

LOWELL JOINT SCHOOL DISTRICT



ANNUAL FINANCIAL REPORT:
2020-2021

Presented to the Board of Trustees
March 7, 2022

Why Is An Audit Important?



- ❖ Required by Education Code 41020
- ❖ “Independent” audit of financial records
- ❖ Informs the Board whether the financial statements are in accordance with “GAAP”
- ❖ Alerts administration to possible internal control weaknesses
- ❖ Due to the COVID-19 pandemic, the due date for filing 2020-21 FY audits was changed to January 31, 2022
- ❖ Due to the difficulties caused by the switch to OCDE, the District was granted an extension to February 28, 2022

Phase I Field Testing (February 2021)



- ❖ Jordan Elementary School
- ❖ Rancho-Starbuck Intermediate School
 - Attendance accounting and procedures
 - ASB accounting and procedures
(Rancho-Starbuck only)
- ❖ District Office
 - Internal controls
 - Federal and State compliance

Phase II Final Testing (Fall 2021)



❖ District Office

- Unaudited Actual amounts
- Compliance with State and Federal laws, regulations, and guidelines
- Implementation of GASB 68 (pensions) and GASB 75 (OPEB reporting)

Auditors' Reports

- ❖ Type of auditors' report issued
 - ✓ Unmodified
- ❖ Type of auditor's report issued on compliance for major Federal programs
 - ✓ Unmodified
- ❖ Type of auditor's report issued on compliance for major State programs
 - ✓ Unmodified

“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...”

Schedule of Findings and Questioned Costs



- ❖ There are no findings for 2020-21
- ❖ There were no findings for 2019-20
- ❖ There are no audit adjustments to the financial statements

Governmental Accounting Standards Board (GASB) Pronouncement 75

GASB 75 implemented effective June 30, 2018

- Requires recognition of the actuarially determined liability related to future retiree health benefits (OPEB)
- Lowell Joint's unfunded liability as of June 30, 2021 is \$14,410,512

Governmental Accounting Standards Board (GASB) Pronouncement 68

GASB 68 implemented June 30, 2015

- Requires recognition of pro-rata share of unfunded liability related to state pension systems
- Lowell Joint's share of STRS and PERS unfunded liability is \$34,364,940

Net Position vs. Fund Balance

- Net position is the net result of all District assets and liabilities, plus/minus deferred items
 - Includes all capital assets less depreciation
 - Includes all long-term debt, including pensions and OPEB
 - Includes deferred outflows & inflows related to pensions and OPEB
- Fund balance is the net result of only current assets and liabilities in individual funds
 - A truer measure of District solvency is the District's available fund balance "reserves"
 - At June 30, 2021, the District had a General Fund balance of \$15,231,826, of which \$1,603,644 was unassigned, or available as reserves.

Governmental Accounting Standards Board (GASB) 75 and 68 Balance Sheet Impact

- Net position (all funds) before these liabilities are added is \$41,518,310
- Adjusted net position for depreciation and these liabilities is **\$7,257,142 (negative)**
- STRS and PERS pension liability increased by \$2,856,302 during the year
- Retiree health benefits liability increased by \$2,228,413, primarily due to changes in actuarial assumptions
- Retiree health benefits liability will not decrease significantly without funding contributions to an irrevocable trust account (all other factors being equal)

Governmental Accounting Standards Board (GASB) 75 and 68 Statement of Net Position Impact

- When districts modernize their facilities or build new schools, they positively impact their net position due to the increased asset value as a result of these facility improvements, offset by the liabilities associated with issuing bonds
- The District added \$14,299,657 in capital asset additions during 2020-21
- When the District modernizes facilities during the next several years, it will greatly improve overall net position

2020-21 Audit Report



Questions?