

LUCERNE ELEMENTARY SCHOOL DISTRICT

**AUDIT REPORT
JUNE 30, 2024**

**LUCERNE ELEMENTARY SCHOOL DISTRICT
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FINANCIAL SECTION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTSIndependent Auditors' Report

Governing Board
Lucerne Elementary School District
Lucerne, 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 Lucerne Elementary School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary 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, 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 Lucerne Elementary 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 October 8, 2024 on our consideration of the Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary School District's internal control over financial reporting and compliance.



San Diego, California
October 8, 2024

LUCERNE ELEMENTARY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

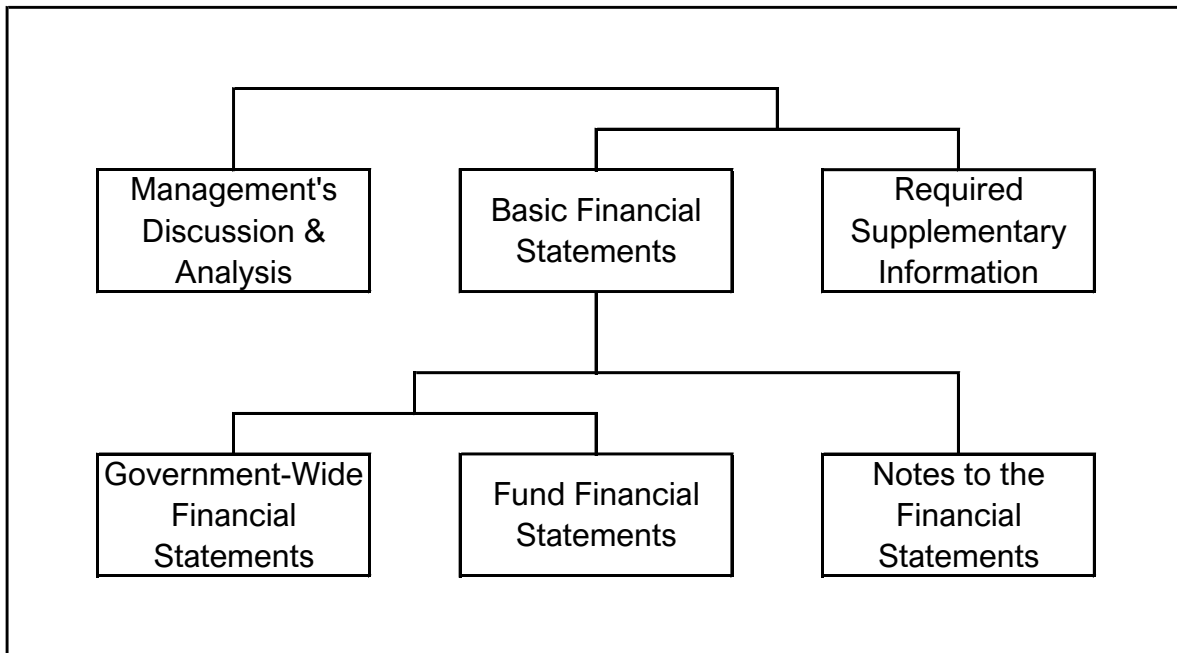
Our discussion and analysis of Lucerne Elementary School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2024. It should be read in conjunction with the District's financial statements, which follow this section.

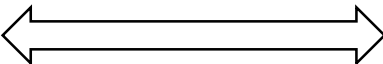
FINANCIAL HIGHLIGHTS

- The District's net position was \$8,933,149 at June 30, 2024. This was an increase of \$2,123,315 from the prior year.
- Overall revenues were \$8,317,186 which exceeded expenses of \$6,193,871.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



Summary  **Detail**

**LUCERNE ELEMENTARY 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. 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.

**LUCERNE ELEMENTARY 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 \$8,933,149 at June 30, 2024, as reflected in the table below. Of this amount, \$620,024 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	\$ 6,866,486	\$ 5,281,169	\$ 1,585,317
Capital assets	8,750,166	7,257,170	1,492,996
Total Assets	15,616,652	12,538,339	3,078,313
DEFERRED OUTFLOWS OF RESOURCES	1,471,100	1,315,971	155,129
LIABILITIES			
Current liabilities	783,671	629,315	154,356
Long-term liabilities	6,935,984	5,939,670	996,314
Total Liabilities	7,719,655	6,568,985	1,150,670
DEFERRED INFLOWS OF RESOURCES	434,948	475,491	(40,543)
NET POSITION			
Net investment in capital assets	5,732,639	4,349,975	1,382,664
Restricted	2,580,486	2,063,182	517,304
Unrestricted	620,024	396,677	223,347
Total Net Position	\$ 8,933,149	\$ 6,809,834	\$ 2,123,315

**LUCERNE ELEMENTARY 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	\$ 6,826	\$ 4,876	\$ 1,950
Operating grants and contributions	2,269,065	2,371,925	(102,860)
Capital grants and contributions	1,710,098	294,101	1,415,997
General revenues			
Property taxes	1,035,750	947,565	88,185
Unrestricted federal and state aid	3,114,882	2,927,526	187,356
Other	180,565	135,888	44,677
Total Revenues	8,317,186	6,681,881	1,635,305
EXPENSES			
Instruction	3,039,457	2,371,514	667,943
Instruction-related services	596,124	483,914	112,210
Pupil services	993,605	740,373	253,232
General administration	415,161	353,022	62,139
Plant services	503,159	467,855	35,304
Ancillary and community services	26,142	21,096	5,046
Debt service	120,757	95,808	24,949
Other outgo	499,466	167,912	331,554
Total Expenses	6,193,871	4,701,494	1,492,377
Change in net position	2,123,315	1,980,387	142,928
Net Position - Beginning	6,809,834	4,829,447	1,980,387
Net Position - Ending	\$ 8,933,149	\$ 6,809,834	\$ 2,123,315

The cost of all our governmental activities this year was \$6,193,871 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$1,035,750 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**LUCERNE ELEMENTARY 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	\$ 455,055	\$ 914,532
Instruction-related services	486,159	272,575
Pupil services	336,647	152,144
General administration	342,092	289,351
Plant services	84,143	176,752
Ancillary and community services	22,280	17,738
Debt service	120,757	95,808
Transfers to other agencies	360,749	111,692
Total	\$ 2,207,882	\$ 2,030,592

FINANCIAL ANALYSIS OF THE DISTRICT’S MAJOR FUND

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 \$6,152,190, which is more than last year’s ending fund balance of \$4,708,559. The District’s General Fund had \$194,488 more in operating revenues than expenditures for the year ended June 30, 2024. The District’s County School Facilities Fund had \$597,805 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 regular 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.

**LUCERNE ELEMENTARY 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 \$8,750,166 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2024	2023	Net Change
CAPITAL ASSETS			
Land	\$ 174,000	\$ 174,000	\$ -
Construction in progress	1,778,991	117,325	1,661,666
Land improvements	60,751	60,751	-
Buildings & improvements	9,126,870	9,126,870	-
Furniture & equipment	825,510	795,510	30,000
Less: Accumulated depreciation	(3,215,956)	(3,017,286)	(198,670)
Total	\$ 8,750,166	\$ 7,257,170	\$ 1,492,996

Long-Term Liabilities

At year-end, the District had \$6,935,984 in long-term liabilities, an increase of 16.77% from last year – 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	\$ 3,653,631	\$ 2,907,192	\$ 746,439
Compensated absences	3,000	5,046	(2,046)
Net pension liability	3,299,245	3,042,324	256,921
Less: current portion of long-term liabilities	(19,892)	(14,892)	(5,000)
Total	\$ 6,935,984	\$ 5,939,670	\$ 996,314

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 2023-24 fiscal year, but the prior 2022-23 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.

**LUCERNE ELEMENTARY 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. Overall, market performance in 2024 is trending in a positive direction.

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 Business Office, Marcy Harrison, Lucerne Elementary School District, 3551 Country Club Drive, Lucerne, CA 95458-1083, (707) 274-5578.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2024**

	Governmental Activities
ASSETS	
Cash and investments	\$ 6,223,039
Accounts receivable	642,636
Prepaid expenses	811
Capital assets, not depreciated	1,952,991
Capital assets, net of accumulated depreciation	<u>6,797,175</u>
Total Assets	<u>15,616,652</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>1,471,100</u>
Total Deferred Outflows of Resources	<u>1,471,100</u>
LIABILITIES	
Accrued liabilities	577,765
Unearned revenue	186,014
Long-term liabilities, current portion	19,892
Long-term liabilities, non-current portion	<u>6,935,984</u>
Total Liabilities	<u>7,719,655</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>434,948</u>
Total Deferred Inflows of Resources	<u>434,948</u>
NET POSITION	
Net investment in capital assets	5,732,639
Restricted:	
Capital projects	866,315
Debt service	72,815
Educational programs	1,408,645
Food service	228,178
Associated student body	4,533
Unrestricted	<u>620,024</u>
Total Net Position	<u>\$ 8,933,149</u>

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

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

Function/Programs	Expenses	Program Revenues			Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 3,039,457	\$ 46	\$ 874,258	\$ 1,710,098	\$ (455,055)
Instruction-related services					
Instructional supervision and administration	183,691	45	65,300	-	(118,346)
Instructional library, media, and technology	63,854	4	198	-	(63,652)
School site administration	348,579	-	44,418	-	(304,161)
Pupil services					
Home-to-school transportation	71,880	-	2,771	-	(69,109)
Food services	349,141	3,669	366,531	-	21,059
All other pupil services	572,584	2,638	281,349	-	(288,597)
General administration					
Centralized data processing	25,824	-	-	-	(25,824)
All other general administration	389,337	113	72,956	-	(316,268)
Plant services	503,159	311	418,705	-	(84,143)
Ancillary services	26,142	-	3,862	-	(22,280)
Interest on long-term debt	120,757	-	-	-	(120,757)
Other outgo	499,466	-	138,717	-	(360,749)
Total Governmental Activities	\$ 6,193,871	\$ 6,826	\$ 2,269,065	\$ 1,710,098	(2,207,882)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					894,721
Property taxes, levied for debt service					105,630
Property taxes, levied for other specific purposes					35,399
Federal and state aid not restricted for specific purposes					3,114,882
Interest and investment earnings					83,410
Interagency revenues					25,418
Miscellaneous					71,737
Subtotal, General Revenue					4,331,197
CHANGE IN NET POSITION					2,123,315
Net Position - Beginning					6,809,834
Net Position - Ending					\$ 8,933,149

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

**LUCERNE ELEMENTARY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2024**

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 4,376,539	\$ 892,794	\$ 953,706	\$ 6,223,039
Accounts receivable	602,599	-	40,037	642,636
Due from other funds	9,033	50,923	-	59,956
Prepaid expenditures	811	-	-	811
Total Assets	\$ 4,988,982	\$ 943,717	\$ 993,743	\$ 6,926,442
LIABILITIES				
Accrued liabilities	\$ 444,746	\$ 83,536	\$ -	\$ 528,282
Due to other funds	50,923	-	9,033	59,956
Unearned revenue	186,014	-	-	186,014
Total Liabilities	681,683	83,536	9,033	774,252
FUND BALANCES				
Nonspendable	1,611	-	-	1,611
Restricted	1,408,645	860,181	984,710	3,253,536
Committed	924,556	-	-	924,556
Assigned	972,920	-	-	972,920
Unassigned	999,567	-	-	999,567
Total Fund Balances	4,307,299	860,181	984,710	6,152,190
Total Liabilities and Fund Balances	\$ 4,988,982	\$ 943,717	\$ 993,743	\$ 6,926,442

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

**LUCERNE ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2024**

Total Fund Balance - Governmental Funds \$ 6,152,190

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	\$ 11,966,122	
Accumulated depreciation	<u>(3,215,956)</u>	8,750,166

Unmatured interest on long-term debt:

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

(49,483)

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	\$ 3,653,631	
Compensated absences	3,000	
Net pension liability	<u>3,299,245</u>	(6,955,876)

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	\$ 1,471,100	
Deferred inflows of resources related to pensions	<u>(434,948)</u>	1,036,152

Total Net Position - Governmental Activities \$ 8,933,149

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

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 3,880,221	\$ -	\$ -	\$ 3,880,221
Federal sources	574,442	-	289,571	864,013
Other state sources	1,132,918	1,701,231	67,325	2,901,474
Other local sources	647,871	14,198	122,312	784,381
Total Revenues	6,235,452	1,715,429	479,208	8,430,089
EXPENDITURES				
Current				
Instruction	2,915,866	-	-	2,915,866
Instruction-related services				
Instructional supervision and administration	185,750	-	-	185,750
Instructional library, media, and technology	60,384	-	-	60,384
School site administration	361,192	-	-	361,192
Pupil services				
Home-to-school transportation	69,330	-	-	69,330
Food services	37,072	-	335,044	372,116
All other pupil services	573,707	-	-	573,707
General administration				
Centralized data processing	25,824	-	-	25,824
All other general administration	374,059	-	9,033	383,092
Plant services	484,831	-	-	484,831
Facilities acquisition and construction	544,042	1,117,624	-	1,661,666
Ancillary services	23,295	-	3,291	26,586
Transfers to other agencies	385,612	-	-	385,612
Debt service				
Principal	-	-	10,000	10,000
Interest and other	-	-	209,550	209,550
Total Expenditures	6,040,964	1,117,624	566,918	7,725,506
Excess (Deficiency) of Revenues Over Expenditures	194,488	597,805	(87,710)	704,583
Other Financing Sources (Uses)				
Other sources	-	-	739,048	739,048
Net Financing Sources (Uses)	-	-	739,048	739,048
NET CHANGE IN FUND BALANCE	194,488	597,805	651,338	1,443,631
Fund Balance - Beginning	4,112,811	262,376	333,372	4,708,559
Fund Balance - Ending	\$ 4,307,299	\$ 860,181	\$ 984,710	\$ 6,152,190

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

**LUCERNE ELEMENTARY 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 \$ 1,443,631

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:	\$	1,691,666	
Depreciation expense:		<u>(198,670)</u>	1,492,996

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:

10,000

Debt proceeds:

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

(748,794)

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:

(7,670)

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.

(12,537)

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:

2,046

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:

(61,249)

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:

4,892

Change in Net Position of Governmental Activities	\$	<u>2,123,315</u>
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The accompanying notes are an integral part of these financial statements.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Lucerne Elementary 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. The District has no such component units.

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.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements. The fund financial statements provide information about the District's funds. 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.

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.).

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.

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 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*).

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 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).

LUCERNE ELEMENTARY 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 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).

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.

D. Basis of Accounting – Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

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 reimbursement 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.

**LUCERNE ELEMENTARY 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. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

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 recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

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 and Improvements	15 years
Furniture and Equipment	15-50 years
Vehicles	5-25 years

Interfund Balances

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. 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.

**LUCERNE ELEMENTARY 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, 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.

**LUCERNE ELEMENTARY 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.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

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.

**LUCERNE ELEMENTARY 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	\$ 6,246,512
Fair value adjustment	(28,806)
Cash on hand and in banks	4,533
Cash in revolving fund	800
Total	\$ 6,223,039

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 Lake 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.

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.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations (continued)

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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 \$6,217,706.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2024, the pooled investments in the County Treasury were not rated.

F. Custodial Credit Risk – Deposits

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

**LUCERNE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2024**

NOTE 2 – CASH AND INVESTMENTS (continued)

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 Lake 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:

	Uncategorized
Investment in county treasury	\$ 6,217,706
Total	\$ 6,217,706

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government			
Categorical aid	\$ 203,079	\$ 30,631	\$ 233,710
State Government			
Categorical aid	162,367	8,202	170,569
Lottery	42,708	-	42,708
Local Government			
Other local sources	194,445	1,204	195,649
Total	\$ 602,599	\$ 40,037	\$ 642,636

**LUCERNE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

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	\$ 174,000	\$ -	\$ -	\$ 174,000
Construction in progress	117,325	1,661,666	-	1,778,991
Total capital assets not being depreciated	291,325	1,661,666	-	1,952,991
Capital assets being depreciated				
Land improvements	60,751	-	-	60,751
Buildings & improvements	9,126,870	-	-	9,126,870
Furniture & equipment	795,510	30,000	-	825,510
Total capital assets being depreciated	9,983,131	30,000	-	10,013,131
Less: Accumulated depreciation				
Land improvements	54,493	2,719	-	57,212
Buildings & improvements	2,352,460	173,157	-	2,525,617
Furniture & equipment	610,333	22,794	-	633,127
Total accumulated depreciation	3,017,286	198,670	-	3,215,956
Total capital assets being depreciated, net	6,965,845	(168,670)	-	6,797,175
Governmental Activities				
Capital Assets, net	\$ 7,257,170	\$ 1,492,996	\$ -	\$ 8,750,166

Depreciation expense in the governmental activities is charged to the instruction function.

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2024 were as follows:

	<u>Due From Other Funds</u>		
	<u>General Fund</u>	<u>County School Facilities Fund</u>	<u>Total</u>
<u>Due To Other Funds</u>			
General Fund	\$ -	\$ 50,923	\$ 50,923
Non-Major Governmental Funds	9,033	-	9,033
Total	\$ 9,033	\$ 50,923	\$ 59,956
Due from the General Fund to the County School Facilities Fund for construction costs.			\$ 50,923
Due from the Cafeteria Fund to the General Fund for indirect costs.			9,033
Total			\$ 59,956

**LUCERNE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 6 – ACCRUED LIABILITIES

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

	General Fund	County School Facilities Fund	District-Wide	Governmental Activities
Payroll	\$ 76,578	\$ -	\$ -	\$ 76,578
Construction	86,503	83,536	-	170,039
Vendors payable	281,665	-	-	281,665
Unmatured interest	-	-	49,483	49,483
Total	\$ 444,746	\$ 83,536	\$ 49,483	\$ 577,765

NOTE 7 – UNEARNED REVENUE

Unearned revenue for the year ended June 30, 2024 consisted of the following:

	General Fund
Federal sources	\$ 81,238
State categorical sources	104,776
Total	\$ 186,014

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	\$ 2,780,000	\$ 748,794	\$ 10,000	\$ 3,518,794	\$ 15,000
Unamortized premium	127,192	-	4,892	122,300	4,892
Accreted interest	-	12,537	-	12,537	-
Total general obligation bonds	2,907,192	761,331	14,892	3,653,631	19,892
Compensated absences	5,046	-	2,046	3,000	-
Net pension liability	3,042,324	256,921	-	3,299,245	-
Total	\$ 5,954,562	\$ 1,018,252	\$ 16,938	\$ 6,955,876	\$ 19,892

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2024**

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. General Obligation Bonds

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2024
					Outstanding July 01, 2023	Additions	Deductions	
Election 2016, Series A	12/3/2019	8/1/2049	4.00%	2,920,000	\$ 2,780,000	\$ -	\$ 10,000	\$ 2,770,000
Election 2016, Series B	4/10/2024	8/1/2051	3.55% - 4.93%	748,794	-	748,794	-	748,794
					\$ 2,780,000	\$ 748,794	\$ 10,000	\$ 3,518,794

Election 2016, Series A

In the November 2016 election, the citizens of the District approved the issuance and sale of not more than \$4,000,000 of general obligation bonds to replace outdated portables with modern permanent classrooms, modernize existing classrooms, enhance student safety and security, reconfigure student drop-off areas, and upgrade playgrounds and fields. Series A was issued on December 3, 2019 for \$2,920,000 with an interest rate of 4.00%. The original issuance consisted of current interest bonds. The bonds have a final maturity of August 1, 2049.

The bonds mature through 2050 as follows:

Year Ended June 30,	General obligation bonds		
	Principal	Interest	Total
2025	\$ 15,000	\$ 100,050	\$ 115,050
2026	20,000	99,350	119,350
2027	25,000	98,450	123,450
2028	35,000	97,250	132,250
2029	40,000	95,750	135,750
2030 - 2034	280,000	449,150	729,150
2035 - 2039	460,000	376,150	836,150
2040 - 2044	680,000	263,150	943,150
2045 - 2049	980,000	113,350	1,093,350
2050	235,000	3,525	238,525
Total	\$ 2,770,000	\$ 1,696,175	\$ 4,466,175

Election 2016, Series B

In the November 2016 election, the citizens of the District approved the issuance and sale of not more than \$4,000,000 of general obligation bonds to replace outdated portables with modern permanent classrooms, modernize existing classrooms, enhance student safety and security, reconfigure student drop-off areas, and upgrade playgrounds and fields. Series B was issued on April 10, 2024 for \$748,794 with an interest rate of 3.55% to 4.93%. The original issuance consisted of current interest bonds and capital appreciation. The bonds have a final maturity of August 1, 2051.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. General Obligation Bonds (continued)

The bonds mature through 2051 as follows:

<u>Year Ended June 30,</u>	<u>General obligation bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ -	\$ 18,708	\$ 18,708
2026	-	15,000	15,000
2027	-	15,000	15,000
2028	-	15,000	15,000
2029	-	15,000	15,000
2030 - 2034	47,225	75,000	122,225
2035 - 2039	83,145	75,000	158,145
2040 - 2044	115,582	75,000	190,582
2045 - 2049	127,842	75,000	202,842
2050 - 2051	375,000	16,200	391,200
Accreted interest	12,537	(12,537)	-
Total	\$ 761,331	\$ 382,371	\$ 1,143,702

B. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2024 amounted to \$3,000. This amount is included as part of long-term liabilities in the government-wide financial statements.

C. Net Pension Liability

The District's beginning net pension liability was \$3,042,324 and increased by \$256,921 during the year ended June 30, 2024. The ending net pension liability at June 30, 2024 was \$3,299,245. See Note 10 for additional information regarding the net pension liability.

**LUCERNE ELEMENTARY 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	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 800	\$ -	\$ -	\$ 800
Prepaid expenditures	811	-	-	811
Total non-spendable	<u>1,611</u>	<u>-</u>	<u>-</u>	<u>1,611</u>
Restricted				
Educational programs	1,408,645	-	-	1,408,645
Food service	-	-	228,178	228,178
Associated student body	-	-	4,533	4,533
Capital projects	-	860,181	629,701	1,489,882
Debt service	-	-	122,298	122,298
Total restricted	<u>1,408,645</u>	<u>860,181</u>	<u>984,710</u>	<u>3,253,536</u>
Committed				
Other commitments	924,556	-	-	924,556
Total committed	<u>924,556</u>	<u>-</u>	<u>-</u>	<u>924,556</u>
Assigned				
MAA activities	58,494	-	-	58,494
LCAP	422,696	-	-	422,696
Increased FTE	192,251	-	-	192,251
TK construction	150,000	-	-	150,000
Deferred maintenance	149,479	-	-	149,479
Total assigned	<u>972,920</u>	<u>-</u>	<u>-</u>	<u>972,920</u>
Unassigned	999,567	-	-	999,567
Total	<u>\$ 4,307,299</u>	<u>\$ 860,181</u>	<u>\$ 984,710</u>	<u>\$ 6,152,190</u>

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 5 percent of General Fund expenditures and other financing uses.

NOTE 10 – 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:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 1,350,731	\$ 619,223	\$ 402,747	\$ 188,302
PERS Pension	1,948,514	851,877	32,201	449,459
Total	<u>\$ 3,299,245</u>	<u>\$ 1,471,100</u>	<u>\$ 434,948</u>	<u>\$ 637,761</u>

**LUCERNE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 10 – 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 \$256,394 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 \$103,505 to CalSTRS.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 10 – 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	\$	1,350,731
State's proportionate share of the net pension liability associated with the District		<u>647,184</u>
Total	\$	<u>1,997,915</u>

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 0.002 percent, which did not change from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the District recognized pension expense of \$188,302. In addition, the District recognized pension expense and revenue of \$(9,398) 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 5,782
Differences between expected and actual experience	106,145	72,271
Changes in assumptions	7,821	-
Changes in proportion and differences between District contributions and proportionate share of contributions	248,863	324,694
District contributions subsequent to the measurement date	<u>256,394</u>	<u>-</u>
Total	<u>\$ 619,223</u>	<u>\$ 402,747</u>

**LUCERNE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 10 – 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 \$256,394 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, 2025. 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	\$ 97,730	\$ 123,398
2026	88,136	147,163
2027	74,181	(33,612)
2028	67,437	79,610
2029	17,700	64,923
2030	17,645	21,265
Total	<u>\$ 362,829</u>	<u>\$ 402,747</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.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

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 following table:

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	\$ 2,265,743	\$ 1,350,731	\$ 590,706

**LUCERNE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 10 – PENSION PLANS (continued)

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

Pension Plan Fiduciary Net Position

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

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 \$320,118 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 \$1,948,514 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 0.005 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2022.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 10 – 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 \$449,459. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 208,129	\$ -
Differences between expected and actual experience	71,107	29,926
Changes in assumptions	89,767	-
Changes in proportion and differences between District contributions and proportionate share of contributions	162,756	2,275
District contributions subsequent to the measurement date	320,118	-
Total	<u>\$ 851,877</u>	<u>\$ 32,201</u>

The \$320,118 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, 2025. 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	\$ 212,947	\$ 17,356
2026	123,155	14,845
2027	189,179	-
2028	6,478	-
Total	<u>\$ 531,759</u>	<u>\$ 32,201</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

**LUCERNE ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2024**

NOTE 10 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

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.

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)%
	100.0%	

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

**LUCERNE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2024**

NOTE 10 – PENSION PLANS (continued)

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

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.

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:

	<u>1% Decrease (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
District's proportionate share of the net pension liability	\$ 2,817,048	\$ 1,948,514	\$ 1,230,691

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 11 – 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.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2024**

NOTE 11 – COMMITMENTS AND CONTINGENCIES (continued)

C. Construction Commitments

As of June 30, 2024, the District had the following construction commitments:

	Remaining Construction Commitment
Capital Projects	
American Modular systems	\$ 431,630
CA Professional Management	11,676
Crawford & Associates	5,152
Kirby Construction	613,168
SVA Architects	14,025
Bridges Construction	41,506
Total	\$ 1,117,157

NOTE 12 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in three joint ventures under joint powers agreements (JPA's): The School Insurance Group Northern Alliance (SIGNAL and SIGNAL II) and the Self-Insured Schools of California (SISC). The relationship between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

SIGNAL arranges for and provides workers' compensation; SIGNAL II arranges for and provides property and liability insurance. SISC provides employee health benefits for its members.

The JPAs 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 JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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 10. At June 30, 2024, total deferred outflows related to pensions was \$1,471,100 and total deferred inflows related to pensions was \$434,948.

REQUIRED SUPPLEMENTARY INFORMATION

**LUCERNE ELEMENTARY SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2024**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 3,916,075	\$ 3,878,474	\$ 3,880,221	\$ 1,747
Federal sources	986,702	1,035,219	574,442	(460,777)
Other state sources	1,041,893	1,243,347	1,206,394	(36,953)
Other local sources	391,526	431,792	562,811	131,019
Total Revenues	6,336,196	6,588,832	6,223,868	(364,964)
EXPENDITURES				
Certificated salaries	1,923,413	1,740,413	1,698,025	42,388
Classified salaries	993,472	977,672	957,429	20,243
Employee benefits	1,525,156	1,420,185	1,343,564	76,621
Books and supplies	282,852	308,544	223,953	84,591
Services and other operating expenditures	745,412	1,072,121	854,397	217,724
Capital outlay	1,240,804	1,613,815	558,834	1,054,981
Other outgo				
Excluding transfers of indirect costs	350,470	350,470	385,612	(35,142)
Transfers of indirect costs	(17,979)	(7,252)	(9,033)	1,781
Total Expenditures	7,043,600	7,475,968	6,012,781	1,463,187
Excess (Deficiency) of Revenues Over Expenditures	(707,404)	(887,136)	211,087	1,098,223
Other Financing Sources (Uses)				
Transfers out	(86,400)	(86,400)	(25,184)	61,216
Net Financing Sources (Uses)	(86,400)	(86,400)	(25,184)	61,216
NET CHANGE IN FUND BALANCE	(793,804)	(973,536)	185,903	1,159,439
Fund Balance - Beginning	3,971,917	3,971,917	3,971,917	-
Fund Balance - Ending	\$ 3,178,113	\$ 2,998,381	\$ 4,157,820	\$ 1,159,439

*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 in this schedule does not include the financial activity of the Deferred Maintenance Fund in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - 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>
District's proportion of the net pension liability	0.002%	0.002%	0.003%	0.002%	0.002%	0.002%	0.002%	0.002%	0.002%	0.002%
District's proportionate share of the net pension liability	\$ 1,350,731	\$ 1,374,541	\$ 1,159,943	\$ 2,061,822	\$ 1,882,447	\$ 1,804,759	\$ 1,740,350	\$ 1,701,827	\$ 1,373,310	\$ 1,168,740
State's proportionate share of the net pension liability associated with the District	647,184	575,523	583,650	1,062,862	1,027,009	1,033,314	1,635,627	968,962	726,327	809,942
Total	<u>\$ 1,997,915</u>	<u>\$ 1,950,064</u>	<u>\$ 1,743,593</u>	<u>\$ 3,124,684</u>	<u>\$ 2,909,456</u>	<u>\$ 2,838,073</u>	<u>\$ 3,375,977</u>	<u>\$ 2,670,789</u>	<u>\$ 2,099,637</u>	<u>\$ 1,978,682</u>
District's covered payroll	\$ 1,085,844	\$ 1,208,652	\$ 1,348,917	\$ 1,173,591	\$ 1,111,382	\$ 1,024,269	\$ 1,085,831	\$ 1,061,227	\$ 888,352	\$ 940,327
District's proportionate share of the net pension liability as a percentage of its covered payroll	124.4%	113.7%	86.0%	175.7%	169.4%	176.2%	160.3%	160.4%	154.6%	124.3%
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.

**LUCERNE ELEMENTARY 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	0.005%	0.007%	0.005%	0.004%	0.004%	0.004%	0.004%	0.003%	0.003%	0.003%
District's proportionate share of the net pension liability	\$ 1,948,514	\$ 1,667,783	\$ 989,039	\$ 1,138,699	\$ 1,064,259	\$ 969,607	\$ 843,607	\$ 647,548	\$ 487,392	\$ 306,516
District's covered payroll	\$ 937,563	\$ 742,874	\$ 547,708	\$ 535,415	\$ 505,791	\$ 477,979	\$ 529,096	\$ 393,350	\$ 299,292	\$ 285,780
District's proportionate share of the net pension liability as a percentage of its covered payroll	207.8%	224.5%	180.6%	212.7%	210.4%	202.9%	159.4%	164.6%	162.8%	107.3%
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.

**LUCERNE ELEMENTARY 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	\$ 256,394	\$ 207,136	\$ 204,505	\$ 114,447	\$ 198,711	\$ 180,933	\$ 152,922	\$ 128,853	\$ 113,870	\$ 90,382
Contributions in relation to the contractually required contribution*	(256,394)	(207,136)	(204,505)	(114,447)	(198,711)	(180,933)	(152,922)	(128,853)	(113,870)	(90,382)
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	\$ 1,341,882	\$ 1,085,844	\$ 1,208,652	\$ 1,348,917	\$ 1,173,591	\$ 1,111,382	\$ 1,024,269	\$ 1,085,831	\$ 1,061,227	\$ 888,352
Contributions as a percentage of covered payroll	19.11%	19.08%	16.92%	8.48%	16.93%	16.28%	14.93%	11.87%	10.73%	10.17%

*Amounts do not include on-behalf contributions

**LUCERNE ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - 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>
Contractually required contribution	\$ 320,118	\$ 236,943	\$ 170,193	\$ 114,447	\$ 105,424	\$ 91,356	\$ 74,494	\$ 62,505	\$ 46,598	\$ 43,090
Contributions in relation to the contractually required contribution*	(320,118)	(236,943)	(170,193)	(114,447)	(105,424)	(91,356)	(74,494)	(62,505)	(46,598)	(43,090)
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	\$ 1,208,492	\$ 937,563	\$ 742,874	\$ 547,708	\$ 535,415	\$ 505,791	\$ 477,979	\$ 529,096	\$ 393,350	\$ 299,292
Contributions as a percentage of covered payroll	26.49%	25.27%	22.91%	20.90%	19.69%	18.06%	15.59%	11.81%	11.85%	14.40%

*Amounts do not include on-behalf contributions

**LUCERNE ELEMENTARY 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 the District’s Proportionate Share of the Net Pension Liability

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

Changes in Benefit Terms

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

Changes in Assumptions

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

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:

	<u>Expenditures and Other Uses</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
Other outgo			
Excluding transfers of indirect costs	\$ 350,470	\$ 385,612	\$ 35,142

SUPPLEMENTARY INFORMATION

**LUCERNE ELEMENTARY 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, Basic Grants Low-Income and Neglected	84.010	14329	\$ 147,464
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	18,341
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	17,951
Title VI, Part B, Rural & Low Income School Program	84.358	14356	20,371
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	113,643
ARP IDEA Part B, Sec 611, Local Assistance Entitlement	84.027	15638	7,657
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	3,344
ARP IDEA Part B, Sec 619, Preschool Grants	84.173	15639	702
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	1,390
Subtotal Special Education Cluster			<u>126,736</u>
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	131,516
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	103,043
Subtotal Education Stabilization Fund Discretionary Grants			<u>234,559</u>
Total U. S. Department of Education			<u><u>565,422</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	95,127
National School Lunch Program	10.555	13391	177,679
USDA Commodities	10.555	*	16,764
Subtotal Child Nutrition Cluster			<u>289,570</u>
Forest Reserve Funds	10.665	10044	9,021
Total U. S. Department of Agriculture			<u>298,591</u>
Total Federal Expenditures			<u><u>\$ 864,013</u></u>

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

**LUCERNE ELEMENTARY 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	137.79	138.15
Total TK/K through Third	137.79	138.15
Fourth through Sixth		
Regular ADA	83.10	82.35
Total Fourth through Sixth	83.10	82.35
Seventh through Eighth		
Regular ADA	48.83	48.56
Special Education - Nonpublic Schools	0.52	0.65
Total Seventh through Eighth	49.35	49.21
TOTAL SCHOOL DISTRICT	270.24	269.71

**LUCERNE ELEMENTARY 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	57,180	330	57,510	180	179	1	180	Complied
Grade 1	50,400	52,125	300	54,425	180	179	1	180	Complied
Grade 2	50,400	52,125	300	54,425	180	179	1	180	Complied
Grade 3	50,400	52,125	300	54,425	180	179	1	180	Complied
Grade 4	54,000	59,865	345	60,210	180	179	1	180	Complied
Grade 5	54,000	59,865	345	60,210	180	179	1	180	Complied
Grade 6	54,000	60,760	350	61,110	180	179	1	180	Complied
Grade 7	54,000	60,760	350	61,110	180	179	1	180	Complied
Grade 8	54,000	60,760	350	61,110	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.

**LUCERNE ELEMENTARY 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	\$ 6,147,753	\$ 6,223,868	\$ 6,083,196	\$ 4,921,311
Expenditures And Other Financing Uses	6,868,949	6,037,965	4,607,665	5,159,767
Net change in Fund Balance	<u>\$ (721,196)</u>	<u>\$ 185,903</u>	<u>\$ 1,475,531</u>	<u>\$ (238,456)</u>
Ending Fund Balance	<u>\$ 3,436,624</u>	<u>\$ 4,157,820</u>	<u>\$ 3,971,916</u>	<u>\$ 2,496,385</u>
Available Reserves*	<u>\$ 755,097</u>	<u>\$ 999,567</u>	<u>\$ 850,457</u>	<u>\$ 647,557</u>
Available Reserves As A Percentage Of Outgo	<u>10.99%</u>	<u>16.55%</u>	<u>18.46%</u>	<u>12.55%</u>
Long-term Liabilities	<u>\$ 6,935,984</u>	<u>\$ 6,955,876</u>	<u>\$ 5,954,562</u>	<u>\$ 5,076,023</u>
Average Daily Attendance At P-2	<u>273</u>	<u>270</u>	<u>262</u>	<u>248</u>

The General Fund ending fund balance has increased by \$1,661,435 over the past two years. The fiscal year 2024-24 budget projects a decrease of \$721,196. For a District this size, the State recommends available reserves of at least 5% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, but anticipates incurring an operating deficit during the 2024-24 fiscal year. Total long-term obligations have increased by \$1,879,853 over the past two years.

Average daily attendance has increased by 22 ADA over the past two years. An increase of 3 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 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 in this schedule does not include the financial activity of the Deferred Maintenance Fund in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2024**

	General Fund	Deferred Maintenance Fund
June 30, 2024, annual financial and budget report fund balance	\$ 4,157,820	\$ 149,479
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	149,479	(149,479)
Net adjustments and reclassifications	149,479	(149,479)
June 30, 2024, audited financial statement fund balance	<u>\$ 4,307,299</u>	<u>\$ -</u>

See accompanying note to supplementary information.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 JUNE 30, 2024**

	Student Activity Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
ASSETS						
Cash and investments	\$ 4,533	\$ 197,174	\$ 623,567	\$ 6,134	\$ 122,298	\$ 953,706
Accounts receivable	-	40,037	-	-	-	40,037
Total Assets	\$ 4,533	\$ 237,211	\$ 623,567	\$ 6,134	\$ 122,298	\$ 993,743
LIABILITIES						
Due to other funds	\$ -	\$ 9,033	\$ -	\$ -	\$ -	\$ 9,033
Total Liabilities	-	9,033	-	-	-	9,033
FUND BALANCES						
Restricted	4,533	228,178	623,567	6,134	122,298	984,710
Total Fund Balances	4,533	228,178	623,567	6,134	122,298	984,710
Total Liabilities and Fund Balances	\$ 4,533	\$ 237,211	\$ 623,567	\$ 6,134	\$ 122,298	\$ 993,743

See accompanying note to supplementary information.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2024**

	Student Activity		Capital Facilities		Bond Interest and	Non-Major
	Fund	Cafeteria Fund	Building Fund	Fund	Redemption Fund	Governmental Funds
REVENUES						
Federal sources	\$ -	\$ 289,571	\$ -	\$ -	\$ -	\$ 289,571
Other state sources	-	66,434	-	-	891	67,325
Other local sources	3,885	10,940	(2,770)	1,415	108,842	122,312
Total Revenues	3,885	366,945	(2,770)	1,415	109,733	479,208
EXPENDITURES						
Current						
Pupil services						
Food services	-	335,044	-	-	-	335,044
General administration						
All other general administration	-	9,033	-	-	-	9,033
Ancillary services	3,291	-	-	-	-	3,291
Debt service						
Principal	-	-	-	-	10,000	10,000
Interest and other	-	-	109,000	-	100,550	209,550
Total Expenditures	3,291	344,077	109,000	-	110,550	566,918
Excess (Deficiency) of Revenues Over Expenditures	594	22,868	(111,770)	1,415	(817)	(87,710)
Other Financing Sources (Uses)						
Other sources	-	-	735,340	-	3,708	739,048
Net Financing Sources (Uses)	-	-	735,340	-	3,708	739,048
NET CHANGE IN FUND BALANCE	594	22,868	623,570	1,415	2,891	651,338
Fund Balance - Beginning	3,939	205,310	(3)	4,719	119,407	333,372
Fund Balance - Ending	\$ 4,533	\$ 228,178	\$ 623,567	\$ 6,134	\$ 122,298	\$ 984,710

See accompanying note to supplementary information.

**LUCERNE ELEMENTARY 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 District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by 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.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Combining Statements – Non-Major Funds

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

OTHER INFORMATION

**LUCERNE ELEMENTARY SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2024**

The Lucerne Elementary School District is a political subdivision of the State of California. It was established in 1923 to provide elementary education, kindergarten through eighth grade, to pupils in and around Lucerne, California. The District operates one school, the Lucerne Elementary School. There were no boundary changes during the year.

GOVERNING BOARD

Member	Office	Term Expires
Stacia Fetzer	President	November 2024
Cheyenne Higgins	Clerk	November 2026
Nicole Zwinge	Member	November 2026

DISTRICT ADMINISTRATORS

Megan Grant
 Superintendent/Principal

Marcy Harrison
 Business Manager

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
Lucerne Elementary School District
Lucerne, 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 Lucerne Elementary School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Lucerne Elementary School District's basic financial statements, and have issued our report thereon dated October 8, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lucerne Elementary 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 Lucerne Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lucerne Elementary 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 Lucerne Elementary School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

San Diego, California
October 8, 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
Lucerne Elementary School District
Lucerne, California

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

We have audited Lucerne Elementary 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 Lucerne Elementary School District's major federal programs for the year ended June 30, 2024. Lucerne Elementary 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, Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

Report on Internal Control Over Compliance (continued)

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

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

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

San Diego, California
October 8, 2024

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

Governing Board
Lucerne Elementary School District
Lucerne, California

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

We have audited Lucerne Elementary 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 Lucerne Elementary 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, Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary 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 Lucerne Elementary School District's internal control over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine Lucerne Elementary School District's compliance with the state laws and regulations applicable to the following items:

<u>PROGRAM NAME</u>	<u>PROCEDURES PERFORMED</u>
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

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.

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

San Diego, California
October 8, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**LUCERNE ELEMENTARY 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>	
84.425, 84.425U	Education Stabilization Fund Discretionary Grants	
Dollar threshold used to distinguish between Type A and Type B programs:	\$	<u>750,000</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
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>

**LUCERNE ELEMENTARY SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no financial statement findings for the year ended June 30, 2024.

**LUCERNE ELEMENTARY 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.

**LUCERNE ELEMENTARY 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.

**LUCERNE ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

FINDING #2023-001: AFTER SCHOOL EDUCATION & SAFETY (ASES) PROGRAM (40000)

Criteria: Education Code Section 8483(c)(1)(A) states that there should be a process or procedure that gives first priority for enrollment of pupils in an after school program shall go to pupils identified by the program as homeless youth as defined by the federal McKinney-Vento Homeless Assistance Act (42 U.S.C. Sec. 11434a), at the time that they apply for enrollment or at any time during the school year, to pupils who are identified by the program as being in foster care, and to pupils who are eligible for free or reduced-price meals. Second priority for enrollment goes to pupils who attend daily.

Condition: A policy stating that first priority for enrollment will go to students who are identified as homeless youth or in foster care should be implemented. Lucerne Elementary School District did not have such policy in place during the 2022-23 school year.

Cause: Administrative oversight.

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

Questioned Costs: There are no questioned costs associated with the finding.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the District implement a written policy with the necessary requirements to ensure compliance with the related sections of California Education Code.

Corrective Action Plan: The district will review the requirements of California Education Code to ensure an understanding of all compliance requirements of the ASES Program. A written policy will be implemented that meets all compliance requirements.

Current Status: Implemented.