted of the following:

	Interfund Transfers Out	Interfund Transfers In	
		Non-Major Governmental Funds	Total
General Fund		\$ 2,500,000	\$ 2,500,000
Non-Major Governmental Funds		867,647	867,647
Total		\$ 3,367,647	\$ 3,367,647

The Non-Major Capital Projects Fund for Blended Component Units transferred to the Non-Major County School Facilities Fund for expenditures incurred.	\$ 483,869
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for expenditures incurred.	2,000,000
The General Fund transferred to the Non-Major Capital Projects Fund for Blended Component Units for expenditures incurred.	500,000
The Non-Major Debt Service Fund for Blended Component Units transferred to the Non-Major Capital Projects Fund for Blended Component Units for debt service.	383,778
Total	\$ 3,367,647

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2024 consisted of the following:

	General Fund	Child Development Fund	Non-Major Governmental Funds	District-Wide	Governmental Activities
Payroll	\$ 14,533,303	\$ 2,544,319	\$ 2,400,027	\$ -	\$ 19,477,649
Construction	-	-	1,529,378	-	1,529,378
Vendors payable	3,139,201	701,356	480,901	-	4,321,458
Unmatured interest	-	-	-	950,026	950,026
Due to grantor government	33,742	-	-	-	33,742
Total	\$ 17,706,246	\$ 3,245,675	\$ 4,410,306	\$ 950,026	\$ 26,312,253

NOTE 7 – UNEARNED REVENUES

Unearned revenues at June 30, 2024 consisted of the following:

	General Fund	Child Development Fund	Governmental Activities
Federal sources	\$ 6,550,426	\$ -	\$ 6,550,426
State categorical sources	556,143	833,245	1,389,388
Total	\$ 7,106,569	\$ 833,245	\$ 7,939,814

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2024 consisted of the following:

	Balance July 01, 2023	Additions	Deductions	Balance June 30, 2024	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 79,551,725	\$ 1,092,955	\$ 6,930,000	\$ 73,714,680	\$ 2,052,105
Unamortized premium	1,720,788	-	71,629	1,649,159	71,629
Total general obligation bonds	81,272,513	1,092,955	7,001,629	75,363,839	2,123,734
Certificates of participation	6,015,000	-	365,000	5,650,000	375,000
Unamortized premium	293,572	-	22,582	270,990	22,582
Total certificates of participation	6,308,572	-	387,582	5,920,990	397,582
Special tax bonds	9,505,000	-	-	9,505,000	-
Unamortized premium	160,628	-	5,737	154,891	5,737
Total special tax bonds	9,665,628	-	5,737	9,659,891	5,737
Annuity payable	1,747,000	42,000	588,000	1,201,000	478,000
Compensated absences	1,335,611	-	6,325	1,329,286	-
Total OPEB liability	50,743,435	1,525,985	-	52,269,420	-
Net pension liability	168,521,903	20,323,234	-	188,845,137	-
Total	\$ 319,594,662	\$ 22,984,174	\$ 7,989,273	\$ 334,589,563	\$ 3,005,053

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

A. Bonded Debt

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
					Outstanding July 01, 2023	Additions	Deductions	Outstanding June 30, 2024	
1999 Election - Series A	1999	2024	3.20% - 5.40%	\$ 17,499,669	\$ 2,818,370	\$ 46,630	\$ 2,865,000	\$ -	
1999 Election - Series 2001	2001	2027	4.00% - 5.63%	11,500,262	15,686,010	922,301	2,915,000	13,693,311	
2012 Election - Series 2013B	2013	2031	1.00% - 4.38%	12,305,000	9,460,000	-	620,000	8,840,000	
2012 Election - Series 2018C	2018	2048	2.00% - 5.00%	11,000,000	10,990,000	-	-	10,990,000	
2012 Election - Series 2020D	2020	2048	2.96% - 4.00%	15,184,908	14,682,345	124,024	295,000	14,511,369	
2021A Refunding	2021	2039	0.296% - 2.842%	18,940,000	18,610,000	-	235,000	18,375,000	
2012 Election - Series 2022E	2022	2048	4.125% - 5.00%	7,305,000	7,305,000	-	-	7,305,000	
					\$ 79,551,725	\$ 1,092,955	\$ 6,930,000	\$ 73,714,680	

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

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. Bonded Debt (continued)

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

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

On August 18, 2021, the District issued \$18,940,000 of general obligation refunding bonds. The bonds were issued to refund the District's outstanding General Obligation Bonds, Election of 2012, Series 2013A and pay the costs of issuing the bonds. The original issuance consisted entirely of current interest bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred outflow of resources on the statement of net position and are amortized to interest expense over the life of the liability. As of June 30, 2024, deferred outflow of resources of \$925,386 remain to be amortized. As of June 30, 2022, the principal balance outstanding on the defeased debt had not been redeemed. The refunding decreased the District's total debt service payments by \$2,180,053. The transaction resulted in an economic gain (difference between the present value of debt service on the old and the new bonds) of \$1,204,238.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. Bonded Debt (continued)

The bonds mature through 2048 as follows:

Year Ended June 30,	Principal	Interest	Total
2025	\$ 2,052,105	\$ 4,896,571	\$ 6,948,676
2026	2,502,048	6,064,112	8,566,160
2027	2,685,337	6,451,663	9,137,000
2028	1,405,000	1,860,929	3,265,929
2029	1,565,000	1,802,661	3,367,661
2030 - 2034	11,075,000	7,964,000	19,039,000
2035 - 2039	17,310,000	6,029,046	23,339,046
2040 - 2044	11,219,908	6,789,066	18,008,974
2045 - 2048	13,650,000	1,152,663	14,802,663
Accretion	10,250,282	(10,250,282)	-
Total	\$ 73,714,680	\$ 32,760,429	\$ 106,475,109

B. Certificates of Participation (COPs)

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Certificates Outstanding July 01, 2023	Additions	Deductions	Certificates Outstanding June 30, 2024
2018 Refunding Certificates	2017	2036	2.00% - 5.00%	\$ 7,660,000	\$ 6,015,000	\$ -	\$ 365,000	\$ 5,650,000
					\$ 6,015,000	\$ -	\$ 365,000	\$ 5,650,000

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

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

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 8 – LONG-TERM LIABILITIES (continued)

B. Certificates of Participation (COPs) (continued)

The COP matures through 2036 as follows:

Year Ended June 30,	Principal	Interest	Total
2025	\$ 375,000	\$ 205,656	\$ 580,656
2026	390,000	190,656	580,656
2027	410,000	175,056	585,056
2028	425,000	158,656	583,656
2029	440,000	141,656	581,656
2030 - 2034	2,495,000	416,181	2,911,181
2035 - 2036	1,115,000	52,500	1,167,500
Total	\$ 5,650,000	\$ 1,340,361	\$ 6,990,361

C. Special Tax Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2023	Additions	Deductions	Bonds Outstanding June 30, 2024
Special Tax Bonds - 2022 Series A	2022	2051	4.00% - 5.00%	\$ 9,505,000	\$ 9,505,000	\$ -	\$ -	\$ 9,505,000
					\$ 9,505,000	\$ -	\$ -	\$ 9,505,000

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

The bonds mature through 2051 as follows:

Year Ended June 30,	Principal	Interest	Total
2025	\$ -	\$ 417,150	\$ 417,150
2026	-	417,150	417,150
2027	20,000	416,650	436,650
2028	35,000	415,275	450,275
2029	55,000	413,025	468,025
2030 - 2034	670,000	1,987,750	2,657,750
2035 - 2039	2,525,000	1,674,625	4,199,625
2040 - 2044	3,520,000	838,225	4,358,225
2045 - 2049	1,890,000	358,050	2,248,050
2050 - 2051	790,000	32,588	822,588
Total	\$ 9,505,000	\$ 6,970,488	\$ 16,475,488

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 8 – LONG-TERM LIABILITIES (continued)

D. Annuity Payable

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

<u>Year Ended June 30,</u>	<u>Payment</u>
2025	\$ 488,500
2026	368,500
2027	235,500
2028	108,500
Total	<u>\$ 1,201,000</u>

E. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2024 amounted to \$1,329,286. This amount is included as part of long-term liabilities in the government-wide financial statements.

F. Other Postemployment Benefits

The District's beginning total OPEB liability was \$50,743,435 and increased by \$1,525,985 during the year ended June 30, 2024. The ending total OPEB liability at June 30, 2024 was \$52,269,420. See Note 10 for additional information regarding the total OPEB liability.

G. Net Pension Liability

The District's beginning net pension liability was \$168,521,903 and increased by \$20,323,234 during the year ended June 30, 2024. The ending net pension liability at June 30, 2024 was \$188,845,137. See Note 11 for additional information regarding the net pension liability.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2024:

	General Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 15,000	\$ -	\$ 451,840	\$ 466,840
Stores inventory	-	-	198,286	198,286
Prepaid expenditures	3,772,720	-	-	3,772,720
Total non-spendable	3,787,720	-	650,126	4,437,846
Restricted				
Educational programs	90,358,146	5,473,644	-	95,831,790
Food service	-	-	5,831,209	5,831,209
Associated student body	-	-	137,809	137,809
Capital projects	-	-	21,858,774	21,858,774
Debt service	-	-	9,330,442	9,330,442
Total restricted	90,358,146	5,473,644	37,158,234	132,990,024
Committed				
Other commitments	25,989,424	-	1,452,832	27,442,256
Total committed	25,989,424	-	1,452,832	27,442,256
Assigned				
Postemployment benefits	12	-	-	12
Total assigned	12	-	-	12
Unassigned	43,752,971	-	-	43,752,971
Total	\$ 163,888,273	\$ 5,473,644	\$ 39,261,192	\$ 208,623,109

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, 2024

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

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

B. Benefits Provided

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

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

**Grandfathered retirees may receive different benefits

C. Contributions

For the measurement period, the District contributed \$2,141,045 to the Plan, all of which was used for current premiums.

D. Plan Membership

Membership of the Plan consisted of the following:

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

*Information not provided

**As of the June 30, 2024 valuation date

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

E. Total OPEB Liability

The Lancaster School District’s total OPEB liability of \$52,269,420 was measured as of June 30, 2024 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, 2024 was determined by an actuarial valuation as of June 30, 2024 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Economic assumptions:

Inflation rate	2.50%
Salary increases rate	2.75%
Discount rate	3.93%
Healthcare cost trend rate	4.00%

Non-economic assumptions:

Mortality:

Certificated	2020 CalSTRS Mortality Table
Classified	2021 CalPERS Active Mortality for Miscellaneous Employees Table

Retirement rates:

Certificated	Hired 2012 and earlier: 2020 CalSTRS 2.0%@60 Rates
	Hired 2013 and later: 2020 CalSTRS 2.0%@62 Rates
Classified	Hired 2012 and earlier: 2021 CalPERS 2.0%@55 Rates for Schools Employees
	Hired 2013 and later: 2021 CalPERS 2.0%@62 Rates for Schools Employees
Management	Hired 2012 and earlier: 2021 CalPERS 2.0%@55 Rates for Schools Employees
	Hired 2013 and later: 2021 CalPERS 2.0%@62 Rates for Schools Employees

The actuarial assumptions used in the June 30, 2024 valuation were based on a review of plan experience.

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

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

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

G. Changes in Total OPEB Liability

	<u>June 30, 2024</u>
Total OPEB Liability	
Service cost	\$ 3,972,235
Interest on total OPEB liability	1,885,555
Difference between expected and actual experience	448,889
Changes of assumptions	(2,639,649)
Benefits payments	<u>(2,141,045)</u>
Net change in total OPEB liability	1,525,985
Total OPEB liability - beginning	<u>50,743,435</u>
Total OPEB liability - ending	<u>\$ 52,269,420</u>
 Covered-employee payroll	 \$ 142,154,003
 District's total OPEB liability as a percentage of covered-employee payroll	 36.77%

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

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

	1% Decrease	Valuation Discount Rate	1% Increase
	<u>(2.93%)</u>	<u>(3.93%)</u>	<u>(4.93%)</u>
Total OPEB liability	\$ 56,711,664	\$ 52,269,420	\$ 48,166,775

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

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
	<u>(3.00%)</u>	<u>(4.00%)</u>	<u>(5.00%)</u>
Total OPEB liability	\$ 45,975,214	\$ 52,269,420	\$ 59,828,346

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

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, 2024, the Lancaster School District recognized OPEB expense of \$5,813,164. At June 30, 2024, the Lancaster School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 415,137	\$ 5,354,231
Changes in assumptions	11,283,025	6,797,407
Total	<u>\$ 11,698,162</u>	<u>\$ 12,151,638</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>
2025	\$ 1,093,051	\$ 1,137,677
2026	1,093,051	1,137,677
2027	1,093,051	1,137,677
2028	1,093,051	1,137,677
2029	1,093,051	1,137,677
Thereafter	6,232,907	6,463,253
Total	<u>\$ 11,698,162</u>	<u>\$ 12,151,638</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	\$ 104,319,955	\$ 42,011,909	\$ 7,846,043	\$ 18,307,563
PERS Pension	84,525,182	38,870,737	1,298,183	12,814,888
Total	<u>\$ 188,845,137</u>	<u>\$ 80,882,646</u>	<u>\$ 9,144,226</u>	<u>\$ 31,122,451</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 2024, 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 2024 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$17,557,171 for the year ended June 30, 2024.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$7,994,817 to CalSTRS.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

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, 2024, 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	\$	104,319,955
State's proportionate share of the net pension liability associated with the District		49,983,527
Total	\$	154,303,482

The net pension liability was measured as of June 30, 2023, 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, 2022 and rolling forward the total pension liability to June 30, 2023. 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, 2023, the District's proportion was 0.137 percent, which was an increase of 0.005 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the District recognized pension expense of \$18,307,563. In addition, the District recognized pension expense and revenue of \$(725,854) for support provided by the State. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ -	\$ 446,532
Differences between expected and actual experience	8,197,830	5,581,647
Changes in assumptions	604,051	-
Changes in proportion and differences between District contributions and proportionate share of contributions	15,652,857	1,817,864
District contributions subsequent to the measurement date	17,557,171	-
Total	\$ 42,011,909	\$ 7,846,043

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

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 \$17,557,171 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2025	\$ 5,329,908	\$ 5,449,317
2026	4,851,767	7,284,755
2027	4,851,768	(6,676,894)
2028	4,650,414	1,461,501
2029	2,851,693	327,364
2030	1,919,188	-
Total	<u>\$ 24,454,738</u>	<u>\$ 7,846,043</u>

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023 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, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2023 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2022, are summarized in the table on the following page.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

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

*Real return is net of assumed 2.75% inflation.

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 174,988,400	\$ 104,319,955	\$ 45,621,575

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, 2024

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 8.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2024 was 26.68% of annual payroll. Contributions to the plan from the District were \$13,401,802 for the year ended June 30, 2024.

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

At June 30, 2024, the District reported a liability of \$84,525,182 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022 and rolling forward the total pension liability to June 30, 2023. 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, 2023, the District's proportion was 0.234 percent, which was an increase of 0.011 percent from its proportion measured as of June 30, 2022.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

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, 2024, the District recognized pension expense of \$12,814,888. At June 30, 2024, the District reported no deferred inflows of resources related to pensions and deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 9,028,498	\$ -
Differences between expected and actual experience	3,084,563	1,298,183
Changes in assumptions	3,894,041	-
Changes in proportion and differences between District contributions and proportionate share of contributions	9,461,833	-
District contributions subsequent to the measurement date	13,401,802	-
Total	<u>\$ 38,870,737</u>	<u>\$ 1,298,183</u>

The \$13,401,802 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2025	\$ 8,948,809	\$ 700,928
2026	7,377,949	597,255
2027	8,861,201	-
2028	280,976	-
Total	<u>\$ 25,468,935</u>	<u>\$ 1,298,183</u>

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2022, and rolling forward the total pension liability to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from 2000 to 2019.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*
Global Equity – cap-weighted	30.0%	4.54%
Global Equity – non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	(5.0)%	(0.59)%
	<u>100.0%</u>	

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

Discount Rate

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

NOTE 11 – PENSION PLANS (continued)

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

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	\$ 122,201,564	\$ 84,525,182	\$ 53,386,509

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, 2024.

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, 2024.

LANCASTER SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024

NOTE 12 – COMMITMENTS AND CONTINGENCIES (continued)

C. Construction Commitments

As of June 30, 2024, the District had commitments with respect to unfinished capital projects of \$9,404,360.

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, 2024, the deferred outflows amount on refunding was \$1,030,150.

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, 2024, total deferred outflows related to pensions was \$80,882,646 and total deferred inflows related to pensions was \$9,144,226.

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, 2024, total deferred outflows related to other postemployment benefits was \$11,698,162 and total deferred inflows related to other postemployment benefits was \$12,151,638.

REQUIRED SUPPLEMENTARY INFORMATION

**LANCASTER SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 195,934,822	\$ 196,746,260	\$ 188,205,431	\$ (8,540,829)
Federal sources	18,075,221	32,383,944	27,493,116	(4,890,828)
Other state sources	38,895,798	46,990,792	57,390,044	10,399,252
Other local sources	11,418,113	17,783,393	18,841,937	1,058,544
Total Revenues	264,323,954	293,904,389	291,930,528	(1,973,861)
EXPENDITURES				
Certificated salaries	88,359,012	97,456,938	99,224,629	(1,767,691)
Classified salaries	39,726,375	45,156,568	49,415,545	(4,258,977)
Employee benefits	59,632,036	64,873,376	63,876,694	996,682
Books and supplies	16,533,028	26,907,251	18,316,031	8,591,220
Services and other operating expenditures	46,886,826	50,115,776	44,783,435	5,332,341
Capital outlay	10,805,814	11,848,652	4,784,379	7,064,273
Other outgo				
Excluding transfers of indirect costs	3,259,381	3,259,381	1,156,153	2,103,228
Transfers of indirect costs	(516,866)	(580,344)	(813,028)	232,684
Total Expenditures	264,685,606	299,037,598	280,743,838	18,293,760
Excess (Deficiency) of Revenues				
Over Expenditures	(361,652)	(5,133,209)	11,186,690	16,319,899
Other Financing Sources (Uses)				
Transfers out	-	-	(3,500,000)	(3,500,000)
Net Financing Sources (Uses)	-	-	(3,500,000)	(3,500,000)
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	156,201,571	156,201,571	156,201,571	-
Fund Balance - Ending	\$ 155,839,919	\$ 151,068,362	\$ 163,888,261	\$ 12,819,899

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

- On-behalf payments of \$7,994,817 are not included in the actual revenues and expenditures reported in this schedule.
- Revenues and Expenditures of the Retiree Benefit Fund are included in the General Fund on the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- Audit adjustments and reclassifications are not included in the revenues reported in this schedule.

**LANCASTER SCHOOL DISTRICT
CHILD DEVELOPMENT FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Federal sources	\$ 300,000	\$ 300,000	\$ -	\$ (300,000)
Other state sources	5,692,436	7,836,464	11,459,594	3,623,130
Other local sources	91,449	91,449	459,984	368,535
Total Revenues	6,083,885	8,227,913	11,919,578	3,691,665
EXPENDITURES				
Certificated salaries	136,351	561,351	479,183	82,168
Classified salaries	2,829,947	2,341,779	3,199,963	(858,184)
Employee benefits	1,705,238	2,028,938	2,117,788	(88,850)
Books and supplies	351,200	1,148,418	1,556,082	(407,664)
Services and other operating expenditures	344,700	834,700	554,751	279,949
Capital outlay	25,000	861,090	179,795	681,295
Other outgo				
Transfers of indirect costs	300,000	363,477	406,195	(42,718)
Total Expenditures	5,692,436	8,139,753	8,493,757	(354,004)
NET CHANGE IN FUND BALANCE	391,449	88,160	3,425,821	3,337,661
Fund Balance - Beginning	2,380,562	2,380,562	2,380,562	-
Fund Balance - Ending	\$ 2,772,011	\$ 2,468,722	\$ 5,806,383	\$ 3,337,661

See accompanying notes to required supplementary information.

LANCASTER SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2024

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability							
Service cost	\$ 3,972,235	\$ 3,936,039	\$ 4,291,694	\$ 4,150,824	\$ 3,054,659	\$ 2,830,791	\$ 2,755,028
Interest on total OPEB liability	1,885,555	1,715,520	1,156,349	1,106,061	1,256,001	1,144,622	1,151,499
Difference between expected and actual experience	448,889	-	(3,157,084)	-	(4,272,122)	-	-
Changes of assumptions	(2,639,649)	(461,389)	(5,143,090)	164,298	15,744,189	713,066	-
Benefits payments	(2,141,045)	(1,879,456)	(2,208,059)	(2,256,819)	(1,625,296)	(1,611,026)	(1,549,063)
Net change in total OPEB liability	1,525,985	3,310,714	(5,060,190)	3,164,364	14,157,431	3,077,453	2,357,464
Total OPEB liability - beginning	50,743,435	47,132,721	52,192,911	49,028,547	34,871,116	31,793,663	29,436,199
Total OPEB liability - ending	<u>\$ 52,269,420</u>	<u>\$ 50,443,435</u>	<u>\$ 47,132,721</u>	<u>\$ 52,192,911</u>	<u>\$ 49,028,547</u>	<u>\$ 34,871,116</u>	<u>\$ 31,793,663</u>
 Covered-employee payroll	 \$ 142,154,003	 \$ 121,067,706	 \$ 112,446,247	 \$ 106,164,724	 \$ 104,025,726	 \$ 131,229,897	 \$ 131,229,897
 District's total OPEB liability as a percentage of covered-employee payroll	 36.77%	 41.67%	 41.92%	 49.16%	 47.13%	 26.57%	 24.23%

See accompanying notes to required supplementary information.

LANCASTER SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2024

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.137%	0.132%	0.139%	0.123%	0.129%	0.127%	0.123%	0.122%	0.120%	0.111%
District's proportionate share of the net pension liability	\$ 104,319,955	\$ 91,837,263	\$ 63,051,332	\$ 118,743,135	\$ 116,166,673	\$ 116,750,095	\$ 113,630,089	\$ 99,027,838	\$ 80,580,876	\$ 64,695,681
State's proportionate share of the net pension liability associated with the District	49,983,527	45,992,371	31,725,645	61,211,604	63,377,187	66,845,217	37,223,149	56,383,082	42,618,285	39,066,040
Total	\$ 154,303,482	\$ 137,829,634	\$ 94,776,977	\$ 179,954,739	\$ 179,543,860	\$ 183,595,312	\$ 150,853,238	\$ 155,410,920	\$ 123,199,161	\$ 103,761,721
District's covered payroll	\$ 83,845,623	\$ 78,417,199	\$ 72,983,028	\$ 67,890,603	\$ 70,046,972	\$ 67,854,491	\$ 66,137,928	\$ 61,971,165	\$ 54,687,658	\$ 47,387,231
District's proportionate share of the net pension liability as a percentage of its covered payroll	124.4%	117.1%	86.4%	174.9%	165.8%	172.1%	171.8%	159.8%	147.3%	136.5%
Plan fiduciary net position as a percentage of the total pension liability	80.6%	81.2%	87.2%	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

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

LANCASTER SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2024

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.234%	0.223%	0.202%	0.195%	0.190%	0.188%	0.187%	0.179%	0.173%	0.166%
District's proportionate share of the net pension liability	\$ 84,525,182	\$ 76,684,640	\$ 41,116,676	\$ 59,714,324	\$ 55,279,562	\$ 50,052,298	\$ 44,560,909	\$ 35,428,988	\$ 25,515,732	\$ 18,803,266
District's covered payroll	\$ 40,974,292	\$ 34,029,048	\$ 29,240,870	\$ 24,262,070	\$ 26,259,041	\$ 24,780,974	\$ 23,807,160	\$ 21,524,133	\$ 19,284,955	\$ 17,387,231
District's proportionate share of the net pension liability as a percentage of its covered payroll	206.3%	225.4%	140.6%	246.1%	210.5%	202.0%	187.2%	164.6%	132.3%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	69.8%	81.0%	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

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

**LANCASTER SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2024**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 17,557,171	\$ 16,014,514	\$ 13,268,190	\$ 11,786,759	\$ 12,463,441	\$ 11,403,647	\$ 9,791,403	\$ 8,320,151	\$ 6,649,506	\$ 4,800,734
Contributions in relation to the contractually required contribution*	(17,557,171)	(16,014,514)	(13,268,190)	(11,786,759)	(12,463,441)	(11,403,647)	(9,791,403)	(8,320,151)	(6,649,506)	(4,800,734)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 91,922,361	\$ 83,845,623	\$ 78,417,199	\$ 72,983,028	\$ 67,890,603	\$ 70,046,972	\$ 67,854,491	\$ 66,137,928	\$ 61,971,165	\$ 54,687,658
Contributions as a percentage of covered payroll	19.10%	19.10%	16.92%	16.15%	18.36%	16.28%	14.43%	12.58%	10.73%	8.78%

*Amounts do not include on-behalf contributions

**LANCASTER SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2024**

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	\$ 13,401,802	\$ 10,395,178	\$ 7,796,055	\$ 6,052,860	\$ 5,531,751	\$ 4,742,908	\$ 3,848,733	\$ 3,306,335	\$ 2,549,964	\$ 2,270,032
Contributions in relation to the contractually required contribution*	(13,401,802)	(10,395,178)	(7,796,055)	(6,052,860)	(5,531,751)	(4,742,908)	(3,848,733)	(3,306,335)	(2,549,964)	(2,270,032)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 50,231,642	\$ 40,974,292	\$ 34,029,048	\$ 29,240,870	\$ 24,262,070	\$ 26,259,041	\$ 24,780,974	\$ 23,807,160	\$ 21,524,133	\$ 19,284,955
Contributions as a percentage of covered payroll	26.68%	25.37%	22.91%	20.70%	22.80%	18.06%	15.53%	13.89%	11.85%	11.77%

*Amounts do not include on-behalf contributions

**LANCASTER SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Changes in Total OPEB Liability and Related Ratios

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

Changes in Benefit Terms

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

Changes in Assumptions

The discount rate changed from 3.65% to 3.93% since the previous measurement.

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

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

Changes in Benefit Terms

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

Changes in Assumptions

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

Schedule of District Contributions

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

LANCASTER SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2024, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 97,456,938	\$ 99,224,629	\$ 1,767,691
Classified salaries	\$ 45,156,568	\$ 49,415,545	\$ 4,258,977
Child Development Fund			
Classified salaries	\$ 2,341,779	\$ 3,199,963	\$ 858,184
Employee benefits	\$ 2,028,938	\$ 2,117,788	\$ 88,850
Books and supplies	\$ 1,148,418	\$ 1,556,082	\$ 407,664
Other outgo			
Transfers of indirect costs	\$ 363,477	\$ 406,195	\$ 42,718

SUPPLEMENTARY INFORMATION

LANCASTER SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 8,198,160
Comprehensive Support and Improvement for LEAs	84.010	15438	355,162
Subtotal Title I, Part A			<u>8,553,322</u>
Title I, Migrant Education	84.011	14326	1,502
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	850,616
Title III			
Title III, English Learner Student Program	84.365	14346	583,702
Title III, Immigrant Education Program	84.365	15146	2,563
Subtotal Title III			<u>586,265</u>
Title IV, Part A			
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	122,626
Title IV, Part A, Student Supp. and Academic Enrichment Grant	84.424	15391	73
Subtotal Title IV, Part A			<u>122,699</u>
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	83,229
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,107,744
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	190,511
Subtotal Special Education Cluster			<u>3,298,255</u>
Education for Homeless Children and Youth, Subtitle VII-B McKinney-Vento Act	84.196	14332	70,627
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	7,131,909
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	5,011,655
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425	15620	538,906
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425	15621	485,790
American Rescue Plan - Homeless Children and Youth II (ARP HYC II) Program	84.425	15566	185,683
ESSER III State Reserve Summer Learning Prog	84.425	15652	329,500
Subtotal Education Stabilization Fund Discretionary Grants			<u>13,683,443</u>
Total U. S. Department of Education			<u>27,249,958</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	3,718,320
National School Lunch Program	10.555	13391	5,188,608
USDA Commodities	10.555	*	609,220
Summer Food Service Program for Children	10.559	13004	36,350
Supply Chain Assistance (SCA) Funds	10.555	15655	457,545
Subtotal Child Nutrition Cluster			<u>10,010,043</u>
<i>Passed through California Department of Social Services:</i>			
Child and Adult Care Food Program (CACFP)			
CACFP Claims - Centers and Family Day Care	10.558	13393	397,947
Total U. S. Department of Agriculture			<u>10,407,990</u>
Total Federal Expenditures			<u>\$ 37,657,948</u>

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

**LANCASTER SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2024**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	5,630.85	5,650.00
Special Education - Nonpublic Schools	0.89	0.94
Extended Year Special Education - Nonpublic Schools	0.14	0.14
Total TK/K through Third	<u>5,631.88</u>	<u>5,651.08</u>
Fourth through Sixth		
Regular ADA	4,248.14	4,243.29
Special Education - Nonpublic Schools	1.60	1.54
Extended Year Special Education - Nonpublic Schools	0.17	0.17
Community Day School	1.01	1.61
Total Fourth through Sixth	<u>4,250.92</u>	<u>4,246.61</u>
Seventh through Eighth		
Regular ADA	2,728.34	2,718.20
Special Education - Nonpublic Schools	0.60	0.66
Extended Year Special Education - Nonpublic Schools	0.09	0.09
Community Day School	11.60	15.08
Total Seventh through Eighth	<u>2,740.63</u>	<u>2,734.03</u>
TOTAL SCHOOL DISTRICT	<u>12,623.43</u>	<u>12,631.72</u>

**LANCASTER SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2024**

Grade Level	Minutes Requirement	Actual Instructional Minutes	Credited Minutes Per the Approved Form J-13A*	Total Minutes Offered	Required Number of Days	Actual Number of Days	Credited Days Per the Approved Form J-13A*	Total Days Offered	Status
Kindergarten	36,000	53,182	325	53,507	180	179	1	180	Complied
Grade 1	50,400	53,182	325	53,507	180	179	1	180	Complied
Grade 2	50,400	53,182	325	53,507	180	179	1	180	Complied
Grade 3	50,400	53,182	325	53,507	180	179	1	180	Complied
Grade 4	54,000	55,264	328	55,592	180	179	1	180	Complied
Grade 5	54,000	55,264	328	55,592	180	179	1	180	Complied
Grade 6	54,000	57,081	345	57,426	180	179	1	180	Complied
Grade 7	54,000	57,081	345	57,426	180	179	1	180	Complied
Grade 8	54,000	57,081	345	57,426	180	179	1	180	Complied

*The District received an approved Form J-13A for the number of instructional days and the number of instructional minutes indicated above.

**LANCASTER SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024**

	2025 (Budget)	2024	2023	2022
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 270,250,812	\$ 291,930,528	\$ 319,962,001	\$ 257,702,993
Expenditures And Other Financing Uses	292,842,403	284,243,838	245,838,175	220,758,963
Net change in Fund Balance	\$ (22,591,591)	\$ 7,686,690	\$ 74,123,826	\$ 36,944,030
Ending Fund Balance	\$ 141,296,670	\$ 163,888,261	\$ 156,201,571	\$ 82,077,745
Available Reserves*	\$ 13,599,126	\$ 43,752,971	\$ 47,743,674	\$ 45,209,417
Available Reserves As A Percentage Of Outgo	4.64%	15.39%	19.42%	20.48%
Long-term Liabilities	\$ 331,584,510	\$ 334,589,563	\$ 319,594,662	\$ 248,723,634
Average Daily Attendance At P-2	12,623	12,623	12,477	12,148

The General Fund ending fund balance has increased by \$81,810,516 over the past two years. However, the fiscal year 2024-25 budget projects a decrease of \$22,591,591. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2024-25 fiscal year. Total long-term obligations have increased by \$85,865,929 over the past two years.

Average daily attendance has increased by 475 ADA over the past two years. No change in ADA is anticipated during the 2024-25 fiscal year.

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

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

LANCASTER SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Student Activity Fund	Capital Projects Fund for Blended Component Units
June 30, 2024, annual financial and budget report fund balance	\$ 163,888,261	\$ 30,376	\$ 648,085
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Cash with fiscal agent	-	-	4,038,531
Cash in banks	-	107,433	-
Fund balance transfer (GASB 54)	12	-	-
Net adjustments and reclassifications	12	107,433	4,038,531
June 30, 2024, audited financial statement fund balance	\$ 163,888,273	\$ 137,809	\$ 4,686,616

	Retiree Benefit Fund
June 30, 2024, annual financial and budget report net position	\$ 12
Adjustments and reclassifications:	
Increase (decrease) in total net position:	
Net position transfer (GASB 54)	(12)
Net adjustments and reclassifications	(12)
June 30, 2024, audited financial statement net position	\$ -

See accompanying notes to supplementary information.

**LANCASTER SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2024**

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

See accompanying notes to supplementary information.

LANCASTER SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2024

	Student Activity Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Debt Service Fund	Non-Major Governmental Funds
ASSETS												
Cash and investments	\$ 137,809	\$ 8,622,131	\$ 1,885,665	\$ 1,315,096	\$ 7,876,533	\$ 2,817,592	\$ 5,982,202	\$ 4,711,701	\$ 6,198,307	\$ 3,015,490	\$ 83,182	\$ 42,645,708
Accounts receivable	-	76,663	15,859	42,558	91,097	520,875	46,989	-	-	32,666	797	827,504
Stores inventory	-	198,286	-	-	-	-	-	-	-	-	-	198,286
Total Assets	\$ 137,809	\$ 8,897,080	\$ 1,901,524	\$ 1,357,654	\$ 7,967,630	\$ 3,338,467	\$ 6,029,191	\$ 4,711,701	\$ 6,198,307	\$ 3,048,156	\$ 83,979	\$ 43,671,498
LIABILITIES												
Accrued liabilities	\$ -	\$ 2,415,745	\$ 448,692	\$ 862,949	\$ 46,707	\$ 147,975	\$ 463,153	\$ 25,085	\$ -	\$ -	\$ -	\$ 4,410,306
Total Liabilities	-	2,415,745	448,692	862,949	46,707	147,975	463,153	25,085	-	-	-	4,410,306
FUND BALANCES												
Non-spendable	-	650,126	-	-	-	-	-	-	-	-	-	650,126
Restricted	137,809	5,831,209	-	494,705	7,920,923	3,190,492	5,566,038	4,686,616	6,198,307	3,048,156	83,979	37,158,234
Committed	-	-	1,452,832	-	-	-	-	-	-	-	-	1,452,832
Total Fund Balances	137,809	6,481,335	1,452,832	494,705	7,920,923	3,190,492	5,566,038	4,686,616	6,198,307	3,048,156	83,979	39,261,192
Total Liabilities and Fund Balances	\$ 137,809	\$ 8,897,080	\$ 1,901,524	\$ 1,357,654	\$ 7,967,630	\$ 3,338,467	\$ 6,029,191	\$ 4,711,701	\$ 6,198,307	\$ 3,048,156	\$ 83,979	\$ 43,671,498

See accompanying notes to supplementary information.

LANCASTER SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024

	Student Activity Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units	Debt Service Fund	Non-Major Governmental Funds
REVENUES												
LCFF sources	\$ -	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
Federal sources	-	10,815,531	-	-	-	-	-	-	-	-	-	10,815,531
Other state sources	-	2,849,668	-	-	-	1,118,810	-	-	46,495	-	-	4,014,973
Other local sources	238,052	1,951,493	158,643	757,136	1,564,713	203,562	355,908	(26,427)	8,032,244	1,195,802	3,808	14,434,934
Total Revenues	238,052	15,616,692	1,158,643	757,136	1,564,713	1,322,372	355,908	(26,427)	8,078,739	1,195,802	3,808	30,265,438
EXPENDITURES												
Current												
Pupil services												
Food services	-	14,374,088	-	-	-	-	-	-	-	-	-	14,374,088
General administration												
All other general administration	-	406,833	-	-	-	-	-	-	-	-	-	406,833
Facilities acquisition and construction	-	-	2,500,964	10,068,452	389,626	1,935,477	3,178,189	4,408,455	-	-	-	22,481,163
Ancillary services	368,010	-	-	-	-	-	-	-	-	-	-	368,010
Debt service												
Principal	-	-	-	-	-	-	-	-	2,642,694	365,000	-	3,007,694
Interest and other	-	-	-	-	-	-	-	417,383	6,313,458	220,256	4,810	6,955,907
Total Expenditures	368,010	14,780,921	2,500,964	10,068,452	389,626	1,935,477	3,178,189	4,825,838	8,956,152	585,256	4,810	47,593,695
Excess (Deficiency) of Revenues	(129,958)	835,771	(1,342,321)	(9,311,316)	1,175,087	(613,105)	(2,822,281)	(4,852,265)	(877,413)	610,546	(1,002)	(17,328,257)
Over Expenditures												
Other Financing Sources (Uses)												
Transfers in	-	-	-	-	-	483,869	2,000,000	883,778	-	-	-	3,367,647
Transfers out	-	-	-	-	-	-	-	(483,869)	-	(383,778)	-	(867,647)
Net Financing Sources (Uses)	-	-	-	-	-	483,869	2,000,000	399,909	-	(383,778)	-	2,500,000
NET CHANGE IN FUND BALANCE	(129,958)	835,771	(1,342,321)	(9,311,316)	1,175,087	(129,236)	(822,281)	(4,452,356)	(877,413)	226,768	(1,002)	(14,828,257)
Fund Balance - Beginning	267,767	5,645,564	2,795,153	9,806,021	6,745,836	3,319,728	6,388,319	9,138,972	7,075,720	2,821,388	84,981	54,089,449
Fund Balance - Ending	\$ 137,809	\$ 6,481,335	\$ 1,452,832	\$ 494,705	\$ 7,920,923	\$ 3,190,492	\$ 5,566,038	\$ 4,686,616	\$ 6,198,307	\$ 3,048,156	\$ 83,979	\$ 39,261,192

See accompanying notes to supplementary information.

LANCASTER SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2024

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, 2024 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2024. The District did not elect to use the 10 percent de minimis indirect cost rate.

	AL	
	Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 38,065,489
Supply Chain Assistance (SCA) Funds	10.555	<u>(407,541)</u>
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$37,657,948</u>

Schedule of Average Daily Attendance

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

Schedule of Instructional Time

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

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

Combining Statements – Non-Major Funds

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

OTHER INFORMATION

**LANCASTER SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2024**

The Lancaster School District was established in 1885 and consists of an area comprising approximately eighty-three square miles. The District operates twelve Kindergarten through fifth grade elementary schools, five middle schools, and one community day school. There were no changes in boundaries for the year ended June 30, 2024.

GOVERNING BOARD

Member	Office	Term Expires
Duane Winn	President	November 2026
Pamela Starlson	Vice-President	November 2026
Rosemary Mann	Clerk	November 2024
Keith Giles	Member	November 2024
Greg Tepe	Member	November 2024

DISTRICT ADMINISTRATORS

Dr. Paul Marietti
Superintendent

Dr. Larry Freise
Assistant Superintendent, Business Services

Bart Hoffman
Assistant Superintendent, Educational Services

Michael Davis
Assistant Superintendent, Human Resources Services

OTHER INDEPENDENT AUDITORS' REPORTS

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

Independent Auditors' Report

Governing Board
Lancaster School District
Lancaster, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lancaster School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Lancaster School District's basic financial statements, and have issued our report thereon dated December 16, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Christy White, Inc." in a cursive script.

San Diego, California

December 16, 2024

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

Governing Board
Lancaster School District
Lancaster, California

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

We have audited Lancaster School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lancaster School District's major federal programs for the year ended June 30, 2024. Lancaster School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lancaster School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit for Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

Report on Internal Control Over Compliance (continued)

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

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

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

Christy White, Inc.

San Diego, California
December 16, 2024

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

Governing Board
Lancaster School District
Lancaster, California

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

We have audited Lancaster School District's compliance with the requirements specified in the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to Lancaster School District's state program requirements as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report for the year ended June 30, 2024.

In our opinion, Lancaster School District complied, in all material respects, with the laws and regulations of the applicable laws and regulations of the applicable state programs for the year ended June 30, 2024.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of State Compliance

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

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

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

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

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

PROGRAM NAME	PROCEDURES PERFORMED
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Charter Schools	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

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

Report on Internal Control Over Compliance

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

Report on Internal Control Over Compliance (continued)

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

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

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

Christy White, Inc.

San Diego, California
December 16, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**LANCASTER SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2024**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
84.010	Title I, Part A	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>1,129,738</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2023-24 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**LANCASTER SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

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, 2024.

**LANCASTER SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

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, 2024.

**LANCASTER SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024**

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, 2024.

**LANCASTER SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

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

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

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

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

Cause: Lack of adequate oversight over reporting requirements.

Questioned Costs: No questioned costs.

Repeat Finding: This is not a repeat finding.

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

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

Current Status: California Clean Energy Jobs Act is not included in the *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “Continuing Disclosure Undertaking”) is executed and delivered by the Lancaster School District (the “District”) in connection with the issuance of \$_____ aggregate principal amount of Lancaster School District General Obligation Bonds, Election of 2024, Series 2025A (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the Board of Trustees of the District on February 4, 2025 (the “Resolution”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolutions.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Continuing Disclosure Undertaking. This Continuing Disclosure Undertaking is being executed and delivered by the District for the benefit of the Bondholders and in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Continuing Disclosure Undertaking.

“Bondholder” or “Holder” means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

“Designated Listed Event” means any of the events listed in Section 6(a) of this Continuing Disclosure Undertaking.

“Dissemination Agent” shall mean the District, or any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Dissemination Agent has evidenced its acceptance in writing.

“EMMA System” shall mean the MSRB’s Electronic Municipal Market Access system, which can be found at www.emma.msrb.org, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission in the future.

“Financial Obligation” means (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Event” means any of the events listed in Section 6(b) of this Continuing Disclosure Undertaking.

“Listed Events Disclosure” means dissemination of a notice of a Designated Listed Event or Listed Event as set forth in Section 6 of this Continuing Disclosure Undertaking.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“State” shall mean the State of California.

SECTION 3. CUSIP® Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated March __, 2025.

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than March 31 of each fiscal year, commencing with the report for the Fiscal Year ending June 30, 2025, to provide in a timely manner to the MSRB through the EMMA System an Annual Report which is consistent with the requirements of Section 5 of this Continuing Disclosure Undertaking. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Continuing Disclosure Undertaking; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB through the EMMA System an Annual Report by the date required in paragraph (a) above, the District in a timely manner shall send a notice to the MSRB through the EMMA System in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the electronic filing requirements of the MSRB for the Annual Reports; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Undertaking, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

SECTION 5. Content of Annual Report. The District’s Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding fiscal year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the EMMA System as soon as practical after it has been made available to the District.

(b) Operating data, including the following information with respect to the District's preceding Fiscal Year (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) A summary of assessed valuations;

(ii) Assessed valuations and parcels by land use;

(iii) Largest twenty local secured taxpayers as shown on the most recent equalized assessment roll;

(iv) A summary of total secured tax charges and delinquencies on taxable properties within the District;

(v) A summary of typical *ad valorem* tax rates levied in a typical tax rate area;

(vi) Average daily attendance and enrollment, or equivalent information, as may be reasonably available for the preceding fiscal year; and

(vii) A summary of the District's general fund sources and expenditures, to the extent not included in the District's annual financial statements.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the EMMA System or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Designated Listed Events and Listed Events.

(a) The District agrees to provide or cause to be provided to the MSRB notice of the occurrence of any of the following Designated Listed Events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies;

(ii) Unscheduled draws on any debt service reserves reflecting financial difficulties;

(iii) Unscheduled draws on any credit enhancements reflecting financial difficulties;

(iv) Substitution of credit or liquidity provider, or their failure to perform;

(v) Adverse tax opinions with respect to the tax status of the Bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Bonds;

(vi) Tender offers;

(vii) Defeasances

(viii) Rating changes;

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person; or

(x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

For purposes of item (ix) above, the described event shall be deemed to occur when any of the following shall occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or other governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority have supervision or jurisdiction over substantially all of the assets or business of the District.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, other notices or determinations with respect to the tax status of the Bonds, or other events affecting the tax status of the Bonds;

(ii) Modifications of rights to Bondholders;

(iii) Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent; or

(viii) Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondholders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Upon the occurrence of a Designated Listed Event described in Section 6(a) hereof, or if the District determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence of the Designated Listed Event or Listed Event file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of a Designated Listed Event described in subsection (a)(vii) or a Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Continuing Disclosure Undertaking shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The District may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Continuing Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolution which is incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Continuing Disclosure Undertaking and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Continuing Disclosure Undertaking, the District may amend this Continuing Disclosure Undertaking under the following conditions, provided no amendment to this Continuing Disclosure Undertaking shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Continuing Disclosure Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Designated Listed Event or a Listed Event in addition to that which is specifically required by this Continuing Disclosure Undertaking, the District shall have no obligation under this Continuing Disclosure Undertaking to update such information or to include it in any future disclosure or notice of occurrence of a Designated Listed Event or Listed Event.

Nothing in this Continuing Disclosure Undertaking shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Designated Material Event or Material Event, in addition to that which is required by this Continuing Disclosure Undertaking.

SECTION 11. Default. The District shall give notice to the MSRB through the EMMA System of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Continuing Disclosure Undertaking, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Continuing Disclosure Undertaking. A default under this Continuing Disclosure Undertaking shall not be deemed an event of default under the Resolution, and the sole remedy under this Continuing Disclosure Undertaking in the event of any failure of the District to comply with this Continuing Disclosure Undertaking shall be an action to compel performance.

SECTION 12. Beneficiaries. This Continuing Disclosure Undertaking shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

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SECTION 13. Governing Law. This Continuing Disclosure Undertaking shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: _____, 2025

LANCASTER SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Lancaster School District

Name of Issue: \$_____ General Obligation Bonds, Election of 2024, Series 2025A

Date of Issuance: _____, 2025

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-captioned Bonds as required by Section 4(a) of the Continuing Disclosure Undertaking dated as of _____, 2025. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

LANCASTER SCHOOL DISTRICT

By: _____

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, as to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

General

The Depository Trust Company ("DTC"), Brooklyn, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. Such information is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as

periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District (or the Paying Agent on behalf thereof) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, interest payments and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

