

LODI UNIFIED SCHOOL DISTRICT

**COUNTY OF SAN JOAQUIN
LODI, CALIFORNIA**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED JUNE 30, 2023

LODI UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**Board of Education
Lodi Unified School District
Lodi, 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 Lodi Unified School District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 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 District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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; and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 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; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel 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 based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 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 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 Management's Discussion and Analysis and the Required Supplementary Information section, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, 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 an 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 District's basic financial statements. The Supplementary Information section, as listed in the Table of Contents, is presented for purposes of additional analysis and as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2024, on our consideration of the 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 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 the District's internal control over financial reporting and compliance.



GILBERT CPAs
Sacramento, California

February 5, 2024

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2023

This section of the Lodi Unified School District's annual financial report presents our discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflow of resources exceeded the liabilities and deferred inflow of resources of the District at June 30, 2023 by \$520 million (net position).
- Net position increased by \$155 million over the previous fiscal year primarily due to the increases in the Local Control Funding Form (LCFF) and other funds from state resources such as the Learning Recovery Block Grant, the Arts, Music Block Grant, Instructional Materials Discretionary Block Grant, and Expanded Learning Opportunities Program.
- As of June 30, 2023, the District's governmental funds reported combined ending fund balances of \$504 million, an increase of \$83 million in comparison with prior year. Of this total amount:
 - \$252 million (50 percent) reflects the General Fund ending balance,
 - \$184 million (37 percent) represents the ending balances of capital project funds, and
 - \$68 million (13 percent) comprises the ending balances of special revenue and debt service funds.
- The unrestricted portion of ending balance for the General Fund is \$156 million at June 30, 2023, of which \$130 million is assigned to instruction, future cost of benefits, anticipated negotiation settlements, enrollment decline, and other commitments. The remaining balance of \$26 million is unassigned and is part of the required reserve for economic uncertainties, including additional reserves due to deficit spending.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three separate 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 and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
 - Basic services funding (i.e., regular and special education) is described in the governmental funds statements. These statements include short-term financing and balances remaining for future one-time spending.

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2023

- Short and long-term financial information about the activities of the District that operate like businesses (such as self-insurance funds) are provided in the proprietary funds statements.
- Financial relationships, for which the District acts solely as an agent or trustee, for the benefit of others to whom the resources belong, are presented in the fiduciary fund statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements.
- The required supplementary information section provides further explanations and additional support for the financial statements. A comparison of the District's budget for the year is included. Budgetary comparisons of the General Fund and the Cafeteria Fund (a major special revenue fund) are included in this section. This section also includes a schedule of changes in total OPEB liabilities and schedules of the District's proportionate share of net pension liabilities and contribution to its pension plans.

Government-wide Statements

The District as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector. All of the District's assets, liabilities and deferred outflow and inflow of resources are included in the statement of net position. The statement of activities reports all of the current year's revenues and expenses regardless of when cash is received or paid. The District net position can be measured by adding the District's assets and deferred outflow of resources and subtracting the liabilities and deferred inflow of resources.

- Increases or decreases in the net position of the District over time are indicators of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities, and changes in the property tax base of the District need to be considered in assessing the overall health of the District.

In the government-wide financial statements, the District activities are categorized as governmental activities. The governmental activities are the basic services provided by the District, such as regular and special education, administration, and transportation, and are included here. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

More detailed information about the District's most significant funds – not the District as a whole – is provided in the fund financial statements. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by bond covenants and by state law.
- Other funds are established by the District to control and manage money for particular purposes (such as repaying its long-term debts). These funds may also show proper usage of certain revenues (such as grants from federal and state sources).

LODI UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

The District has two kinds of funds:

- **Governmental funds:** Most of the District’s basic services are included in governmental funds, which generally focus on:
 1. How cash and other financial assets can readily be converted to cash flow (in and out).
 2. The ending balances available for one-time spending.

The governmental fund statements provides a detailed short-term view of the District’s financial position and whether there are more or fewer financial resources that can be spent in the near future for financing the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided as a separate reconciliation to the governmental fund statements that explains the differences (or relationships) between them.

- **Proprietary funds:** Services for which the District charges a fee are generally reported in a proprietary fund. A type of proprietary fund is the internal service fund which reports activities that provide services for the other programs and activities of the District. Proprietary funds are reported in the same way as the government-wide statements.

The District maintains two internal service funds for self-insurance. One of the Self-Insurance Fund reports the activities for workers’ compensation, self-insured retention portion of property and liability, and vision and dental benefits. The other Self-Insurance Fund – OPEB reports the activities related to retiree benefits.

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT AS WHOLE

Table 1 summarizes the District's net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by \$520 million at June 30, 2023. The unrestricted net position was negative \$135 million due primarily to recognizing net pension liability of \$305 million and OPEB liability of \$89 million. Net investment in capital assets (e.g., land, building and equipment) was \$350 million of the net position. The District uses these assets to provide educational services; therefore, they are not available for future spending. Although the District's investments in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. And lastly, resources subject to external restrictions accounted for \$305 million of net position of which \$111 million are unspent Measure L and U bond proceeds.

Table 1			
Net Position			
	<u>2022</u>	<u>2023</u>	<u>Percent</u> <u>Change</u>
Current and Other Assets	\$ 599,057,978	\$ 702,606,533	17.29%
Capital Assets	576,143,509	598,219,158	3.83%
Total Assets	1,175,201,487	1,300,825,691	10.69%
Deferred outflow of resources related to pensions	64,359,124	93,057,522	44.59%
Deferred outflow of resources related to OPEB	24,772,235	22,855,061	-7.74%
Deferred amount on debt refunding	490,300	375,981	-23.32%
Total Deferred Outflow of Resources	89,621,659	116,288,564	29.75%
Long-Term Liabilities Outstanding	683,459,357	760,835,052	11.32%
Other Liabilities	59,382,811	68,921,953	16.06%
Total Liabilities	742,842,168	829,757,005	11.70%
Deferred inflow of resources related to OPEB	17,971,099	36,283,109	101.90%
Deferred inflow of resources related to pensions	138,314,744	30,834,599	-77.71%
Total Deferred Inflow of Resources	156,285,843	67,117,708	-57.05%
Net Investment in Capital Assets	326,002,983	350,256,849	7.44%
Restricted	261,389,574	305,221,187	16.77%
Unrestricted	(221,697,422)	(135,238,494)	-39.00%
Total Net Position	\$ 365,695,135	\$ 520,239,542	42.26%

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2023

Table 2 shows the changes in net position. Total revenues for the District as a whole increased by \$85 million to \$619 million, while the total cost of all programs and services for the District as a whole increased by \$20 million to \$464 million. Net position increased by \$155 million due to an increase in LCFE apportionments, operating grants, and interest revenue.

Table 2			
Changes in Net Position			
	<u>2022</u>	<u>2023</u>	<u>Percent Change</u>
<i>Revenues</i>			
Program Revenues (Restricted)			
Charges for Services	\$ 9,777,390	\$ 6,708,923	-31.38%
Operating Grants	181,236,462	214,785,285	18.51%
General Revenues			
Property Taxes	98,921,990	94,945,898	-4.02%
Federal and state aid-Unrestricted	246,786,825	285,893,711	15.85%
Developer Fees	7,439,586	3,592,109	-51.72%
Other	(10,428,750)	12,651,283	221.31%
Total Revenues	<u>533,733,503</u>	<u>618,577,209</u>	<u>15.90%</u>
<i>Program Expenses</i>			
Instruction	269,380,646	269,684,735	0.11%
Instruction Related Services	39,674,519	48,836,475	23.09%
Pupil Services	49,063,099	60,245,062	22.79%
General Administration	25,281,538	27,421,078	8.46%
Plant Services	42,975,504	40,885,745	-4.86%
Interest	11,653,255	10,571,519	-9.28%
Other	5,736,995	6,388,188	11.35%
Total Expenses	<u>443,765,556</u>	<u>464,032,802</u>	<u>4.57%</u>
Increase/(Decrease) in Net Position	89,967,947	154,544,407	
Net Position - Beginning	<u>275,727,188</u>	<u>365,695,135</u>	
Net Position - Ending	<u>\$ 365,695,135</u>	<u>\$ 520,239,542</u>	<u>42.26%</u>

LODI UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

General Governmental Functions

All governmental funds had total revenues and other financing sources of \$614 million and expenditures and other financing uses of \$532 million. These activities increased the combined fund balance by \$83 million to \$504 million. Table 3 shows the changes in fund balances from the prior year.

Table 3			
Changes in Fund Balances			
	<u>2022</u>	<u>2023</u>	Increase (Decrease)
General	\$ 156,289,359	\$ 252,384,641	\$ 96,095,282
Student Activity Fund	2,390,910	2,647,567	256,657
Charter School	2,878,267	3,999,091	1,120,824
Adult Education	378,111	275,842	(102,269)
Child Development	497,977	471,226	(26,751)
Cafeteria	13,797,467	19,423,318	5,625,851
Building	136,535,534	119,695,324	(16,840,210)
Capital Facilities	28,338,923	29,512,919	1,173,996
Special Reserve Fund for Capital Outlays	28,783,778	34,909,818	6,126,040
Bond Interest and Redemption	39,823,507	30,655,942	(9,167,565)
Debt Service	11,316,120	9,868,645	(1,447,475)
Total	<u>\$ 421,029,953</u>	<u>\$ 503,844,333</u>	<u>\$ 82,814,380</u>

Significant net changes in fund balances for the year were as follows:

- General Fund increased by \$96 million due to increased state and federal resources.
- Building Fund decreased by \$17 million primarily due to various capital facilities improvements.
- Special Reserve Fund for Capital Outlay increased by 6 million due to one-time discretionary funds set aside for capital outlays.
- Bond Interest and Redemption Fund decreased by \$9 million due to debt service payments.

LODI UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

General Fund Budgetary Highlights

Work on the 2022-23 general fund started with a review of the Governor’s proposal in January 2022. The State Budget proposal continued to reflect the Governor’s commitment to return to safe in-person instruction, learning recovery opportunities and expanded learning time. The budget proposal includes a 5.33% cost of living adjustment (COLA) for 2022-23, resulting in \$3.3 billion in additional discretionary funds for local educational agencies. The budget also proposed a policy to address long-term declining enrollment and attendance. The Governor proposed a \$3.4 billion ongoing investment in the Expanded Learning Opportunity Program (ELOP) to address and prevent student learning challenges.

At the May Revision, the inflation continued to rise. The Governor increased the cost of living adjustment to 6.56%, and additional investment to ELOP. The May Revision also proposes a one-time \$8 million discretionary block grant to support students and staff.

The Governor signed the budget on June 27, 2022, and maintained several proposals included in the May Revision. However, many changes have been incorporated in the final state budget, including the changes to the LCFF calculation to allow school districts to utilize the greater of the current year, the prior year, or the average of the most recent three prior years’ average daily attendance (ADA). Other major K-12 funding provisions include establishing the Learning Recovery Emergency Block Grant, Arts, Music, and Instructional Block Grant, Home-to-School Transportation, and Kitchen Infrastructure Grant. The 10% reserve cap is triggered.

Business-type Funds

At fiscal year ending June 30, 2023, the Self-Insurance fund has net position balance of \$27 million, an increase from the prior year by \$6 million. This fund provides for the claims and administration of its self-insured programs: worker’s compensation, self-insured retention portion of property and liability, and vision and dental benefits. As of June 30, 2023, the incurred but not reported (IBNR) and reserve liabilities are fully funded for all the programs.

Beginning with fiscal year 2007-08, the District also uses a Self-Insurance Fund to account for the accumulation of funds and payment of retiree benefits. With the implementation of GASB 75, the District’s Net Other Post Employment Benefit (OPEB) Liability as of June 30, 2023, is \$89 million.

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION

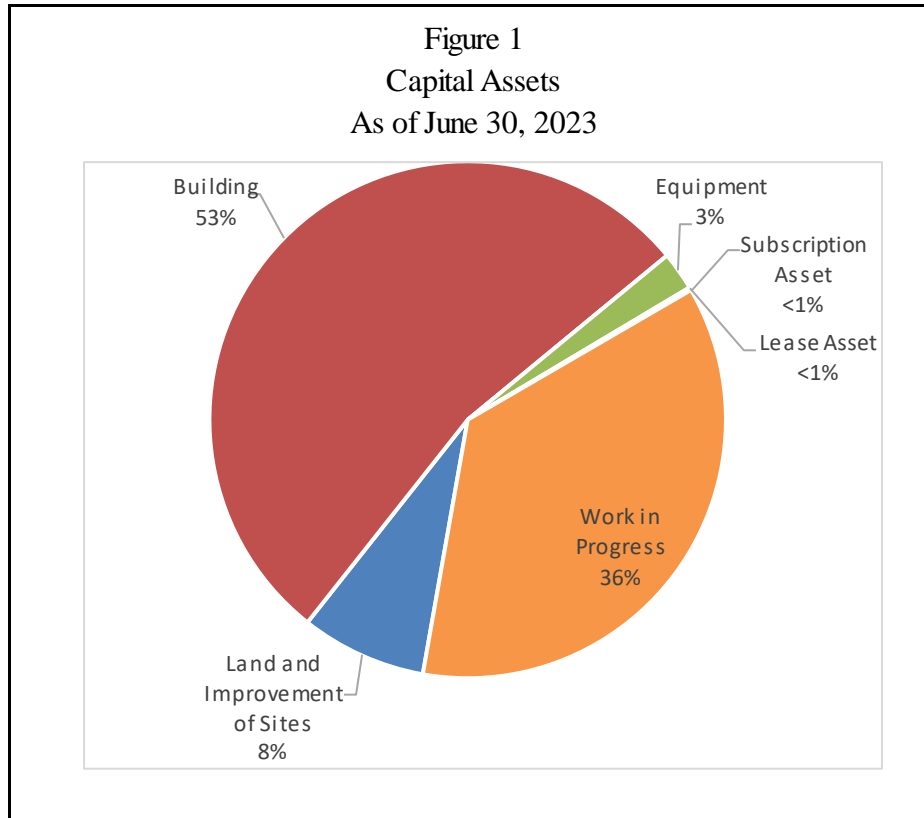
Table 4
Capital Assets
(net of depreciation)

	<u>2022</u>	<u>2023</u>	<u>Percent Change</u>
Land and Improvement of Sites	\$ 43,293,940	\$ 47,132,813	8.87%
Building	328,387,021	319,349,758	-2.75%
Equipment	12,211,590	14,431,195	18.18%
Lease Asset	70,956	1,006,111	1317.94%
Subscription Asset	-	72,480	100.00%
Work in Progress	<u>192,180,002</u>	<u>216,226,801</u>	<u>12.51%</u>
Total Net Assets	<u>\$ 576,143,509</u>	<u>\$ 598,219,158</u>	<u>3.83%</u>

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2023

By June 30, 2023 the District has invested \$598 million in a broad range of capital assets, including school buildings, buses, computers and copiers, and administrative offices. This amount represents a net increase of \$22 million from last year. Figure 1 below graphically displays the percentage of capital assets by category.



At June 30, 2023, the District has budgeted over \$198 million for capital projects using the proceeds from the sale of bonds, Proposition 47 apportionments, one-time state discretionary funds, and developer fees. The amounts below represent the final projected budget for 2022-23 only and do not necessarily represent the total budget for the project as most projects span more than one fiscal year.

LODI UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2023

**Table 5
Anticipated Projects**

Project No.	Project	
8019	Bchs Ag Science Classrooms	3,632,000
8021	Tokay Hs Pool Renovations	255,000
8030	Furniture, Fixtures & Equipment	886,000
8035	Bchs Gas Retro-Fit Proj	106,000
8037	Liveoak Walkin Refrig-Freezer	43,000
8053	Parklane Fire Alarm Upgrade	27,000
8054	Safety & Security	194,000
8079	Jaesc Fencing Project	300,000
8090	Lab Conversion @ Bchs	370,000
8092	Future Elem Site I	3,360,000
8118	Tokay Hs Athletic Fld Imprv	33,000
8145	19440 N. Jack Tone Rd	117,000
8154	Lodi Middle Relocatable Classroom	21,000
8206	Lodi High Renovation Proj - Meas U	9,491,000
8207	Houston Modernization	80,000
8208	Lodi Middle Fire Alarm Upgrade	5,836,000
8210	Beckman Facility Improvement	213,000
8212	Clairmont Facility Imprv	32,000
8213	Creekside Facility Imprv	18,000
8214	Davis Facility Imprv	7,242,000
8215	Elkhorn Facility Imprv	15,615,000
8216	Heritage Facility Imprv	820,000
8217	Needham Facility Imprv	2,664,000
8218	John Muir Facility Imprv	429,000
8219	Lodi High Pool Project	12,472,000
8221	Lakewood Facility Imprv	4,964,000
8222	Larson Facility Imprv	422,000
8223	Lawrence Facility Imprv	7,000
8224	Live Oak Facility Imprv	859,000
8227	Nichols Facility Imprv	1,958,000
8228	Oakwood Facility Imprv	63,000
8231	Reese Facility Imprv	10,000
8234	Turner Academy Facility Imprv	152,000
8235	Victor Facility Imprv	223,000
8236	Vinewood Facility Imprv	8,292,000
8238	Washington Facility Imprv	6,306,000
8240	Mcauliffe Facility Imprv	210,000
8241	Delta Sierra Facility Imprv	632,000
8242	Henderson Facility Imprv	719,000
8244	Morada Facility Imprv	540,000
8245	Liberty Facility Imprv	955,000
8246	Plaza Facility Imprv	2,000
8247	Tokay Hs New & Modernization	2,485,000
8248	Lincoln Tech - Mu	268,000
8249	Bear Creek Facility Imprv	622,000
8425	Dist Construction Proj	15,284,000
8426	Extension Rd Campus	364,000
8429	19 S. Central Ave	3,340,000
8460	Henderson Demolition Proj	75,000
8866	Storm Drain Pump Stn @ McNair	845,000
8877	Live Oak Portables	78,000
8934	Sch Fac Imprv Dist Safety	424,000
8986	Bchs Ag Complex	3,000
8993	Maintenance Ops Fac-Guild	45,000
XXXX	Other Various Projects	83,671,000
	Total Anticipated	<u>\$ 198,073,000</u>

LODI UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

At June 30, 2023, the District had \$761 million in general obligation bonds and other long-term debt outstanding – an increase of 11 percent from last year as shown in the following Table 6.

Table 6			
Long-Term Debt			
	<u>2022</u>	<u>2023</u>	<u>Percent Change</u>
General Obligation Bonds	\$ 372,080,116	\$ 349,862,717	-5.97%
Certificates of Participation Payable	6,174,893	5,261,575	-14.79%
Leases Payable	69,244	1,019,008	1371.62%
Claims Payable	6,990,208	6,057,592	-13.34%
Total OPEB Liability	102,767,717	88,851,928	-13.54%
Other General Long-Term Debt	3,885,000	3,325,000	-14.41%
Other loan			
Compensated Absences Payable	1,152,731	1,166,659	1.21%
Subscription Liability	-	71,139	100.00%
Net Pension Liability	<u>190,339,448</u>	<u>305,219,434</u>	<u>60.36%</u>
Total	<u>\$ 683,459,357</u>	<u>\$ 760,835,052</u>	<u>11.32%</u>

Significant changes to long-term debt were as follows:

- Lease Payable increased by \$1 million due to new lease agreements.
- Subscription Liability is reported for the first time due to implementing GASB Statement 96, Subscription-Based Information Technology Arrangements.
- Total OPEB Liability decreased by \$14 million due to changes in assumptions during the measurement period ended June 30, 2022.
- Net Pension Liability increased by \$115 million primarily due to low investment returns.

LODI UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

FACTORS BEARING ON THE DISTRICT FUTURE

At the time these financial statements were prepared, factors affecting the District's future include:

- Continuous decline in student enrollment and attendance rate.
- Ongoing employee bargaining negotiations.
- Increased contributions to CalSTRS and CalPERS to cover projected liabilities for pension benefits earned to date.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, 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 regarding this report or need additional financial information, contact Mr. Leonard Kahn, Chief Business Officer, Lodi Unified School District, 1305 E. Vine, Lodi, CA 95240.

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 657,195,561
Restricted cash and equivalents	64,853
Accounts receivable	43,385,225
Inventories	1,106,854
Prepaid items	854,040
Depreciable capital assets (net)	352,255,447
Nondepreciable capital assets	<u>245,963,711</u>
Total assets	<u>1,300,825,691</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	93,057,522
Deferred outflows of resources related to OPEB	22,855,061
Deferred amount on debt refunding	<u>375,981</u>
Total deferred outflows of resources	<u>116,288,564</u>
LIABILITIES	
Accounts payable	51,491,941
Unearned revenue	17,430,012
Long-term liabilities, due within one year	23,132,210
Due in more than one year:	
Total OPEB liability	88,851,928
Net pension liability	305,219,434
Other long-term liabilities	<u>343,631,480</u>
Total liabilities	<u>829,757,005</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	30,834,599
Deferred inflows of resources related to OPEB	<u>36,283,109</u>
Total deferred inflow of resources	<u>67,117,708</u>
NET POSITION	
Net investment in capital assets	350,256,849
Restricted for:	
Capital projects	150,552,445
Debt service	32,317,075
Educational programs	98,987,013
Student activities	2,647,567
Other purposes (expendable)	20,717,087
Unrestricted	<u>(135,238,494)</u>
Total net position	<u>\$ 520,239,542</u>

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

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2023

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 269,684,735		\$ 104,412,502	\$ (165,272,233)
Instruction-related services:				
Instructional supervision and administration	19,732,792		45,981,273	26,248,481
Instructional library, media and technology	3,103,093		621,651	(2,481,442)
School site administration	26,000,590		3,866,701	(22,133,889)
Pupil services:				
Pupil transportation	6,074,208		293,725	(5,780,483)
Food services	20,846,069	\$ 2,858,208	25,088,272	7,100,411
Other pupil services	33,324,785		16,544,800	(16,779,985)
Plant services	40,885,745	3,314,491	4,623,158	(32,948,096)
Ancillary services	4,812,296		2,194,551	(2,617,745)
Enterprise activities	116,252		294,414	178,162
General administration:				
Data processing services	10,025,429		2,272,257	(7,753,172)
Other general administration	17,395,649	536,224	8,236,510	(8,622,915)
Interest and other charges	10,571,519			(10,571,519)
Other outgo	1,459,640		355,471	(1,104,169)
Totals	\$ 464,032,802	\$ 6,708,923	\$ 214,785,285	(242,538,594)
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				71,135,387
Taxes levied for debt service				22,154,156
Taxes levied for other specific purposes				1,656,355
Federal and state aid not restricted to specific purposes				285,893,711
Interest and investment earnings				12,636,572
Interagency revenues				14,711
Miscellaneous revenue				3,592,109
Total general revenues				397,083,001
Increase in net position				154,544,407
Net position - beginning of year				365,695,135
Net position - ending				\$ 520,239,542

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

LODI UNIFIED SCHOOL DISTRICT

BALANCE SHEETS GOVERNMENTAL FUNDS JUNE 30, 2023

	General Fund	Cafeteria Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and equivalents	\$ 283,469,094	\$ 15,426,356	\$ 121,039,081	\$ 104,220,137	\$ 524,154,668
Restricted cash and equivalents				64,853	64,853
Accounts receivable	34,216,876	3,910,166	1,074,888	2,261,481	41,463,411
Due from other funds	16,383	86,767		8,049,153	8,152,303
Inventories	73,304	1,033,550			1,106,854
Prepaid items	853,062			978	854,040
Total assets	<u>\$ 318,628,719</u>	<u>\$ 20,456,839</u>	<u>\$ 122,113,969</u>	<u>\$ 114,596,602</u>	<u>\$ 575,796,129</u>
LIABILITIES					
Accounts payable	\$ 41,407,130	\$ 790,254	\$ 2,418,645	\$ 1,753,452	\$ 46,369,481
Due to other funds	8,135,920	10,226		6,157	8,152,303
Unearned revenue	16,701,028	233,041		495,943	17,430,012
Total liabilities	<u>66,244,078</u>	<u>1,033,521</u>	<u>2,418,645</u>	<u>2,255,552</u>	<u>71,951,796</u>
FUND BALANCES					
Nonspendable for:					
Revolving cash	120,000				120,000
Inventories	73,304	1,033,550			1,106,854
Prepaid items	853,062				853,062
Restricted for:					
Instruction	94,516,696			4,470,317	98,987,013
Maintenance	2,327,319				2,327,319
Student activities				2,647,567	2,647,567
Debt service				32,317,075	32,317,075
Capital projects			119,695,324	30,857,121	150,552,445
Food services		18,389,768			18,389,768
Committed for:					
Instruction	90,013,722			275,842	90,289,564
Assigned for:					
Instruction:					
Programmatic reserve	1,500,000				1,500,000
Instructional materials	12,000,000				12,000,000
Purchase order commitments	920,202				920,202
Locally defined	24,223,900				24,223,900
Capital projects				33,565,616	33,565,616
Debt service				8,207,512	8,207,512
Unassigned	25,836,436				25,836,436
Total fund balances	<u>252,384,641</u>	<u>19,423,318</u>	<u>119,695,324</u>	<u>112,341,050</u>	<u>503,844,333</u>
Total liabilities and fund balances	<u>\$ 318,628,719</u>	<u>\$ 20,456,839</u>	<u>\$ 122,113,969</u>	<u>\$ 114,596,602</u>	<u>\$ 575,796,129</u>

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

LODI UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENT OF NET POSITION JUNE 30, 2023

Total fund balance, governmental funds \$ 503,844,333

Amounts reported for governmental activities in the statement of net position are different because:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation, lease assets and accumulated amortization, and subscription assets and accumulated amortization.

Capital assets at historical cost:	828,327,728
Accumulated depreciation:	(231,187,161)
Lease assets at historical costs:	1,200,859
Accumulated depreciation:	(194,748)
Subscription assets at historical costs:	414,828
Accumulated depreciation:	(342,348)

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 unmatured interest owing at the end of the period was: (5,067,934)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities, net of unamortized premiums, discounts, are included in governmental activities in the statement of net position as follows:

General obligation bonds	(349,862,717)
Certificates of participation	(5,261,575)
Leases payable	(1,019,008)
Subscription liability	(71,139)
Finance purchase agreements	(3,325,000)
Compensated absences	(1,166,659)
Net pension liability	(305,219,434)

In governmental funds, deferred outflows and inflows of resources relating to pensions and refunding are not reported because they are applicable to future periods. In the statement of net position, deferred outflow and inflows of resources are reported as follows:

Deferred outflows of resources related to pensions	93,057,522
Deferred outflows of resources resulting from deferred amount on refundings	375,981
Deferred inflows of resources related to pension	(30,834,599)

The District uses an internal service fund to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are reported with governmental activities in the statement of net position.

26,570,613

Total net position, governmental activities \$ 520,239,542

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

LODI UNIFIED SCHOOL DISTRICT

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2023

	General Fund	Cafeteria Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
State apportionments	\$ 283,104,595			\$ 3,241,818	\$ 286,346,413
Local sources	<u>63,125,308</u>			<u>800,784</u>	<u>63,926,092</u>
Total local control funding formula	346,229,903			4,042,602	350,272,505
Federal revenues	42,063,314	\$ 17,819,338		3,513,201	63,395,853
Other state revenues	131,244,985	6,339,718		5,419,219	143,003,922
Other local revenues	<u>12,789,900</u>	<u>3,249,455</u>	<u>\$ 3,610,470</u>	<u>30,767,033</u>	<u>50,416,858</u>
Total revenues	<u>532,328,102</u>	<u>27,408,511</u>	<u>3,610,470</u>	<u>43,742,055</u>	<u>607,089,138</u>
EXPENDITURES					
Current:					
Instruction	262,952,360			7,065,285	270,017,645
Instruction-related services:					
Supervision of instruction	15,311,030			1,769,548	17,080,578
Administrative unit (AU) of multidistrict SELPA	3,428,274				3,428,274
Instructional library, media and tech	3,753,736			15,650	3,769,386
School site administration	27,431,635			384,020	27,815,655
Pupil services:					
Pupil transportation	5,598,284				5,598,284
Food services	747,291	20,672,924		110	21,420,325
Other pupil services	34,282,816			353,998	34,636,814
Ancillary services	3,023,345			1,849,807	4,873,152
Enterprise activities	125,398				125,398
General administration:					
Data processing services	11,372,588				11,372,588
Other general administration	16,748,827	651,141		560,029	17,959,997
Plant services	40,356,130	456,705	15,501	1,037,534	41,865,870
Debt service:					
Principal	244,734	1,890		21,710,407	21,957,031
Interest and other charges	42,196			12,352,242	12,394,438
Capital outlay	4,170,526		20,435,179	5,161,912	29,767,617
Transfers to other agencies	<u>677,185</u>			<u>782,455</u>	<u>1,459,640</u>
Total expenditures	<u>430,266,355</u>	<u>21,782,660</u>	<u>20,450,680</u>	<u>53,042,997</u>	<u>525,542,692</u>
Excess (deficiency) of revenues over expenditures	<u>102,061,747</u>	<u>5,625,851</u>	<u>(16,840,210)</u>	<u>(9,300,942)</u>	<u>81,546,446</u>
OTHER FINANCING SOURCES (USES)					
Interfund transfers out	(7,234,399)				(7,234,399)
Proceeds from subscription assets	173,509				173,509
Proceeds from leases	1,094,425				1,094,425
Interfund transfers in				7,234,399	7,234,399
Total other financing sources (uses)	<u>(5,966,465)</u>			<u>7,234,399</u>	<u>1,267,934</u>
Increase (decrease) in fund balances	96,095,282	5,625,851	(16,840,210)	(2,066,543)	82,814,380
Fund balances - beginning	<u>156,289,359</u>	<u>13,797,467</u>	<u>136,535,534</u>	<u>114,407,593</u>	<u>421,029,953</u>
Fund balances - ending	<u>\$ 252,384,641</u>	<u>\$ 19,423,318</u>	<u>\$ 119,695,324</u>	<u>\$ 112,341,050</u>	<u>\$ 503,844,333</u>

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

LODI UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds:	\$ 82,814,380
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlays for capital assets, lease assets, and subscription assets, as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays (\$35,923,240) exceeds depreciation (\$13,345,973) and amortization expense (\$501,618) in the period.	22,075,649
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Repayment of the principal of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.	21,957,031
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Proceeds from debt and the related premium are recognized as other financing sources in governmental funds. However, debt increases long-term liabilities in the statement of net position.	(1,267,934)
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Changes in the liability for compensated absences are not recorded as expenditures in governmental funds because they are not expected to be liquidated with current financial resources. In the statement of activities, compensated absences are recognized as expenses/revenues when earned by employees.	(13,928)
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In governmental funds, unmatured interest on long-term debt is recognized in the period when it is due. However, in the statement of activities, unmatured interest on long-term debt is accrued at year end.	(43,479)
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In government 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, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is:	1,866,398
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In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual-basis pension costs and actual employer contributions was:	21,298,557
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Internal service funds are used by management to charge the costs of certain activities, such as self insurance and retiree benefits, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>5,857,733</u>
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Change in net position of governmental activities	<u>\$ 154,544,407</u>
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LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND JUNE 30, 2023

	<u>Self-Insurance Funds</u>
ASSETS	
Current assets:	
Cash and equivalents	\$ 133,040,893
Accounts receivable	<u>1,921,814</u>
Total assets	<u>134,962,707</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to OPEB	<u>22,855,061</u>
 LIABILITIES	
Current Liabilities:	
Accounts payable	54,526
Claims and judgments	<u>1,254,497</u>
Total current liabilities	<u>1,309,023</u>
Noncurrent Liabilities:	
Total OPEB obligation	88,851,928
Claims and judgments	<u>4,803,095</u>
Total noncurrent liabilities	<u>93,655,023</u>
Total liabilities	<u>94,964,046</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to OPEB	<u>36,283,109</u>
 NET POSITION	
Unrestricted	<u>26,570,613</u>
Total net position	<u>\$ 26,570,613</u>

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND YEAR ENDED JUNE 30, 2023

	<u>Self-Insurance Funds</u>
OPERATING REVENUES	
Charges for services	\$ 21,008,314
Other local revenue	<u>878,964</u>
Total operating revenue	<u>21,887,278</u>
OPERATING EXPENSES	
OPEB benefit expense	(12,110,859)
Claims and administration	<u>31,169,196</u>
Total operating expense	<u>19,058,337</u>
Operating income	2,828,941
NON-OPERATING REVENUES	
Investment income	<u>3,028,792</u>
Increase in net position	<u>5,857,733</u>
Net position, beginning of year	<u>20,712,880</u>
Net position - ending	<u>\$ 26,570,613</u>

LODI UNIFIED SCHOOL DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND YEAR ENDED JUNE 30, 2023

	Self-Insurance Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	\$ 20,864,022
OPEB benefit payments	(1,804,930)
Claims paid	(2,067,917)
Payments on behalf of employees	(323,554)
Payments to suppliers	(9,767,352)
Net cash and equivalents provided by operating activities	<u>6,900,269</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment gain	<u>3,028,792</u>
Net increase in cash and equivalents	9,929,061
Cash and equivalents – beginning of year	<u>123,111,832</u>
Cash and equivalents – end of year	<u>\$ 133,040,893</u>
RECONCILIATION OF OPERATING INCOME TO CASH AND EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 2,828,941
Changes in operating assets and liabilities:	
Accounts receivable	(1,023,256)
Prepaid items	1,510
Accounts payable	(287,705)
Total OPEB obligation and related deferred outflows	6,313,395
Claims and judgments	<u>(932,616)</u>
Net cash and equivalents provided by operating activities	<u>\$ 6,900,269</u>

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES

A. ACCOUNTING POLICIES

The Lodi Unified 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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. REPORTING ENTITY

The District has reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship.

The District has sponsored five charter schools: Aspire Vincent Shalvey Academy, Aspire River Oaks Charter School, Aspire Benjamin Holt College Preparatory Academy, Aspire Benjamin Holt Middle School and Rio Valley Charter School. In determining its reporting entity, the District considered whether these charter schools should be included. The District determined that these charter schools do not meet the above criteria primarily because Aspire Public Schools and Rio Valley Charter School have been established as non-profit public benefit corporations. The charter agreements specify that the District does not participate in the management or operation of these charter schools, and that the charter schools shall indemnify and hold harmless the District against all loss caused by the charter schools. In addition, Education Code Section 47604(c) specifies that a district shall not be liable for the debts or obligations of a charter school operated by a non-profit public benefit corporation.

The District and the Lodi Unified School District Capital Facilities Corporation (the Corporation) have a financial and operational relationship which meets the reporting entity definition criteria of GASB for inclusion of the Corporation as a component unit of the District. The Corporation's board members are the same as the District's board members.

The Corporation is a non-profit public benefit corporation incorporated under the laws of the State of California on March 2, 1990. The Corporation was formed to provide financial assistance to the District for construction and acquisition of major capital facilities. The District occupies all Corporation facilities and is the sole lessee of all facilities owned by the Corporation. The District's lease payments are the sole revenue source of the Corporation.

For financial presentation purposes, the Corporation's financial activity has been blended with the financial data of the District. The financial statements present the Corporation's financial activity within the Special Reserve Fund for Capital Outlay and the Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

C. BASIS OF PRESENTATION

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. Internal service fund activity is eliminated to avoid doubling revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column as other governmental funds. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a Balance Sheet, which generally includes only current assets and current liabilities, and a Statement of Revenues, Expenditures, and Changes in Fund Balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of internal service funds are charges to other funds for employee self-insurance claims and post-employment benefit payments. Operating expenses of internal service funds include the costs of insurance premiums and claims related to self-insurance and post-employment benefits.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental fund financial statements use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded under the accrual basis when the exchange takes place. Under the 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. For the District, "available" means collectible within the current period or within 45, 60, or 90 days after year-end, depending on the revenue source. However, to achieve comparability of reporting among California 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" as collectible within one year.

Non-exchange transactions are those in which the District receives value without directly giving equal value in return, including 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 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, under 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. Receivables associated with non-exchange transactions that will not be collected within the period of availability have been offset with unavailable revenue.

Unearned Revenue – Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are recorded as unearned revenue.

Expenses/Expenditures – Under the accrual basis of accounting, expenses are recognized at the time they are incurred. However, the measurement focus of governmental fund accounting is on decreases in the net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized on governmental fund financial statements.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available for use, it is the District's policy to first apply the expenditure toward, restricted fund balance and then to other, less restrictive classifications - committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

E. FUND ACCOUNTING

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, and internal service funds as follows:

Major Governmental Funds

The **General Fund** is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Cafeteria Fund**, a special revenue fund, is used to account for revenues received and expenditures made to operate the District's cafeterias.

The **Building Fund**, a capital projects fund, is used to account for the acquisition of major governmental capital facilities and buildings from bond proceeds.

Non-Major Governmental Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes. The District maintains the following non-major special revenue funds:

The **Adult Education Fund** is used to account for resources committed to adult education programs maintained by the District.

The **Child Development Fund** is used to account revenues received and expenditures made to operate the District's child development programs.

The **Student Activity Fund** is used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amounts reported represent the combined totals of all schools within the District.

The **Charter School Fund** is used to account for revenues received and expenditures made to operate the District's Charter School(s).

The **Special Education Pass-Through Fund** is used by the Administrative Unit (AU) of a multi-LEA Special Education Local Plan Area (SELPA) to account for Special Education revenue pass-through to other member Local Education Agencies (LEAs).

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following non-major capital projects funds:

The **Special Reserve Fund for Capital Outlay** is used to account for various maintenance and capital outlay projects.

The **Capital Facilities Fund** is used to account for resources received from development impact fees assessed under provisions of the California Government Code.

The **County School Facilities Fund** is used to account for state apportionment provided for construction and reconstruction of school facilities under SB50.

The **Debt Service** funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and other debt related costs. The District maintains the following non-major debt service fund:

The **Debt Service Fund** is used for the accumulation of resources for and the retirement of principal and interest on long-term debt.

The **Bond Interest and Redemption Fund** is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and other debt related costs.

Internal Service Funds

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains two internal service funds. The **Self-Insurance Fund** is used to provide general and vehicle liability, workers' compensation, dental, and vision insurance coverage to its employees. The **Self-Insurance – OPEB Fund** is used to provide for retiree benefits.

F. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds, with the exception of Debt Service Funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption.

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund and Cafeteria Fund are presented as required supplementary information in these financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. CASH AND EQUIVALENTS

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

H. RESTRICTED CASH AND EQUIVALENTS

Cash and equivalents that are externally restricted per contractual obligations are classified as restricted cash and equivalents in the statement of net position and balance sheet based on anticipated use.

I. INVENTORIES AND PREPAID ITEMS

Inventories are recorded using the consumption method, in that the cost is recorded as an expenditure at the time individual inventory items are withdrawn from stores inventory for consumption. Inventories in the applicable funds consist primarily of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting expenditures for prepaid items in governmental funds either when paid or during the benefiting period. The District has chosen to report the expenditures during the benefiting period.

J. CAPITAL ASSETS

Capital assets are those equipment purchased or acquired with an original cost of \$10,000 or more and are reported at historical cost or estimated historical cost. Facility projects that extend the life and value of a site or building and exceed \$100,000 are reported as capital assets. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Improvement of Sites	20
Buildings	50
Machinery and Equipment	5-20

K. LEASES

The District recognizes lease contracts with \$100,000 or more in future lease payments from lease commencement, and when the lease terms include a noncancellable period of more than one year.

Lessee: The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) at the commencement of a lease and initially measures them at the present value of payments expected to be made during the lease term. The lease liability is reduced by the principal portion of lease payments made and the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Lessor: The District recognizes a lease receivable and a deferred inflow of resources at the commencement of a lease and initially measures them at the present value of payments expected to be received during the lease term. The lease receivable is reduced by the principal portion of lease payments received and the deferred inflow of resource is recognized as revenue over the life of the lease term.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

The District estimates its incremental borrowing rate as the discount rate for expected lease payments or receipts and the noncancelable period for its leases. Additionally, the District monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease liability and lease receivable if certain changes occur that are expected to significantly affect their lease liability or receivable.

Lease assets are reported with depreciable capital assets and lease liabilities are reported with long-term debt on the statement of net position. The District did not have any lease receivables at June 30, 2023.

L. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District recognizes subscription-based information technology arrangements (SBITA) with \$100,000 or more in future payments from agreement commencement, and when the SBITA terms include a noncancellable period of more than one year.

The District recognizes subscription liability and an intangible right-to-use subscription asset at the commencement of an agreement and initially measures them at the present value of payments expected to be made during the agreement term. The subscription liability is reduced by the principal portion of payments made and the subscription asset is amortized on a straight-line basis over the shorter of the agreement term or the useful life of the underlying asset.

The District estimates its incremental borrowing rate as the discount rate for expected payments and the noncancelable period for its SBITAs. Additionally, the District monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription liability if certain changes occur that are expected to significantly affect their liability.

Subscription assets are reported with depreciable capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

M. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the balance sheet reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred amount on debt refunding, resulting from the difference in the carrying value and reacquisition price of the refunded debt, is reported as deferred outflows of resources and is amortized over the shorter of the life of the refunded debt or refunding bond.

Contributions made to the District's pension and OPEB plan(s) after the measurement date but before the fiscal year-end are recorded as deferred outflows of resources and will reduce the net pension liability or total OPEB liability in the next fiscal year.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Additional factors involved in the calculation of the District's pension and OPEB expenses and liabilities include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 11 for further details related to the pension deferred outflows and inflows. See Note 12 for details related to the OPEB deferred outflows and inflows.

N. PENSIONS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement Plan (the CalSTRS Plan), and classified employees are members of the Schools Pool (the CalPERS Plan), collectively referred to as the Plans. For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about the fiduciary net position of the District's portions of the Plans 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.

O. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's (OPEB Plan) and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

P. COMPENSATED ABSENCES

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District on the government-wide financial statements. Compensated absences are generally liquidated by the General Fund.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure in the period taken, since 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.

Q. FUND BALANCES

In the governmental fund financial statements fund balances are classified as follows:

Non-spendable – Funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact.

Restricted – Funds that are mandated for specific purposes because the amounts are subject to externally imposed or legally enforceable constraints.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Committed – Funds set aside for specific purposes by the District’s highest level of decision-making authority (Board of Education) pursuant to formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specific use through the same type of formal action taken to establish the commitment.

Assigned – Funds that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Resolution No. 2011-54 hereby delegates the authority to assign amounts to be used for specific purposes to the Chief Business Officer for the purpose of reporting these amounts in the financial statements.

Unassigned – The residual balance of the general fund that has not been assigned to other funds and that is not restricted, committed or assigned to a specific purpose.

Consistent with the Criteria and Standards for fiscal solvency adopted by the State Board of Education, the District maintains a Reserve for Economic Uncertainties to safeguard the District’s financial stability. The responsibility to operate the District to maintain financial stability resides with the elected Board of Education. The minimum recommended reserve for a District of this size is a minimum of 3% of budgeted general fund expenditures and other financing uses. The District’s standard policy is to maintain the reserve at 3%. As of June 30, 2023, the District had a Reserve for Economic Uncertainty of \$12,918,218 in the General Fund’s unassigned fund balance which represents 2.7% of budgeted general fund expenditures and other financing uses. The remaining unassigned balance consists of \$12,918,218 as additional designations for potential deficit spending.

R. PROPERTY TAXES

Secured property taxes attach as an enforceable lien on property as of January 1, and are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of San Joaquin bills and collects the taxes for the District.

S. LONG-TERM OBLIGATIONS

The District reports long-term obligations of governmental funds at face value in the government-wide financial statements. Long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements and the government-wide financial statements.

T. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

U. CHANGE IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2023, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 enhances relevance, consistency and reliability of the District's statements. It defines an SBITA; establishes that an SBITA results in a right-to-use subscription asset (intangible asset) and corresponding subscription liability; provides capitalization criteria for outlays other than subscription payments, including SBITA implementation costs; and requires disclosure of essential information about the arrangement. These changes were adopted in the District's 2023 financial statements and had no effect on the beginning net position as of July 1, 2022.

2. CHARTER SCHOOLS

The Lodi Unified School District operates the Joe Serna Charter School pursuant to Education Code Section 47605. The financial activities of the Joe Serna Charter School are presented in the Charter School Special Revenue Fund (See Note 1).

3. CASH AND EQUIVALENTS

The District's cash and equivalents as of June 30, 2023 are classified in the accompanying financial statements as follows:

Cash and equivalents	\$ 657,195,561
Restricted cash and equivalents	<u>64,853</u>
Total cash and equivalents	<u>\$ 657,260,414</u>

Cash and equivalents as of June 30, 2023, consist of the following:

Cash with financial institutions	\$ 9,891,580
Cash and equivalents with County Treasury	646,541,022
Cash and equivalents with fiscal agents	<u>827,812</u>
Total cash and equivalents	<u>\$ 657,260,414</u>

Restricted Cash and Equivalents

The District's restricted cash and equivalents at June 30, 2023 is for the repayment of the District's 2010 Series A and B Certificates of Participation.

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Joaquin County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq., and is restricted by Government Code Section 53635, pursuant to Section 53601. The funds maintained by the Treasury are either secured by federal depository insurance or are collateralized.

The Treasury is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes, or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable and non-negotiable certificates of deposit; supranational obligations; and repurchase or reverse repurchase agreements.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the entity by the District's investment policy. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds or Notes	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25% or 40%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Non-negotiable Certificates of Deposit	5 years	None	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Mortgage Pass through Securities	5 years	20%	None
Supranational Obligations	5 years	30%	None
Joint Power Agreements	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None

Derivative Investments

The District did not directly enter into any derivative investments. The county did not invest in any derivative products as of June 30, 2023.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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 values to changes in market interest rates. As of June 30, 2023, the weighted average maturity of the investments contained in the treasury investment pool is approximately 338 days.

Credit Risks

Generally, 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 County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Education Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits that are made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amounts deposited by the public agencies.

District deposits held with financial institutions and with fiscal agents in excess of federal depository insurance limits held in accounts collateralized by securities held by the pledging financial institution were \$9,591,614.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2023:

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Building Fund</u>	<u>Other Gov Funds</u>	<u>Self Insurance Fund</u>	<u>Total Funds</u>
Federal government	\$ 19,956,260	\$ 2,373,972		\$ 830,254		\$ 23,160,486
State government	10,350,458	881,081		481,237		11,712,776
Local government	1,601,027	545,697		50,892	\$ 821,269	3,018,885
Interest	<u>2,309,131</u>	<u>109,416</u>	<u>\$1,074,888</u>	<u>899,098</u>	<u>1,100,545</u>	<u>5,493,078</u>
Totals	<u>\$ 34,216,876</u>	<u>\$ 3,910,166</u>	<u>\$1,074,888</u>	<u>\$2,261,481</u>	<u>\$1,921,814</u>	<u>\$ 43,385,225</u>

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

5. INTERFUND TRANSACTIONS

Interfund transactions are reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Due from/Due to Other Funds

Individual interfund receivables and payables as of June 30, 2023 were as follows:

Receivable Fund	Payable Fund			
	General Fund	Cafeteria Fund	Other Governmental Funds	Total Funds
General Fund		\$ 10,226	\$ 6,157	\$ 16,383
Cafeteria Fund	\$ 86,767			86,767
Other Governmental Funds	8,049,153			8,049,153
Total	\$ 8,135,920	\$ 10,226	\$ 6,157	\$ 8,152,303

Interfund receivables and payables are paid and cleared in the subsequent period.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

For the fiscal year ended June 30, 2023, interfund transfers consisted of transfers from the General Fund to the Special Reserve Fund for Capital Outlay Projects were made to fund District construction projects and totaled \$7,234,399.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

6. CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets, not being depreciated or amortized:				
Land	\$ 29,736,910			\$ 29,736,910
Construction in progress	<u>192,180,002</u>	<u>\$ 29,767,618</u>	<u>\$ (5,720,819)</u>	<u>216,226,801</u>
Total capital assets, not being depreciated or amortized	<u>221,916,912</u>	<u>29,767,618</u>	<u>(5,720,819)</u>	<u>245,963,711</u>
Capital assets, being depreciated or amortized:				
Improvement of sites	31,653,397	5,056,980		36,710,377
Buildings	493,258,469	663,839		493,922,308
Right-to-use leased equipment	106,434	1,094,425		1,200,859
Software subscription		414,828		414,828
Machinery and equipment	<u>47,669,830</u>	<u>4,646,369</u>	<u>(584,867)</u>	<u>51,731,332</u>
Total capital assets, being depreciated or amortized	<u>572,688,130</u>	<u>11,876,441</u>	<u>(584,867)</u>	<u>583,979,704</u>
Less accumulated depreciation and amortization for:				
Improvement of sites	(18,096,367)	(1,218,107)		(19,314,474)
Buildings	(164,871,448)	(9,701,102)		(174,572,550)
Right-to-use leased equipment	(35,478)	(159,270)		(194,748)
Software subscription		(342,348)		(342,348)
Machinery and equipment	<u>(35,458,240)</u>	<u>(2,426,764)</u>	<u>584,867</u>	<u>(37,300,137)</u>
Total accumulated depreciation and amortization	<u>(218,461,533)</u>	<u>(13,847,591)</u>	<u>584,867</u>	<u>(231,724,257)</u>
Total capital assets, being depreciated or amortized, net	<u>354,226,597</u>	<u>(1,971,150)</u>		<u>352,255,447</u>
Governmental activities capital assets, net	<u>\$ 576,143,509</u>	<u>\$ 27,796,468</u>	<u>\$ (5,720,819)</u>	<u>\$ 598,219,158</u>

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

For the year ended June 30, 2023, depreciation and amortization expense was charged to functions as follows:

Governmental activities:	
General	\$ 10,929,569
Supervision of instruction	10,454
Instructional library, media, and technology	20,992
School site administration	182,373
Pupil transportation	722,798
Food services	292,850
Other general administration	272,079
Data processing services	1,043,310
Plant services	331,711
Ancillary services	35,730
Other pupil services	5,725
	<hr/>
Total depreciation and amortization expense	\$ 13,847,591

7. LONG-TERM LIABILITIES

General Obligation Bonds

On August 13, 2012, the District issued 2012 General Obligation Refunding Bonds in the amount of \$44,930,000, with interest rates ranging from 2% to 5%, to advance refund \$46,565,000 of the 2002 General Obligation Bonds 2004 Series. In May 2022, the District issued 2022 General Obligation Refunding Bonds in the amount of, \$25,650,000, with interest rates of 5.000%, to advanced refund \$27,155,000 of the 2012 issue. The principal and interest of the bonds were paid in full in August 2022.

On May 20, 2015, the District issued 2015 General Obligation Refunding Bonds (2015 Issue) in the amount of \$8,005,000, with interest rates ranging from 4.125% to 5%, to currently refund \$7,695,000 of the 2006 Series of 2002 General Obligation Bonds (Defeased Bonds.) As of June 30, 2023, the 2016 Issue principal balance outstanding was \$4,680,000.

On May 19, 2016, the District issued 2016 General Obligation Refunding Bonds (2016 Issue) in the amount of \$34,900,000, with interest rates ranging from 1.35% to 5%, to advance refund \$37,425,000 of the 2007 Issue (Defeased Bonds). As of June 30, 2023, the 2017 Issue principal balance outstanding was \$27,165,000.

On May 10, 2017, the District issued 2017 General Obligation Bonds (2017 Issue) in the amount of \$80,000,000, with interest rates ranging from 2.75% to 5%, to modernize, replace, renovate, construct, acquire and rebuild school facilities. As of June 30, 2023, the 2017 Issue principal balance outstanding was \$55,160,000.

On December 21, 2017, the District issued 2017 General Obligation Refunding Bonds in the amount of, \$21,190,000, with interest rates ranging from 1.125% to 2.000%, to advanced refund \$18,955,000 of the 2011 General Obligation Refunding Bonds. As of June 30, 2023, the principal balance outstanding was \$15,090,000.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

On October 11, 2018, the District issued 2018 General Obligation Bonds in the amount of \$9,000,000, maturing through August 2048 and bearing interest at rates ranging from 3.000% - 5.000%. The bonds were issued to modernize, replace, renovate, construct, acquire and rebuild school facilities; and pay costs of issuance of bonds. As of June 30, 2023, the principal balance outstanding was \$4,700,000.

On January 1, 2020, the District issued 2016 General Obligation Bonds (2020 Issue) in the amount of \$110,000,000, maturing through August 2043 and bearing interest at rates ranging from 3.000% - 4.000%. The bonds were issued to modernize, replace, renovate, construct, and rebuild school facilities, including playgrounds and athletic fields; and pay costs of issuance of bonds. As of June 30, 2023, the principal balance outstanding was \$92,275,000.

On October 27, 2020, the District issued 2020 General Obligation Bonds in the amount of \$10,000,000, maturing through August 2033 and bearing interest at rates ranging from 2.000% - 4.000%. The bonds were issued to modernize, replace, renovate, construct, acquire and rebuild school facilities; and pay costs of issuance of bonds. As of June 30, 2023, the principal balance outstanding was \$8,210,000.

On July 8, 2021, the District issued 2016 General Obligation Bonds (2021 Issue) in the amount of \$91,000,000, maturing through August 2046 and bearing interest at rates ranging from 2.000% - 4.00%. The bonds were issued to modernize, replace, renovate, construct, acquire and rebuild school facilities; and pay costs of issuance of bonds. As of June 30, 2023, the principal balance outstanding was \$91,000,000.

On June 2, 2022, the District issued 2022 General Obligation Refunding Bonds in the amount of, \$25,650,000, with an interest rates of 5.000%, to advanced refund \$27,155,000 of the 2012 General Obligation Refunding Bonds. As of June 30, 2023, the principal balance outstanding was \$25,275,000.

The bonds mature as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 17,445,000	\$ 11,654,191	\$ 29,099,191
2025	14,490,000	11,089,482	25,579,482
2026	13,830,000	10,527,100	24,357,100
2027	14,265,000	10,016,463	24,281,463
2028	11,650,000	9,483,758	21,133,758
2029-2033	59,085,000	39,170,234	98,255,234
2034-2038	52,950,000	27,676,931	80,626,931
2039-2043	73,805,000	15,751,655	89,556,655
2044-2048	65,500,000	4,671,697	70,171,697
2049-2053	535,000	10,030	545,030
Subtotal	323,555,000	140,051,541	463,606,541
Plus: Unamortized premium	26,307,717		26,307,717
Totals	\$ 349,862,717	\$ 140,051,541	\$ 489,914,258

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Certificates of Participation (COP)

In July of 2010, the District issued COPs, Series A & B “2010” in the amount of \$5,575,000 for the construction, rehabilitation and repair of school facilities by the District as part of the Qualified School Construction Bonds (QSCBs). The COPs bear interest rates from 1.75% - 7.38% and are scheduled to mature through 2027. As of June 30, 2023, the principal balance was \$1,485,000.

In September of 2003, the District issued COP totaling \$10,985,000, with interest rates ranging from 2% to 5%. In January of 2014, the District issued Refunding Certificates of Participation totaling \$8,165,000, with interest rates ranging from 4.25% to 5% to currently refund the September 2003 Issue. As of June 30, 2023, the principal balance was \$3,780,000.

The certificates mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 935,000	\$ 240,744	\$ 1,175,744
2025	970,000	194,853	1,164,853
2026	990,000	146,909	1,136,909
2027	1,020,000	169,705	1,189,705
2028	665,000		665,000
2029-2033	<u>685,000</u>		<u>685,000</u>
Subtotal	5,265,000	752,211	6,017,211
Less: Unamortized discount	<u>(3,425)</u>		<u>(3,425)</u>
Totals	<u>\$ 5,261,575</u>	<u>\$ 752,211</u>	<u>\$ 6,013,786</u>

Finance Purchase Agreement

In November 2010, the District entered in a finance-purchase agreement of energy conservation equipment of \$9,915,000 as part of the 2010 Qualified Energy Conservation Project (Federally Taxable Direct Pay Tax Credit Bonds). The funds were used to install energy conservation equipment at various sites in the District. Future minimum agreement payments as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2024	\$ 773,753
2025	774,832
2026	768,941
2027	771,220
2028	<u>760,831</u>
Total	3,849,577
Less amount representing interest	<u>(524,577)</u>
Total	<u>\$ 3,325,000</u>

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Lease Agreements

The District has entered into lease agreements (as lessee) for the right-to-use copier and printer equipment. The lease agreements are not renewable and the District will not acquire the equipment at the end of the lease term. Lease agreements are summarized as follows:

<u>Describe</u>	<u>Date of Inception</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Total Lease Liability at Inception</u>	<u>Balance June 30, 2023</u>
Printers	7/1/22	3 years	\$ 2,947	2.75%	\$ 102,297	\$ 35,271
Printers	7/28/22	5 years	2,714	5.00%	143,834	117,864
Printers	12/29/22	5 years	1,644	5.00%	87,090	79,326
Copiers	1/1/23	5 years	16,221	5.00%	863,501	786,547
Total Lease Agreements						<u>\$ 1,019,008</u>

The right-to-use assets as of the year ended June 30, 2023, was \$1,006,111 and is being amortized over the remaining term of the leases. Total interest payments for the year ended June 30, 2023 were \$30,462. The future minimum principal and interest lease payments as of June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 238,477	\$ 44,186	\$ 282,663
2025	213,602	33,348	246,950
2026	224,532	22,420	246,952
2027	236,019	10,932	246,951
2028	106,378	812	107,190
Totals	<u>\$ 1,019,008</u>	<u>\$ 111,698</u>	<u>\$ 1,130,706</u>

Subscription-Based IT Arrangements (SBITAs)

The District entered into a three-year SBITA for total email protection services and software. There is no option to purchase the software or to extend this arrangement. In accordance with GASB 96, a subscription liability related to this agreement was recorded in the amount of \$173,509. As of June 30, 2023, the value of the subscription liability was \$71,139. Interest payments for the year ended June 30, 2023 were \$6,351. The District is required to make monthly principal and interest payments of \$9,060. Principal and interest of \$71,139 and \$1,340, respectively, will be paid in the year ending June 30, 2024.

For purposes of discounting future payments on the lease, the District used a discount rate of 5.00%. The subscription software asset at June 30, 2023 was \$72,480 and is being amortized over the remaining term of the arrangement, which ends in February 2024.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2023 was as follows:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 343,790,000		\$ (20,235,000)	\$ 323,555,000	\$ 17,445,000
Unamortized GOB premium	28,290,116		(1,982,399)	26,307,717	2,302,789
Certificates of participation	6,180,000		(915,000)	5,265,000	935,000
Unamortized COP discount	(5,107)		1,682	(3,425)	(1,358)
Lease agreements	69,244	\$ 1,094,425	(144,661)	1,019,008	238,477
Subscription liability		173,509	(102,370)	71,139	71,139
Finance purchase agreement	3,885,000		(560,000)	3,325,000	595,000
Claims liability (Note 9)	6,990,208	1,135,301	(2,067,917)	6,057,592	1,254,497
Compensated absences	1,152,731	2,392,660	(2,378,732)	1,166,659	291,666
Total	<u>\$ 390,352,192</u>	<u>\$ 4,795,895</u>	<u>\$ (28,384,397)</u>	<u>\$ 366,763,690</u>	<u>\$ 23,132,210</u>

8. COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

Litigation

Various claims and litigation involving the District are currently outstanding. However, based on consultation with legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the District's financial position or results of operations.

Commitments

The District has construction contracts and property acquisition commitments of approximately \$9,372,517 at June 30, 2023. Bond and state funds have been approved for such construction.

9. RISK MANAGEMENT/CLAIMS LIABILITIES

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2023, the District participated in three joint power agreements (JPAs) for purposes of pooling of risk related to property and liability and one JPA for worker's compensation. See "Joint Ventures" footnote for nature of participation.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

The District is self-insured for workers' compensations claims for fiscal years through June 30, 2019 up to \$1,000,000 per occurrence and purchased excess insurance for claims above \$1,000,000, with a maximum of up to \$10,000,000 per claim. In addition, the District is fully insured for dental care for all employees except classified. Classified employees' dental care is self-insured and vision care is also fully self-insured for all employees. All claims are administered by outside parties and the Self-Insurance Fund accounts for and liquidates these insurance activities.

The District has accrued a claims liability of \$6,057,592 at June 30, 2023, for its self-insured claims and deductibles in the Self-Insurance Fund. The claims liability is based upon an evaluation by outside administrators and actuaries for known claims and management's evaluation of incidents incurred but not reported, excluding incremental costs. These claims liabilities are established based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as workers' compensation. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The majority of these claims liabilities are long-term in nature and the District's intent is to fund these liabilities over time. Management has estimated \$1,254,497 of these liabilities will be incurred in the 2023-24 fiscal year.

Changes in claims liability for the years ended June 30, 2023 and 2022 are as follows:

	Liability Beginning of Year	Claims and Changes in Estimates	Claims Payments	Liability End of Year
2022-2023	<u>\$ 6,990,208</u>	<u>\$ 1,135,301</u>	<u>\$ (2,067,917)</u>	<u>\$ 6,057,592</u>
2021-2022	<u>\$ 7,221,370</u>	<u>\$ 763,700</u>	<u>\$ (994,862)</u>	<u>\$ 6,990,208</u>

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

10. JOINT VENTURES

The District participates in three JPAs, the Schools Association for Excess Risk (SAFER), Northern California Relief (NCR) and effective July 1, 2019, Protected Insurance Program for Schools Joint Powers District (P.I.P.S.). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

SAFER and NCR arrange property and liability insurance coverage for their members and P.I.P.S. arranges worker's compensation insurance coverage for its members. The JPAs are governed by boards consisting of a representative from each member district. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the boards. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPAs.

NATURE OF PARTICIPATION

Property

District	
Deductible:	\$50,000
JPA's SIR:	\$50,001 to \$250,000 with NCR
Excess Insurance:	\$250,001 to \$500,000,000 per occurrence with SAFER

Liability

District	
Deductible:	\$50,000
JPA's SIR:	\$50,001 to \$1,000,000 with NCR
Excess Insurance:	\$1,000,001 to \$10,000,000 with SAFER \$10,000,001 to \$25,000,000 with SAFER

Worker's Compensation

District	
Deductible:	\$0
JPA's SIR:	\$0 to \$10,000,000 with P.I.P.S.
Excess Insurance:	\$10,000,001 to \$155,000,000 with P.I.P.S.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

The condensed financial information of the JPAs is as follows:

	<u>P.I.P.S.</u> <u>June 30, 2022</u>	<u>SAFER</u> <u>June 30, 2022</u>	<u>NCR</u> <u>June 30, 2022</u>
Total Assets	\$ 229,417,398	\$ 34,471,514	\$ 74,201,109
Total Liabilities	<u>(169,617,184)</u>	<u>(35,199,355)</u>	<u>(41,042,148)</u>
Net Position	<u>\$ 59,800,214</u>	<u>\$ (727,841)</u>	<u>\$ 33,158,961</u>
Total Revenues	\$ 307,966,291	\$ 110,785,587	\$ 80,060,372
Total Expenses	<u>(310,190,361)</u>	<u>(113,419,076)</u>	<u>(77,583,166)</u>
Change in Net Position	<u>\$ (2,224,070)</u>	<u>\$ (2,633,489)</u>	<u>\$ 2,477,206</u>

Complete separate financial statements for the JPAs may be obtained at the District office at 1305 E. Vine Street, Lodi, CA 95240.

11. EMPLOYEE RETIREMENT SYSTEMS

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District participates in the State Teachers' Retirement Plan (the CalSTRS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. CalSTRS acts as a common investment and administrative agent for participating public entities within the State of California. CalSTRS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calstrs.com.

Benefits Provided

The benefits for the CalSTRS Plan are established by contract, in accordance with the provisions of the State Teachers' Retirement Law. Benefits are based on members' years of service, age, final compensation, and a benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The California Public Employees' Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalSTRS creditable activities on or after January 1, 2013. As a result of PEPRA, the CalSTRS Plan has two benefit structures: 1) CalSTRS 2% at 60 – Members first hired on or before December 31, 2012, to perform CalSTRS creditable activities, and 2) CalSTRS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalSTRS creditable activities. The 2 percent, also known as the age factor, refers to the percentage of final compensation received as a retirement benefit for each year of service credit. To be eligible for 2% service retirement, members hired prior to January 1, 2013, must be at least age 60 with a minimum of five years of CalSTRS-credited service, while members hired after January 1, 2013, must be at least age 62 with five years of service.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Contributions

Assembly Bill 1469 (AB 1469), signed into law as a part of the State of California's (the State) 2014-15 budget, increases contributions to the CalSTRS Plan from members, employers, and the State over the next seven years, effective July 1, 2014. Starting with the fiscal year 2021-22 there may be additional annual adjustments not to exceed a maximum amount of 20.25%. The District's required contribution rate for the year ended June 30, 2023, was 19.10% of annual pay. District contributions to the CalSTRS Plan were \$33,517,476 for the year ended June 30, 2023.

The State contributes a percentage of the annual earnings of all members of the CalSTRS Plan. AB 1469 increases the State's contribution attributable to the benefits in effect in 1990, but does not change the base rate of 2.017%. In accordance with AB 1469, the portion of the state appropriation under Education Code Sections 22955(b) that is in addition to the base rate has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution increased from 1.437% in 2014-15 to 6.311% in 2021-22 and was effective for 2022-2023. The increased contributions end as of fiscal year end June 30, 2046. The State contribution rate for the period ended June 30, 2022, was 10.828% of the District's 2014-15 creditable CalSTRS compensation.

Actuarial Assumptions

The total pension liability for the CalSTRS Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to the measurement date of June 30, 2022. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Investment Rate of Return ⁽¹⁾	7.10%
Mortality	CalSTRS' Membership Data
Post-Retirement Benefit Increase	2% simple for DB (Annually) Maintain 85% purchasing power Level for DB Not applicable for DBS /CBB

⁽¹⁾ Net of investment expenses, but gross of administrative expenses.

Discount Rate

The discount rate used to measure the CalSTRS Plan's total pension liability was 7.10%, which was unchanged from prior fiscal year. 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 law as described above under contributions. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS Plan's fiduciary net position was projected to be available to make all

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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.

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 as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term * Expected Real Rate of Return</u>
Public Equity	42.00%	4.80%
Fixed Income	12.00%	1.30%
Real Estate	15.00%	3.60%
Private Equity	13.00%	6.30%
Risk Mitigating Strategies	10.00%	1.80%
Inflation Sensitive	6.00%	3.30%
Cash / Liquidity	2.00%	-0.40%
Total	<u>100.00%</u>	

*20-year average

California Public Employees' Retirement System (CalPERS)

Plan Description

The District participates in the Schools Pool (the CalPERS Plan), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report is available online at www.calpers.ca.gov.

Benefits Provided

The benefits for the CalPERS Plan are established by contract, in accordance with the provisions of the California Public Employees' Retirement Law (PERL). The benefits 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. PEPR made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PEPR, the CalPERS Plan has two benefit structures: 1) CalPERS 2% at 55 –

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Members first hired on or before December 31, 2012, to perform CalPERS creditable activities, and 2) CalPERS 2% at 62 – Members first hired on or after January 1, 2013, to perform CalPERS creditable activities. To be eligible for service retirement, members hired prior to January 1, 2013, must be at least age 50 with a minimum of five years of CalPERS-credited service, while members hired after January 1, 2013, must be at least age 52 with a minimum of five years of CalPERS-credited service.

Contributions

Section 20814(c) of the PERL requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the CalPERS Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The CalPERS Plan's actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District's required contribution rate for the year ended June 30, 2023, was 25.37% of annual pay. District contributions to the CalPERS Plan were \$15,507,380 for the year ended June 30, 2023.

Actuarial Assumptions

For the measurement period ended June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021 total pension liability. The June 30, 2022 total pension liability amounts were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases ⁽¹⁾	Varies
Investment Rate of Return	6.90%
Mortality ⁽²⁾	CalPERS' Membership Data
Post-Retirement Benefit Increase ⁽³⁾	Up to 2.30%

⁽¹⁾ Varies by entry age and service

⁽²⁾ The mortality table used was developed based on CalPERS' specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries.

⁽³⁾ 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

Change in Assumptions

Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The table below reflects the 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.

<u>Asset Class^(a)</u>	<u>Assumed Strategic Allocation</u>	<u>Real Return^{(1) (2)}</u>
Global Equity– cap-weighted	30.00%	4.45%
Global Equity – non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.84%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)
Total	<u>100.00%</u>	

⁽¹⁾ An expected inflation of 2.30% was used for this period.

⁽²⁾ Figures are based on the 2021-22 Asset Liability Management study.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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

As of June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for the State's 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:	
CalSTRS Plan	\$ 189,696,780
CalPERS Plan	115,522,654
Total District net pension liability	305,219,434
State's proportionate share of CalSTRS net pension liability associated with the District	95,049,827
Total	\$ 400,269,261

The District's net pension liability is measured as the proportionate share of each Plan's net pension liability. The net pension liabilities of the Plans are measured as of June 30, 2022, and calculated by reducing the total pension liability of each Plan by the respective Plan's fiduciary net position. The District's proportion of each Plan's net pension liability was based on the ratio of the District's actual employer contributions in the measurement period to the total actual employer and State contributions received by the respective Plan in the measurement period. The District's proportionate share of the net pension liability for the measurement period June 30, 2022, was 0.2730% and 0.3357% for the CalSTRS and CalPERS Plans, respectively, which was an increase of 0.0100%, and a decrease of 0.0118%, from its proportion measured as of June 30, 2021 for CalSTRS and CalPERS Plans, respectively.

For the measurement period ended June 30, 2022, the District recognized pension expense of \$27,726,299 and revenue of \$7,667,512 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 677,705	\$ (17,097,652)
Changes in assumptions	17,953,326	
Changes in proportion	8,814,836	(4,460,407)
Change in proportionate share of contributions	2,946,717	
Net differences between projected and actual investment earnings of pension plan investments	13,640,082	(9,276,540)
District contributions subsequent to measurement date	49,024,856	
Total	\$ 93,057,522	\$ (30,834,599)

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

The \$49,024,856 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>	
2024	\$ 2,221,721
2025	(3,317,307)
2026	(9,487,665)
2027	23,574,276
2028	(142,803)
Thereafter	349,845

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 of the Plans as of the measurement date, calculated using the discount rate, 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 or 1 percentage-point higher than the current rate:

	<u>Discount Rate -1% (6.10%)</u>	<u>Current Discount Rate (7.10%)</u>	<u>Discount Rate +1% (8.10%)</u>
District's proportionate share of the CalSTRS Plan's net pension liability	\$ 322,175,490	\$ 189,696,780	\$ 79,699,620
	<u>Discount Rate -1% (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>Discount Rate +1% (7.90%)</u>
District's proportionate share of the CalPERS Plan's net pension liability	\$ 166,878,323	\$ 115,522,654	\$ 73,079,081

12. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

In addition to the pension benefits described in Note 11, the District provides other postemployment health, dental, and vision care benefits for eligible retired employees through a single-employer defined benefit healthcare plan (the Plan). As of June 30, 2023, the District had not established an irrevocable trust or designated a trustee for the payment of plan benefits. As such, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

During the year ended June 30, 2023 the District paid benefits to retirees of \$1,804,930 and transferred \$5,840,338 to the Self-Insurance – OPEB Fund, an Internal Service Fund. This transfer is regarded as earmarking of employer assets to reflect the employer's intent to apply these assets to finance the cost of postemployment benefits at some time in the future and thus do not qualify as contributions.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Benefits Provided

The District's benefits provided to retirees are established per contractual agreement, which vary among different collective bargaining agreements. The following is a description of the current retiree benefit plan.

	<u>Management</u>	<u>Certificated</u>	<u>Classified and Supervisors</u>	<u>Confidential</u>
Benefit types provided	Medical, dental and vision	Medical, dental and vision	Medical, dental and vision*	Medical, dental and vision
Duration of Benefits	Lifetime	To age 65	Option 1: 60 months, not beyond age 65 Option 2: 84 months** Option 3: 120 months but not beyond age 65	To age 65
Required Service	10 years	10 consecutive full-time years, at least Class D on salary schedule (Class B for LPPA)	20 years of continuous service at age 50 or 15 years at age 55	15 years of continuous service
Minimum Age	55	55	55	60***
Dependent Coverage	Yes	Yes	Yes	Yes
District Contribution	100% up to cap to 65; \$2,000 per year beyond 65 if 10 years as administrator	100% to cap	100% to cap except option 3 is 50% of District cap	100% to cap
District Cap	\$5,114 to 65	LEA: \$8,845 LPPA: Applicable active cap	Active cap, less expensive rate for Option B	\$5,114 to 65

*Option 2 receives medical benefits only.

**For supervisors, Option B cannot go beyond age 65

***Up to 3 Confidential retirees at a time may be covered between ages 55 and 60

Employees Covered

As of the June 30, 2021 actuarial valuation, the following Inactive and active employees were covered by the benefit terms under the OPEB Plan:

Inactive employees receiving benefits	532
Inactive employees entitled to but not receiving benefits	0
Participating active employees	<u>3,040</u>
Total	<u><u>3,572</u></u>

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Total OPEB Liability

The District's total OPEB liability of \$88,851,928 was measured as of June 30, 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation dated June 30, 2021, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate ⁽¹⁾	3.54%
Inflation	2.50%
Salary Increases ⁽²⁾	2.75%
Mortality - Classified ⁽³⁾	CalPERS' Membership Data
Mortality - Certificated ⁽⁴⁾	CalSTRS' Membership Data
Health care cost trend rates	4.00%

- (1) Based on Bond Buyer 20 Bond Index.
- (2) Since benefits do not depend on salary, this assumption is only used to determine the accrual pattern of the Actuarial Present Value of Projected Benefit Payments.
- (3) The mortality assumptions used are based on 2017 CalPERS Mortality for Miscellaneous and Schools Employees Mortality table created by CalPERS.
- (4) The mortality assumptions are based on the 2020 CalSTRS Mortality table created by CalSTRS.

Changes in Assumptions

During the measurement period ended June 30, 2022, the discount rate was increased from 2.16% to 3.54%.

Changes in the Total OPEB Liability

The changes in the Total OPEB liability for the OPEB Plan are as follows:

	Total OPEB Liability (TOL)
Balance at June 30, 2022 (Measurement date June 30, 2021)	\$ 102,767,717
Changes recognized for the measurement period:	
Service cost	7,242,087
Interest on TOL	2,281,791
Assumption changes	(21,939,078)
Differences between expected and actual experience	273,572
Benefit payments	(1,774,161)
Net changes	(13,915,789)
Balance at June 30, 2023 (Measurement date June 30, 2022)	\$ 88,851,928

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Sensitivity of the District’s Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Discount Rate -1% (2.54%)	Current Discount Rate (3.54%)	Discount Rate +1% (4.54%)
Total OPEB liability	\$ 104,289,637	\$ 88,851,928	\$ 77,676,212

Sensitivity of the District’s Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	Trend Rate -1% (3.00%)	Health Care Trend Rate (4.00%)	Trend Rate +1% (5.00%)
Total OPEB liability	\$ 73,251,398	\$ 88,851,928	\$ 108,149,397

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net differences between projected and actual earnings on OPEB Trust investments	5 years
All other amounts	Expected average remaining service lives (EARSL) of plan participants

LODI UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of \$8,118,325. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 1,804,930	
Differences between expected and actual experience	250,387	\$ (21,822,415)
Changes of assumptions	<u>20,799,744</u>	<u>(14,460,694)</u>
Total	<u>\$ 22,855,061</u>	<u>\$ (36,283,109)</u>

The \$1,804,930 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2022 measurement date will be recognized as a reduction of the total OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as follows:

<u>Year Ended June 30</u>	
2024	\$ (1,405,553)
2025	(1,405,553)
2026	(1,405,553)
2027	(1,405,553)
2028	(1,405,553)
Thereafter	(8,205,213)

REQUIRED SUPPLEMENTARY INFORMATION

LODI UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE GENERAL FUND YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	GAAP Basis	Favorable (Unfavorable)
REVENUES				
State apportionments	\$ 240,574,535	\$ 286,375,503	\$ 283,104,595	\$ (3,270,908)
Local sources	<u>56,199,369</u>	<u>62,486,772</u>	<u>63,125,308</u>	<u>638,536</u>
Total local control funding formula	296,773,904	348,862,275	346,229,903	(2,632,372)
Federal revenues	55,871,535	106,493,309	42,063,314	(64,429,995)
Other state revenues	60,017,373	140,162,122	131,244,985	(8,917,137)
Other local revenues	<u>991,593</u>	<u>4,232,001</u>	<u>12,789,900</u>	<u>8,557,899</u>
Total revenues	<u>413,654,405</u>	<u>599,749,707</u>	<u>532,328,102</u>	<u>(67,421,605)</u>
EXPENDITURES				
Certificated personnel salaries	155,657,982	177,410,767	178,431,528	(1,020,761)
Classified personnel salaries	59,937,683	69,368,219	60,816,014	8,552,205
Employee benefits	107,219,093	114,781,811	102,603,290	12,178,521
Books and supplies	22,718,417	124,660,045	16,876,957	107,783,088
Services and other operating expenditures	60,450,365	94,510,019	61,476,932	33,033,087
Capital outlay	6,759,810	38,769,940	10,157,568	28,612,372
Other outgo	400,779	431,570	677,185	(245,615)
Allocation of indirect costs	(1,045,935)	(1,318,465)	(1,060,050)	(258,415)
Debt service	<u>240,549</u>	<u>252,950</u>	<u>286,931</u>	<u>(33,981)</u>
Total expenditures	<u>412,338,743</u>	<u>618,866,856</u>	<u>430,266,355</u>	<u>188,600,501</u>
Excess (shortfall) of revenues over expenditures	<u>1,315,662</u>	<u>(19,117,149)</u>	<u>102,061,747</u>	<u>121,178,896</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources			1,267,934	1,267,934
Interfund transfers out	<u>(488,848)</u>	<u>(7,234,399)</u>	<u>(7,234,399)</u>	<u></u>
Total other financing uses	<u>(488,848)</u>	<u>(7,234,399)</u>	<u>(5,966,465)</u>	<u>1,267,934</u>
Net increase (decrease) in fund balance	826,814	(26,351,548)	96,095,282	122,446,830
Fund balance – beginning	<u>156,289,359</u>	<u>156,289,359</u>	<u>156,289,359</u>	<u></u>
Fund balance – ending	<u>\$ 157,116,173</u>	<u>\$ 129,937,811</u>	<u>\$ 252,384,641</u>	<u>\$ 122,446,830</u>

LODI UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE CAFETERIA SPECIAL REVENUE FUND YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	GAAP Basis	Favorable (Unfavorable)
	REVENUES			
Federal revenues	\$ 12,353,597	\$ 13,611,228	\$ 17,819,338	\$ 4,208,110
Other state revenues	1,379,437	1,406,211	6,339,718	4,933,507
Other local revenues	3,965,054	3,965,054	3,249,455	(715,599)
Total revenues	17,698,088	18,982,493	27,408,511	8,426,018
EXPENDITURES				
Classified personnel salaries	7,422,118	7,750,172	7,471,060	279,112
Employee benefits	4,547,398	4,680,620	3,344,561	1,336,059
Books and supplies	6,840,430	8,352,935	9,776,160	(1,423,225)
Services and other operating expenditures	625,150	608,987	376,959	232,028
Capital outlay	1,040,000	1,145,234	160,889	984,345
Allocation of indirect costs	725,821	766,329	651,141	115,188
Debt service			1,890	(1,890)
Total expenditures	21,200,917	23,304,277	21,782,660	1,521,617
Excess (deficiency) of revenues over expenditures	(3,502,829)	(4,321,784)	5,625,851	9,947,635
Fund balance – beginning	13,797,467	13,797,467	13,797,467	
Fund balance – ending	\$ 10,294,638	\$ 9,475,683	\$ 19,423,318	\$ 9,947,635

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS YEAR ENDED JUNE 30, 2023 LAST 10 YEARS*

	Fiscal Year					
	2023	2022	2021	2020	2019	2018
	Measurement date 2022	Measurement date 2021	Measurement date 2020	Measurement date 2019	Measurement date 2018	Measurement date 2017
TOTAL OPEB LIABILITY						
Service cost	\$ 7,242,087	\$ 8,820,135	\$ 6,282,569	\$ 5,052,077	\$ 5,266,056	\$ 5,125,115
Interest	2,281,791	2,340,843	2,800,579	2,754,687	2,618,144	2,193,637
Differences between expected and actual experience	273,572	(15,799,366)	(99,734)	(2,426,790)		
Changes of assumptions	(21,939,078)	6,220,980	17,857,465	3,031,617	(3,103,981)	
Benefit payments	(1,774,161)	(1,723,022)	(1,715,693)	(1,188,724)	(971,268)	(1,501,729)
NET CHANGE IN TOTAL OPEB LIABILITY	(13,915,789)	(140,430)	25,125,186	7,222,867	3,808,951	5,817,023
TOTAL OPEB LIABILITY, Beginning	102,767,717	102,908,147	77,782,961	70,560,094	66,751,143	60,934,120
TOTAL OPEB LIABILITY, Ending	<u>\$ 88,851,928</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Covered-employee payroll	\$ 253,683,300	\$ 222,340,494	\$ 227,246,959	\$ 205,390,911	\$ 197,512,341	\$ 188,614,088
District's total OPEB liability as a percentage of covered-employee payroll	35%	46%	45%	38%	36%	35%
Notes to Schedule:	102,767,717	102,908,147	77,782,961	70,560,094	66,751,143	

There were no changes to benefit terms during the measurement periods ended June 30, 2022, 2021, 2020, 2019, 2018 and 2017. For the measurement periods ended June 30, 2022, 2021, 2020 and 2019 the interest assumption changed from 2.16% to 3.54%, 2.20% to 2.16%, 3.5% to 2.20% and 3.8% to 3.5%, respectively. For the measurement period ended June 30, 2018, the interest assumption increased from 3.5% to 3.8%. There were no changes to the interest assumption during the measurement period ended June 30, 2017.

The District has not accumulated assets in a trust to pay related OPEB benefits.

* Fiscal year 2018 was the 1st year of implementation, therefore only six years are presented.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY YEAR ENDED JUNE 30, 2023 LAST 10 YEARS*

	CalSTRS Plan								
	Fiscal Year								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
	Measurement date 2022	Measurement date 2021	Measurement date 2020	Measurement date 2019	Measurement date 2018	Measurement date 2017	Measurement date 2016	Measurement date 2015	Measurement date 2014
District's proportion of the net pension liability	0.273%	0.263%	0.260%	0.266%	0.260%	0.244%	0.269%	0.258%	0.252%
District's proportionate share of the net pension liability	\$189,696,780	\$119,686,040	\$ 251,963,400	\$ 240,240,560	\$ 238,958,200	\$ 225,651,200	\$ 217,569,890	\$ 173,695,920	\$ 147,261,240
State's proportionate share of the net pension liability associated with the District	95,049,827	60,296,134	129,864,646	130,832,047	136,741,658	133,691,958	124,040,571	91,895,311	88,989,303
Total	\$ 284,746,607	\$	\$	\$	\$	\$	\$	\$	\$
District's covered-employee payroll	\$162,130,600	\$146,961,482	\$ 143,394,826	\$ 145,117,585	\$ 140,118,151	\$ 131,489,564	\$ 130,333,231	\$ 124,375,645	\$ 114,500,629
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	179,982,174%	381,828,046%	371,072,607%	375,699,858%	359,343,158%	341,610,460%	265,591,267%	236,250,543%	129%
Plan fiduciary net position as a percentage of the total pension liability	81.2%	87.2%	72%	73%	71%	69%	70%	74%	77%

Notes to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2022 there was a 6.5% increase in the lump sum death benefit level for deaths occurring after June 30, 2022. For the measurement date ended June 30, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2022, 2021, 2020, 2019, 2018, 2016, 2015 and 2014, there were no changes in assumptions. For the measurement date ended June 30, 2017, the consumer price inflation changed from 3.00% to 2.75%, investment rate of return changed from 7.60% to 7.10% and wage growth changed from 3.75% to 3.50%.

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY YEAR ENDED JUNE 30, 2022 LAST 10 YEARS*

	CalPERS Plan								
	Fiscal Year								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
	Measurement date 2022	Measurement date 2021	Measurement date 2020	Measurement date 2019	Measurement date 2018	Measurement date 2017	Measurement date 2016	Measurement date 2015	Measurement date 2014
District's proportion of the net pension liability	0.3357%	0.3475%	0.3528%	0.3714%	0.3716%	0.3678%	0.3827%	0.3896%	0.3838%
District's proportionate share of the net pension liability	\$115,522,654	\$70,653,408	\$ 108,252,347	\$ 108,253,407	\$ 99,077,592	\$ 87,798,793	\$ 75,583,487	\$ 57,427,425	\$ 43,570,645
District's covered-employee payroll	\$51,719,220	\$49,869,383	\$ 50,962,159	\$ 51,692,243	\$ 50,361,691	\$ 47,013,324	\$ 46,113,845	\$ 43,217,793	\$ 40,354,159
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	223%	142%	212%	209%	197%	187%	164%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%	72%	74%	79%	83%

Notes to Schedule:

Change of benefit terms – For the measurement date ended June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014, there were no changes to the benefit terms.

Changes in assumptions – For the measurement date ended June 30, 2015, the discount rate changed from 7.50% (net of administrative expenses in 2014) to 7.65% to correct an adjustment which previously reduced the discount rate for administrative expenses. For the measurement date ended June 30, 2017, the discount rate changed from 7.65% to 7.15%. For the measurement date ended June 30, 2018, the demographic assumptions and inflation rates were changed. The inflation rate was lowered from 2.75% to 2.50%. For the measurement date ended June 30, 2022, the discount rate changed from 7.15% to 6.90%. Demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. For the measurement dates ended June 30, 2021, 2020, 2019, 2016 and 2014, there were no changes in assumptions.

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS YEAR ENDED JUNE 30, 2023 LAST 10 YEARS*

	CalSTRS Plan								
	Fiscal Year								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 33,517,476	\$ 25,841,519	\$ 25,990,245	\$ 24,534,963	\$ 23,556,256	\$ 19,989,000	\$ 16,849,633	\$ 14,007,563	\$ 11,101,972
Contributions in relation to the contractually required contributions	<u>(33,517,476)</u>	<u>(25,841,519)</u>	<u>(25,990,245)</u>	<u>(24,534,963)</u>	<u>(23,556,256)</u>	<u>(19,989,000)</u>	<u>(16,849,633)</u>	<u>(14,007,563)</u>	<u>(11,101,972)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$ 175,541,970	\$ 162,130,600	\$ 146,961,482	\$ 143,394,826	\$ 145,117,585	\$ 140,118,151	\$ 131,489,564	\$ 130,333,231	\$ 124,375,645
Contributions as a percentage of covered-employee payroll	19.09%	15.94%	17.69%	17.11%	16.23%	14.27%	12.81%	10.75%	8.93%

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS YEAR ENDED JUNE 30, 2023 LAST 10 YEARS*

	CalPERS Plan								
	Fiscal Year								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 15,507,380	\$ 12,876,663	\$ 10,648,826	\$ 10,072,372	\$ 9,483,820	\$ 7,950,426	\$ 6,551,438	\$ 5,466,734	\$ 5,077,414
Contributions in relation to the contractually required contributions	(15,507,380)								
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$	\$	\$
District's covered-employee payroll	\$ 58,075,341	\$ 51,719,220	\$ 49,869,383	\$ 50,962,159	\$ 51,692,243	\$ 50,361,691	\$ 47,013,324	\$ 46,113,845	\$ 43,217,793
Contributions as a percentage of covered-employee payroll	(12,876,663) 26.70%	(10,648,826) 24.90%	(10,072,372) 21.35%	(9,483,820) 19.76%	(7,950,426) 18.35%	(6,551,438) 15.79%	(5,466,734) 13.94%	(5,077,414) 11.85%	11.75%

* Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

SUPPLEMENTARY INFORMATION SECTION

LODI UNIFIED SCHOOL DISTRICT

ORGANIZATION JUNE 30, 2023

The Lodi Unified School District was established on July 1, 1967, and comprises an area located in San Joaquin County. There were no changes in the boundaries of the District during the current year. The District currently operates 32 elementary schools (most of which have a grade configuration of kindergarten through 6th grade, one GATE school for grades 4-8, and three schools for grades K-8), five middle schools (for grades 7-8), four comprehensive high schools (for grades 9-12), one early college high school, two continuation high schools, two alternative schools of choice for grades 7-8 and one for grades 7-12, two independent study schools for grades K-12, one charter school for grades K-8, preschool programs, and an adult education program. The District also has five independent charter schools.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Joe Nava	President	2024
Mr. Gary Knackstedt	Vice President	2024
Ms. Sherry Alexandar	Clerk	2026
Mrs. Susan Macfarlane	Member	2026
Mr. Courtney Porter	Member	2026
Mr. Jeff Stroh	Member	2026
Dr. Rommel Bal	Member	2024

ADMINISTRATION

Mr. Neil Young
Superintendent

Mr. Leonard Kahn
Chief Business Officer

Dr. Allen Dosty
Assistant Superintendent/Personnel

Dr. Robert Sahli
Assistant Superintendent/Curriculum-Instruction-Assessment

LODI UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2023

DISTRICT

	Second Period Report	Annual Report
Elementary:		
Transitional Kindergarten through 3	7,094	7,150
Grades 4 through 6	5,631	5,659
Grades 7 and 8	3,712	3,712
Special Education – Nonpublic, Non-sectarian Schools	14	15
Extended Year ADA –Nonpublic, Non-sectarian Schools	34	68
Elementary Totals	16,485	16,604
High School:		
Grades 9 through 12	7,845	7,755
Special Education– Nonpublic, Non-sectarian Schools	43	42
Extended Year ADA– Nonpublic, Non-sectarian Schools	12	24
High School Totals	7,900	7,821
County Community Schools	47	47
ADA Totals	24,432	24,472

JOE SERNA JR. CHARTER SCHOOL

	Second Period Report	Annual Report
Elementary:		
Kindergarten through 3	157	158
Grades 4 through 6	112	112
Grades 7 and 8	69	69
ADA Totals - Classroom Based	338	339

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS YEAR ENDED JUNE 30, 2023

<u>Charter School</u>	<u>Charter School Number</u>	<u>Date Established</u>	<u>Included/ Not Included</u>
Aspire Public Schools – River Oaks Charter School	0364	8/15/2000	Not Included
Aspire Public Schools – Aspire Vincent Shalvey Academy	0178	1/19/1999	Not Included
Aspire Public Schools – Benjamin Holt College Prep Academy	0565	3/4/2003	Not Included
Rio Valley Charter School	1229	4/16/2010	Not Included
Aspire Public Schools – Benjamin Holt Middle School	1782	8/1/2016	Not Included
Joe Serna Jr. Charter School	0288	1/18/2000	Included

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME YEAR ENDED JUNE 30, 2023

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>Number of Instructional Days Required</u>	<u>2022-23 Actual Minutes Offered</u>	<u>Actual number of Instructional Days Offered</u>	<u>Minutes Credited by the School Closure Certification*</u>	<u>Number of Days Covered by the School Closure Certification*</u>	<u>Total Minutes Offered</u>	<u>Total Number of Instructional Days Offered</u>	<u>Status</u>
DISTRICT									
Kindergarten	36,000	180	36,000	180	-	-	36,000	180	In Compliance
Grades 1	50,400	180	51,314	180	-	-	51,314	180	In Compliance
Grades 2	50,400	180	51,314	180	-	-	51,314	180	In Compliance
Grades 3	50,400	180	51,314	180	-	-	51,314	180	In Compliance
Grades 4	54,000	180	54,420	180	-	-	54,420	180	In Compliance
Grades 5	54,000	180	54,420	180	-	-	54,420	180	In Compliance
Grades 6	54,000	180	54,420	180	-	-	54,420	180	In Compliance
Grades 7	54,000	180	57,120	180	-	-	57,120	180	In Compliance
Grades 8	54,000	180	57,120	180	-	-	57,120	180	In Compliance
Grades 9	64,800	180	65,210	180	-	-	65,210	180	In Compliance
Grades 10	64,800	180	65,210	180	-	-	65,210	180	In Compliance
Grades 11	64,800	180	65,210	180	-	-	65,210	180	In Compliance
Grades 12	64,800	180	65,210	180	-	-	65,210	180	In Compliance
JOE SERNA JR. CHARTER SCHOOL									
Kindergarten	36,000	175	45,770	177	530	2	46,300	179	In Compliance
Grades 1	50,400	175	50,890	177	610	2	51,500	179	In Compliance
Grades 2	50,400	175	50,890	177	610	2	51,500	179	In Compliance
Grades 3	50,400	175	50,890	177	610	2	51,500	179	In Compliance
Grades 4	54,000	175	53,716	177	644	2	54,360	179	In Compliance
Grades 5	54,000	175	53,716	177	644	2	54,360	179	In Compliance
Grades 6	54,000	175	59,768	177	712	2	60,480	179	In Compliance
Grades 7	54,000	175	59,768	177	712	2	60,480	179	In Compliance
Grades 8	54,000	175	59,768	177	712	2	60,480	179	In Compliance
HOUSTON									
Kindergarten	36,000	180	35,400	177	600	3	36,000	180	In Compliance
Grades 1	50,400	180	50,523	177	791	3	51,314	180	In Compliance
Grades 2	50,400	180	50,523	177	791	3	51,314	180	In Compliance
Grades 3	50,400	180	50,523	177	791	3	51,314	180	In Compliance
Grades 4	54,000	180	54,024	177	842	3	54,866	180	In Compliance
Grades 5	54,000	180	54,024	177	842	3	54,866	180	In Compliance
Grades 6	54,000	180	54,024	177	842	3	54,866	180	In Compliance
Grades 7	54,000	180	59,490	177	927	3	60,417	180	In Compliance
Grades 8	54,000	180	59,490	177	927	3	60,417	180	In Compliance
LIVE OAK ELEMENTARY									
Kindergarten	36,000	180	35,800	179	200	1	36,000	180	In Compliance
Grades 1	50,400	180	51,019	179	295	1	51,314	180	In Compliance
Grades 2	50,400	180	51,019	179	295	1	51,314	180	In Compliance
Grades 3	50,400	180	51,019	179	295	1	51,314	180	In Compliance
Grades 4	54,000	180	54,550	179	316	1	54,866	180	In Compliance
Grades 5	54,000	180	54,550	179	316	1	54,866	180	In Compliance
Grades 6	54,000	180	54,550	179	316	1	54,866	180	In Compliance

See the accompanying notes to supplementary information.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME YEAR ENDED JUNE 30, 2023

<u>Grade Level</u>	<u>Minutes Requirement</u>	<u>Number of Instructional Days Required</u>	<u>2022-23 Actual Minutes Offered</u>	<u>Actual number of Instructional Days Offered</u>	<u>Minutes Credited by the School Closure Certification*</u>	<u>Number of Days Covered by the School Closure Certification*</u>	<u>Total Minutes Offered</u>	<u>Total Number of Instructional Days Offered</u>	<u>Status</u>
TURNER ACADEMY									
Kindergarten	36,000	180	35,600	178	400	2	36,000	180	In Compliance
Grades 1	50,400	180	51,405	178	600	2	52,005	180	In Compliance
Grades 2	50,400	180	51,405	178	600	2	52,005	180	In Compliance
Grades 3	50,400	180	51,405	178	600	2	52,005	180	In Compliance
Grades 4	54,000	180	53,790	178	630	2	54,420	180	In Compliance
Grades 5	54,000	180	53,790	178	630	2	54,420	180	In Compliance
Grades 6	54,000	180	53,790	178	630	2	54,420	180	In Compliance
Grades 7	54,000	180	56,460	178	660	2	57,120	180	In Compliance
Grades 8	54,000	180	56,460	178	660	2	57,120	180	In Compliance
MORADA MIDDLE									
Grades 7	54,000	180	60,537	179	348	1	60,885	180	In Compliance
Grades 8	54,000	180	60,537	179	348	1	60,885	180	In Compliance
MIDDLE COLLEGE									
Grades 9	64,800	180	71,395	179	420	1	71,815	180	In Compliance
Grades 10	64,800	180	71,395	179	420	1	71,815	180	In Compliance
Grades 11	64,800	180	71,395	179	420	1	71,815	180	In Compliance
Grades 12	64,800	180	71,395	179	420	1	71,815	180	In Compliance

* In response to a Declaration of a State of Emergency by the Governor of California these sites were closed instructional days noted. An approved Form J13A School Closure Certification was received from the California Department of Education for the emergency closures.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS YEAR ENDED JUNE 30, 2023

GENERAL FUND

	June Adopted Budget 2024	2023	2022	2021
Revenues and other financial sources	\$ 458,584,567	\$ 533,596,036	\$ 449,745,947	\$ 412,863,998
Expenditures	474,764,176	430,266,355	398,623,196	383,001,322
Other uses and transfers out	334,000	7,234,399	3,532,983	17,556,047
Total outgo	475,098,176	437,500,754	402,156,179	400,557,369
Change in fund balance	(16,513,609)	96,095,282	47,589,768	12,306,629
Ending fund balance	\$ 235,871,032	\$ 252,384,641	\$ 156,289,359	\$ 96,392,962
Available reserves ⁽¹⁾	\$ 25,836,436	\$ 25,836,436	\$ 24,197,866	\$ 24,033,442
Designated for economic uncertainties	\$ 12,918,218	\$ 12,918,218	\$ 12,098,933	\$ 12,016,721
Unassigned fund balance	\$ 12,918,218	\$ 12,918,218	\$ 12,098,933	\$ 12,016,721
Available reserves as a percentage of total outgo	5.4%	5.9%	6.0%	6.0%
Total long-term debt	\$ 737,702,842	\$ 760,842,410	\$ 683,459,357	\$ 777,163,679
Average daily attendance at P-2 ²	24,177	24,385	24,095	26,624

⁽¹⁾ Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund.

⁽²⁾ Excludes County Community Schools ADA.

The General Fund balance has increased by \$143,685,050 over the past two years. The fiscal year 2024-24 budget projects a decrease of \$16,513,609. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred operating deficits in the past three years, however it anticipates generating an operating deficit during the 2023-24 fiscal year. Total long-term debt has decreased by \$16,321,269 over the past two years.

Average daily attendance has decreased by 2,239 over the past two years. ADA is anticipated to decrease by 208 during fiscal year 2023-24.

See the accompanying notes to supplementary information.

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	PCA Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed-Through California Department of Education (CDE):			
Child Nutrition Cluster:			
Child Nutrition: School Programs	10.555	13391	\$ 11,811,447
Child Nutrition (School Breakfast Basic and Especially Needy)	10.553	N/A	2,194,211
Child Nutrition: School Programs - Commodities	10.555	N/A	<u>1,517,964</u>
Subtotal Child Nutrition Cluster			<u>15,523,622</u>
Child and Adult Care Food Program:			
Child Nutrition: CACFP Claims	10.558	13666	1,607,041
Child Nutrition: CCFP Cash in Lieu of Commodities	10.558	13389	<u>110,253</u>
Subtotal Child and Adult Care Food Program			<u>1,717,294</u>
Child Nutrition: NSLP Equipment Assistance Grants	10.579	14906	100,000
Child Nutrition: Fresh Fruit and Vegetable Program	10.582	14968	<u>478,423</u>
Total U.S. Department of Agriculture			<u>17,819,339</u>
U.S. Department of Education:			
Passed-Through California Department of Rehabilitation:			
WorkAbility II, Transition Partnership	84.126	10006	1,316,831
Passed-Through CDE:			
Title IV, Part A, Student Support and Academic Enrichment Grant Program			
	84.424	15396	447,476
Voc & Applied Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	13924	339,435
IDEA Early Intervention Grants	84.181	23761	46,859
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	1,388,901
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	1,244,633
Title I Basic Grants Low Income & Neg.	84.010	14329	11,861,458
Education Stabilization Fund (ESF):			
COVID-19 Elementary and Secondary School Emergency Relief II Fund (ESSER II)	84.425D	15547	1,151,621
COVID-19 Elementary and Secondary School Emergency Relief II Fund (Expanded Learning Opportunities (ELO) Grant: ESSER II)	84.425D	15618	14,255
COVID-19 Elementary and Secondary School Emergency Relief III Fund (ESSER III)	84.425D	15559	3,870,428

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	PCA Number	Federal Expenditures
COVID-19 Elementary and Secondary School Emergency Relief III Fund (Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Emergency Needs)	84.425D	15620	22,845
COVID-19 Elementary and Secondary School Emergency Relief III Fund (Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss)	84.425U	15621	2,188,459
COVID-19 American Rescue Plan–Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	10155	<u>12,332,074</u>
Subtotal Education Stabilization Fund (ESF)			<u>19,579,682</u>
Special Education Cluster (IDEA):			
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	2,151
Special Ed IDEA 619 Preschool Capacity Building	84.173A	13839	39,945
Special Ed: Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	15,120
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	133,236
Special Ed: IDEA Mental Health Services, Part B, Sec 611	84.027A	14468	205,576
IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	5,110,813
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	41,331
COVID-19 Special Ed: ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	80,586
COVID-19 Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	<u>183,189</u>
Subtotal Special Education Cluster (IDEA)			<u>5,811,947</u>
Total U.S. Department of Education			<u>42,037,222</u>
U.S. Department of Justice			
Cops Office School Violence	16.839	N/A	35,471
Cops Office School Violence 2	16.839	N/A	<u>47,412</u>
Total U.S. Department of Justice			<u>82,883</u>
U.S. Department of Health and Human Services:			
Passed-Through CDE:			
COVID-19 Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act CCDF Cluster	93.575	15555	26,102

LODI UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	PCA Number	Federal Expenditures
Passed-Through California Department of Health Services:			
Head Start Cluster	93.600	10016	2,963,574
COVID-19 Supplemental Head Start Cluster	93.600	10016	<u>238,315</u>
Subtotal Head Start Cluster			<u>3,201,889</u>
Total U.S. Department of Health and Human Services			<u>3,227,991</u>
Total Expenditures of Federal Awards			<u>\$ 63,167,435</u>

LODI UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
(UNAUDITED ACTUALS) WITH AUDITED FUND FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

AUDITOR'S COMMENTS

All fund balances agreed to the unaudited actuals.

LODI UNIFIED SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2023

1. PURPOSE OF SCHEDULES

A. SCHEDULE OF AVERAGE DAILY ATTENDANCE

Average daily attendance 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.

B. SCHEDULE OF CHARTER SCHOOLS

This schedule lists all charter schools chartered by the District and displays information for each charter school on whether or not it is included in the District's financial statements.

C. SCHEDULE OF INSTRUCTIONAL TIME

This schedule presents data as to whether the District complied with the provisions of article 8 (commencing with section 46200) of chapter 2 of part 26 of the Education Code by grade level.

D. 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.

E. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The audit of the District for the year ended June 30, 2023, was conducted in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which requires disclosure of the financial activities of all federally funded programs. To comply with Uniform Guidance, the Schedule of Expenditures of Federal Awards was prepared by the District.

General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District reporting entity is defined in Note 1 to the District's basic financial statements.

Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the District's basic financial statements.

Indirect Cost Rate – The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance

Subrecipients – The District did not provide federal awards to subrecipients during the year ended June 30, 2023.

F. RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (UNAUDITED ACTUALS) WITH AUDITED FINANCIAL STATEMENTS

This schedule provides the information necessary to reconcile the fund equity of all funds as reported on the unaudited actuals to the audited fund financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDITOR’S 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***

**Board of Education
Lodi Unified School District
Lodi, 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 Lodi Unified School District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated February 5, 2024.

Report on Internal Control Over Financial Reporting

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

A handwritten signature in black ink that reads "Gilbert CPAs". The signature is written in a cursive, flowing style.

GILBERT CPAs
Sacramento, California

February 5, 2024

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

**Board of Education
Lodi Unified School District
Lodi, California**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Lodi Unified School District’s (the District) compliance with the types of compliance requirements identified as subject to audit in the in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2023. The 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, the 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 programs for the year ended June 30, 2023.

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* 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 the 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 on compliance for each major federal program. Our audit does not provide a legal determination of the 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 laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District’s federal programs.

Auditor's Responsibilities for the Audit of 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 the 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 material noncompliance when it exists. The risk of not detecting 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 the 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, *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 the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the 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 the 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 a 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.

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 black ink that reads "Gilbert CPAs". The signature is written in a cursive, flowing style.

GILBERT CPAs
Sacramento, California

February 5, 2024

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH
APPLICABLE REQUIREMENTS IN ACCORDANCE WITH 2022-23
GUIDE FOR ANNUAL AUDITS OF K-12 LOCAL EDUCATION
AGENCIES AND STATE COMPLIANCE REPORTING**

**Board of Education
Lodi Unified School District
Lodi, California**

Report on Compliance with Applicable Requirements

Opinion on State Compliance

We have audited Lodi Unified School District’s (the District), compliance with the types of compliance requirements identified as subject to audit in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel identified in the schedule below for the year ended June 30, 2023.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2023.

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 audit requirements of *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the 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 on compliance for each applicable state program. Our audit does not provide a legal determination of the 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 laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District’s State programs.

Auditor’s Responsibilities for the Audit of 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 the 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 *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect material noncompliance when it exists. The risk of not detecting 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 the District’s compliance with the requirements of State Compliance as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 the District’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtained an understanding of the 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 *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion of effectiveness of the Organization’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 over compliance that we identified during the audit.

In connection with the requirements referred to above, we selected and tested transactions and records to determine the District’s compliance with the applicable programs identified below:

Compliance Requirements	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes

Compliance Requirements	Procedures Performed
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	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes

SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS

California Clean Energy Jobs Act	Not Applicable
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	Not Applicable
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	Yes

CHARTER SCHOOLS

Attendance	Yes
Mode of Instruction	Yes
Non-classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non-classroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Gilbert CPAs". The signature is written in a cursive, flowing style.

GILBERT CPAs
Sacramento, California

February 5, 2024

FINDINGS AND RECOMMENDATIONS SECTION

LODI UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ X No	
Significant deficiency(ies) identified?	_____ Yes	_____ X	None reported

Noncompliance material to financial statements noted? _____ Yes _____ X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ X No	
Significant deficiency(ies) identified?	_____ Yes	_____ X	None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes _____ X No

Identification of major programs

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.425D, 84.425U	COVID-19 Education Stabilization Fund
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 1,895,023
Auditee qualified as low-risk auditee?	_____ X Yes _____ No

State Awards

Internal control over State programs:

Material weakness(es) identified?	_____ Yes	_____ X No	
Significant deficiency(ies) identified?	_____ Yes	_____ X	None Reported

Any audit findings disclosed that are required to be reported in accordance with Audits of California K-12 Local Education Agencies? _____ Yes _____ X No

Type of auditor's report issued on compliance for state programs: Unmodified

LODI UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENT

There were no financial statement findings reported.

STATE COMPLIANCE

There were no state compliance findings reported.

FEDERAL COMPLIANCE

There were no federal compliance findings reported.

LODI UNIFIED SCHOOL DISTRICT

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

There were no prior year findings and recommendations.