

UPPER LAKE UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2023



UPPER LAKE UNIFIED SCHOOL DISTRICT
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JUNE 30, 2023

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FINANCIAL SECTION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTSIndependent Auditors' Report

Governing Board
Upper Lake Unified School District
Upper Lake, California

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Lake Unified School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Upper Lake Unified School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Lake Unified School District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement 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 Upper Lake Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Upper Lake Unified School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2024 on our consideration of the Upper Lake Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Upper Lake Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Upper Lake Unified School District's internal control over financial reporting and compliance.

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

San Diego, California
February 27, 2024

UPPER LAKE UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

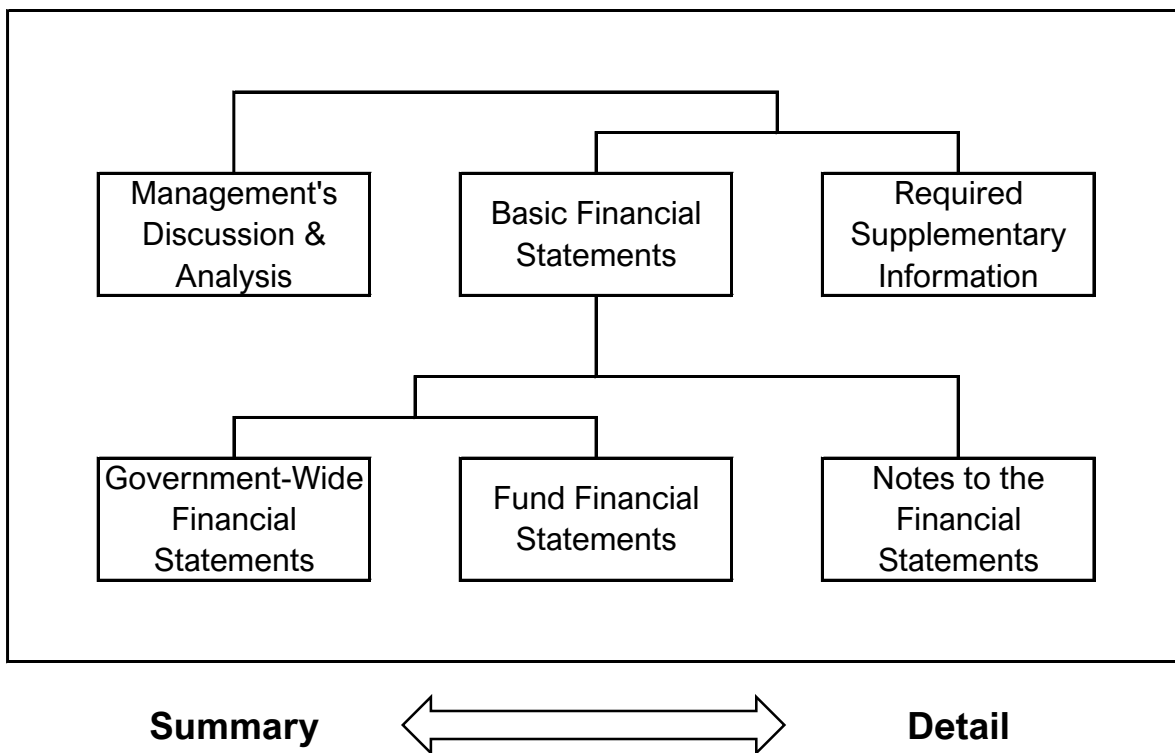
Our discussion and analysis of Upper Lake Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$5,518,945 at June 30, 2023. This was an increase of \$3,240,841 from the prior year.
- Overall revenues were \$25,639,725, which exceeded expenses of \$22,398,884.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**UPPER LAKE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

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

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

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

Government-Wide Statements

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

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

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

**UPPER LAKE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$5,518,945 at June 30, 2023, as reflected in the table below. Of this amount, \$(4,527,854) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2023	2022	Net Change
ASSETS			
Current and other assets	\$ 14,174,226	\$ 12,602,955	\$ 1,571,271
Capital assets	27,601,078	28,113,487	(512,409)
Total Assets	41,775,304	40,716,442	1,058,862
DEFERRED OUTFLOWS OF RESOURCES	5,481,682	3,234,688	2,246,994
LIABILITIES			
Current liabilities	1,956,197	2,496,592	(540,395)
Long-term liabilities	38,837,867	34,921,372	3,916,495
Total Liabilities	40,794,064	37,417,964	3,376,100
DEFERRED INFLOWS OF RESOURCES	943,977	4,255,062	(3,311,085)
NET POSITION			
Net investment in capital assets	1,476,909	2,901,722	(1,424,813)
Restricted	8,569,890	10,173,896	(1,604,006)
Unrestricted	(4,527,854)	(10,797,514)	6,269,660
Total Net Position	\$ 5,518,945	\$ 2,278,104	\$ 3,240,841

**UPPER LAKE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities		
	2023	2022	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 232,712	\$ 109,666	\$ 123,046
Operating grants and contributions	8,417,595	5,222,837	3,194,758
General revenues			
Property taxes	4,244,150	4,157,428	86,722
Unrestricted federal and state aid	10,298,268	7,029,771	3,268,497
Other	2,447,000	(34,489)	2,481,489
Total Revenues	25,639,725	16,485,213	9,154,512
EXPENSES			
Instruction	8,591,428	6,983,971	1,607,457
Instruction-related services	2,205,722	1,499,494	706,228
Pupil services	2,839,528	2,218,008	621,520
General administration	1,850,234	1,481,283	368,951
Plant services	5,202,762	1,428,419	3,774,343
Ancillary services	501,909	334,589	167,320
Debt service	921,958	1,050,883	(128,925)
Other outgo	285,343	41,242	244,101
Total Expenses	22,398,884	15,037,889	7,360,995
Change in net position	3,240,841	1,447,324	1,793,517
Net Position - Beginning	2,278,104	830,780	1,447,324
Net Position - Ending	\$ 5,518,945	\$ 2,278,104	\$ 3,240,841

The cost of all our governmental activities this year was \$22,398,884 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was \$10,298,268. The remaining portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**UPPER LAKE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

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

	Net Cost of Services	
	2023	2022
Instruction	\$ 5,501,738	\$ 3,809,930
Instruction-related services	1,761,675	1,304,153
Pupil services	(374,576)	693,645
General administration	1,430,586	1,233,791
Plant services	3,823,343	1,355,724
Ancillary services	501,909	229,641
Debt service	921,958	1,050,883
Transfers to other agencies	181,944	27,619
Total	\$ 13,748,577	\$ 9,705,386

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$12,960,206, which is more than last year's ending fund balance of \$10,238,217. The District's General Fund had \$4,126,408 more in operating revenues than expenditures for the year ended June 30, 2023. The District's Special Reserve Fund for Capital Outlay Projects had \$735,435 less in operating revenues than expenditures for the year ended June 30, 2023.

CURRENT YEAR BUDGET 2022-2023

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**UPPER LAKE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2022-2023 the District had invested \$27,601,078 in capital assets, net of accumulated depreciation and amortization.

	Governmental Activities		
	2023	2022	Net Change
CAPITAL ASSETS			
Land	\$ 210,000	\$ 210,000	\$ -
Construction in progress	944,030	15,550,194	(14,606,164)
Land improvements	2,068,744	1,247,275	821,469
Buildings & improvements	30,137,928	16,351,136	13,786,792
Furniture & equipment	1,707,785	1,374,522	333,263
Less: Accumulated depreciation	(7,531,681)	(6,705,337)	(826,344)
Lease assets - furniture & equipment	85,697	85,697	-
Less: Accumulated amortization (lease assets)	(21,425)	-	(21,425)
Total Capital Assets	\$ 27,601,078	\$ 28,113,487	\$ (512,409)

Long-Term Liabilities

At year-end, the District had \$38,837,867 in long-term liabilities, an increase of 13.05% from last year – as shown in the table below. More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities		
	2023	2022	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 21,563,045	\$ 21,784,866	\$ (221,821)
Total certificates of participation	3,971,011	3,973,349	(2,338)
Financed purchases	1,827,981	1,893,644	(65,663)
Leases payable	69,666	85,697	(16,031)
Early retirement incentive	124,099	155,124	(31,025)
Compensated absences	256,642	192,585	64,057
Total OPEB liability	992,335	708,937	283,398
Net pension liability	10,403,415	6,127,170	4,276,245
Less: current portion of long-term liabilities	(370,327)	(566,383)	196,056
Total Long-term Liabilities	\$ 38,837,867	\$ 34,354,989	\$ 4,482,878

**UPPER LAKE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

In its June 2023 quarterly report, the UCLA Anderson Forecast stated the U.S. economy was not in a recession yet, but the forecast comes with a caution. Anti-inflation actions by the Federal Reserve could still trigger a near-term recession. The Federal Reserve has said that its actions will be dependent on data. If data shows that the labor market continues to remain robust and if another jobs report shows strong growth in payroll employment and inflation remains sticky, the Federal Reserve will likely err on the side of further tightening of monetary policy and thus, a mild recession later this year is the most likely. The Forecast anticipates that there will be a mild impact on the State of California's economy regardless of the Federal Reserve's policy actions. The California unemployment rate averages for 2023, 2024, and 2025 are expected to be 4.1%, 4.0% and 4.0%, respectively, and non-farm payroll jobs are expected to grow at rates of 2.0%, 1.3%, and 1.6%, during the same three years.

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. The May 2023 Budget Revision includes a total Proposition 98 guarantee of \$106.8 billion (\$77.4 billion General Fund and \$29.4 billion local property tax) down from the January 2023 Governor's Budget Proposition 98 guarantee of \$108.8 billion (\$79.6 billion General Fund and \$29.2 billion local property tax). The Proposition 98 Guarantee continues to be in Test 1 for 2022-23 and 2023-24. At May Revision, the 2023-24 cost-of-living adjustment (COLA) is updated to 8.22 percent, the largest COLA in the history of LCFF. Additionally, the May revise saw a reduction of \$1.8 billion to the Arts, Music, and Instructional Materials Discretionary Block Grant and a \$2.5 billion reduction of the Learning Recovery Emergency Block Grant.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2023. The amount of the liability is material to the financial position of the District. The CalSTRS projected employer contribution rate for 2023-24 is 19.10 percent. The CalPERS projected employer contribution rate for 2023-24 is 26.68 percent. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2023-24 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, please contact: Michael Kauble, Chief Business Official Upper Lake Unified School District 675 Clover Valley Road Upper Lake, CA 95485.

UPPER LAKE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and investments	\$ 12,010,230
Accounts receivable	2,105,433
Inventory	8,939
Prepaid expenses	49,624
Capital assets, not depreciated	1,154,030
Capital assets, net of accumulated depreciation	26,382,776
Lease assets, net of accumulated amortization	64,272
Total Assets	41,775,304
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	5,001,927
Deferred outflows related to OPEB	479,755
Total Deferred Outflows of Resources	5,481,682
LIABILITIES	
Accrued liabilities	1,158,696
Unearned revenue	427,174
Long-term liabilities, current portion	370,327
Long-term liabilities, non-current portion	38,837,867
Total Liabilities	40,794,064
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	758,596
Deferred inflows related to OPEB	185,381
Total Deferred Inflows of Resources	943,977
NET POSITION	
Net investment in capital assets	1,476,909
Restricted:	
Capital projects	2,326,198
Debt service	740,234
Educational programs	4,481,704
Food service	812,473
Associated student body	209,281
Unrestricted	(4,527,854)
Total Net Position	\$ 5,518,945

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

UPPER LAKE UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Function/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
GOVERNMENTAL ACTIVITIES				Governmental Activities
Instruction	\$ 8,591,428	\$ 70,955	\$ 3,018,735	\$ (5,501,738)
Instruction-related services				
Instructional supervision and administration	537,142	-	120,252	(416,890)
Instructional library, media, and technology	203	-	-	(203)
School site administration	1,668,377	1,733	322,062	(1,344,582)
Pupil services				
Home-to-school transportation	1,132,938	12,044	1,396,302	275,408
Food services	1,018,125	-	1,630,366	612,241
All other pupil services	688,465	-	175,392	(513,073)
General administration				
Centralized data processing	178,209	-	22,766	(155,443)
All other general administration	1,672,025	3,771	393,111	(1,275,143)
Plant services	5,202,762	141,708	1,237,711	(3,823,343)
Ancillary services	501,909	-	-	(501,909)
Interest on long-term debt	921,958	-	-	(921,958)
Other outgo	285,343	2,501	100,898	(181,944)
Total Governmental Activities	\$ 22,398,884	\$ 232,712	\$ 8,417,595	(13,748,577)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				2,993,167
Property taxes, levied for debt service				1,167,723
Property taxes, levied for other specific purposes				83,260
Federal and state aid not restricted for specific purposes				10,298,268
Interest and investment earnings				80,751
Interagency revenues				28,347
Miscellaneous				2,337,902
Subtotal, General Revenue				16,989,418
CHANGE IN NET POSITION				3,240,841
Net Position - Beginning				2,278,104
Net Position - Ending				\$ 5,518,945

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

UPPER LAKE UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 7,322,579	\$ 2,201,001	\$ 2,486,650	\$ 12,010,230
Accounts receivable	1,939,241	-	166,192	2,105,433
Due from other funds	-	-	72,422	72,422
Stores inventory	-	-	8,939	8,939
Prepaid expenditures	2,496	47,128	-	49,624
Total Assets	\$ 9,264,316	\$ 2,248,129	\$ 2,734,203	\$ 14,246,648
LIABILITIES				
Accrued liabilities	\$ 749,171	\$ 2,631	\$ 35,044	\$ 786,846
Due to other funds	-	-	72,422	72,422
Unearned revenue	427,174	-	-	427,174
Total Liabilities	1,176,345	2,631	107,466	1,286,442
FUND BALANCES				
Nonspendable	7,496	47,128	8,939	63,563
Restricted	4,481,704	2,198,370	2,617,798	9,297,872
Assigned	917,278	-	-	917,278
Unassigned	2,681,493	-	-	2,681,493
Total Fund Balances	8,087,971	2,245,498	2,626,737	12,960,206
Total Liabilities and Fund Balances	\$ 9,264,316	\$ 2,248,129	\$ 2,734,203	\$ 14,246,648

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

UPPER LAKE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2023

Total Fund Balance - Governmental Funds \$ 12,960,206

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

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

Capital assets	\$ 35,068,487	
Lease assets	85,697	
Accumulated depreciation	(7,531,681)	
Accumulated amortization (lease assets)	<u>(21,425)</u>	27,601,078

Unmatured interest on long-term debt:

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

(371,850)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 21,563,045	
Total certificates of participation	3,971,011	
Financed purchases	1,827,981	
Leases payable	69,666	
Early retirement incentive	124,099	
Compensated absences	256,642	
Total OPEB liability	992,335	
Net pension liability	<u>10,403,415</u>	(39,208,194)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 5,001,927	
Deferred inflows of resources related to pensions	<u>(758,596)</u>	4,243,331

Deferred outflows and inflows of resources relating to OPEB:

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.

Deferred outflows of resources related to OPEB	\$ 479,755	
Deferred inflows of resources related to OPEB	<u>(185,381)</u>	294,374

Total Net Position - Governmental Activities	\$ 5,518,945
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UPPER LAKE UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 12,192,492	\$ -	\$ -	\$ 12,192,492
Federal sources	2,803,419	-	1,084,222	3,887,641
Other state sources	4,821,150	-	282,594	5,103,744
Other local sources	3,194,458	156,952	1,695,615	5,047,025
Total Revenues	23,011,519	156,952	3,062,431	26,230,902
EXPENDITURES				
Current				
Instruction	9,231,323	-	-	9,231,323
Instruction-related services				
Instructional supervision and administration	640,247	-	-	640,247
Instructional library, media, and technology	203	-	-	203
School site administration	1,788,490	-	-	1,788,490
Pupil services				
Home-to-school transportation	1,218,225	-	-	1,218,225
Food services	17,499	-	1,000,317	1,017,816
All other pupil services	762,984	-	-	762,984
General administration				
Centralized data processing	179,847	-	-	179,847
All other general administration	1,696,846	-	-	1,696,846
Plant services	2,428,398	-	229,166	2,657,564
Facilities acquisition and construction	38,611	845,259	1,634,697	2,518,567
Ancillary services	380,111	-	143,532	523,643
Transfers to other agencies	310,926	-	-	310,926
Debt service				
Principal	81,694	-	89,928	171,622
Interest and other	109,707	47,128	633,775	790,610
Total Expenditures	18,885,111	892,387	3,731,415	23,508,913
Excess (Deficiency) of Revenues Over Expenditures	4,126,408	(735,435)	(668,984)	2,721,989
Other Financing Sources (Uses)				
Transfers in	-	648,529	-	648,529
Transfers out	-	-	(648,529)	(648,529)
Net Financing Sources (Uses)	-	648,529	(648,529)	-
NET CHANGE IN FUND BALANCE	4,126,408	(86,906)	(1,317,513)	2,721,989
Fund Balance - Beginning	3,961,563	2,332,404	3,944,250	10,238,217
Fund Balance - Ending	\$ 8,087,971	\$ 2,245,498	\$ 2,626,737	\$ 12,960,206

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

**UPPER LAKE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances - Governmental Funds **\$ 2,721,989**

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets and lease assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets and lease assets are allocated over their estimated useful lives as depreciation expense and amortization expense, respectively. The difference between capital outlay expenditures and depreciation expense and amortization expense for the

Expenditures for capital outlay:	\$	513,441	
Depreciation expense:		(1,004,425)	
Amortization expense:		(21,425)	(512,409)

Debt service:

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

171,622

Unmatured interest on long-term debt:

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

(239,996)

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

104,748

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

(64,057)

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:

(88,489)

(Continued on the following page)

**UPPER LAKE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2023**

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: 1,086,925

Other liabilities not normally liquidated with current financial resources:

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were: 31,025

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 29,483

Change in Net Position of Governmental Activities	\$	3,240,841
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UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Upper Lake 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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

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

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

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

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

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Major Governmental Funds

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

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

Non-Major Governmental Funds

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

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

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

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

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

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Projects Funds (continued)

State School Building Lease-Purchase Fund: This fund is used primarily to account separately for state apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 et seq.).

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide Financial Statements

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

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

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Unearned Revenue

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

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

Expenses/Expenditures

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

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

Inventories

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

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

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

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

Included in capital assets are right to use lease assets as a result of implementing GASB Statement No. 87. The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, plus ancillary charges necessary to place the lease into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
School Buildings	7-50 Years
Portable Classrooms	20 Years
Site Improvements	7-20 Years
Equipment	5-20 Years
Vehicles	5-20 Years
Right-to-use Leased Equipment	5 Years

Interfund Balances

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

Compensated Absences

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

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

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

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

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

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

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

Premiums and Discounts

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

Deferred Outflows/Deferred Inflows of Resources

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

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

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Pensions

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

Fund Balance

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

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

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

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

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

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

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance (continued)

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

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021–The District has fully implemented this Statement as of June 30, 2023.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for periods beginning after June 15, 2022. The District has fully implemented this Statement as of June 30, 2023.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

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

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities
Investment in county treasury	\$ 11,639,733
Cash with fiscal agent	333,138
Cash in revolving fund	5,000
Scholarship investments (Franklin Templeton)	32,359
Total	\$ 12,010,230

B. Policies and Practices

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

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

Cash with Fiscal Agent – This represents amounts held by a third-party custodian in the District's name to be used for payments deposited into a sinking fund, to repay the loan due December 14, 2037.

Scholarship Investments – The District maintains an open-ended mutual fund with Franklin Templeton for a scholarship account.

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$11,409,969 and an amortized book value of \$11,639,733. The average weighted maturity for this pool is 412 days.

E. Credit Risk

Credit risk is the risk that the 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. Investments in the County Treasury are not required to be rated.

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2023, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

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

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

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

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

The District's fair value measurements at June 30, 2023 were as follows:

	Observable Inputs Level 2	Uncategorized	Total
Investment in county treasury	\$ -	\$ 11,409,969	\$ 11,409,969
Scholarship investments (Franklin Templeton)	32,359	-	32,359
Total	\$ 32,359	\$ 11,409,969	\$ 11,442,328

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government			
Categorical aid	\$ 1,088,831	\$ 128,139	\$ 1,216,970
State Government			
Categorical aid	437,263	31,424	468,687
Lottery	112,086	-	112,086
Local Government			
Other local sources	301,061	6,629	307,690
Total	\$ 1,939,241	\$ 166,192	\$ 2,105,433

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2022	Additions	Deletions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 210,000	\$ -	\$ -	\$ 210,000
Construction in progress	15,550,194	-	14,606,164	944,030
Total capital assets not being depreciated	15,760,194	-	14,606,164	1,154,030
Capital assets being depreciated				
Land improvements	1,247,275	865,146	43,677	2,068,744
Buildings & improvements	16,351,136	13,786,792	-	30,137,928
Furniture & equipment	1,374,522	467,667	134,404	1,707,785
Total capital assets being depreciated	18,972,933	15,119,605	178,081	33,914,457
Less: Accumulated depreciation				
Land improvements	459,966	99,556	43,677	515,845
Buildings & improvements	5,465,531	791,421	-	6,256,952
Furniture & equipment	779,840	113,448	134,404	758,884
Total accumulated depreciation	6,705,337	1,004,425	178,081	7,531,681
Total capital assets being depreciated, net	12,267,596	14,115,180	-	26,382,776
Lease assets being amortized				
Furniture & equipment	85,697	-	-	85,697
Total lease assets being amortized	85,697	-	-	85,697
Less: Accumulated amortization for lease assets				
Furniture & equipment	-	21,425	-	21,425
Total accumulated amortization for lease assets	-	21,425	-	21,425
Total lease assets being amortized, net	85,697	(21,425)	-	64,272
Governmental Activities				
Capital Assets, net	\$ 28,113,487	\$ 14,093,755	\$ 14,606,164	\$ 27,601,078

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 4 – CAPITAL ASSETS (continued)

Depreciation and amortization expense were charged to governmental activities as follows:

Instruction	\$ 503,312
Home-to-school transportation	51,170
Food services	6,099
All other pupil services	13,000
All other general administration	23,305
Plant services	425,130
Ancillary services	3,834
Total	\$ 1,025,850

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2023 consisted of \$72,422 due from the Bond Interest and Redemption Fund to the Building Fund to transfer the refund of issuance costs.

B. Operating Transfers

Interfund transfers for the year ended June 30, 2023, consisted of a transfer of \$648,529 from the Building Fund to the Special Reserve Fund for Capital Outlay Projects to pay for capital projects.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2023 consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	District-Wide	Governmental Activities
Payroll	\$ 212,915	\$ -	\$ 6,633	\$ -	\$ 219,548
Construction	-	-	10,450	-	10,450
Vendors payable	320,578	2,631	17,961	-	341,170
Due to grantor government	215,678	-	-	-	215,678
Unmatured interest	-	-	-	371,850	371,850
Total	\$ 749,171	\$ 2,631	\$ 35,044	\$ 371,850	\$ 1,158,696

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2023 consisted of the following:

	General Fund
Federal sources	\$ 26,652
State categorical sources	234,009
Local sources	166,513
Total	\$ 427,174

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2023 consisted of the following:

	Balance July 01, 2022	Additions	Deductions	Balance June 30, 2023	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 19,985,626	\$ -	\$ 89,928	\$ 19,895,698	\$ 196,778
Unamortized premium	743,090	-	27,145	715,945	27,145
Accreted interest	1,056,150	245,919	350,667	951,402	-
Total general obligation bonds	21,784,866	245,919	467,740	21,563,045	223,923
Certificates of participation	3,925,000	-	-	3,925,000	30,000
Unamortized premium	48,349	-	2,338	46,011	2,338
Total certificates of participation	3,973,349	-	2,338	3,971,011	32,338
Financed purchases	1,893,644	-	65,663	1,827,981	66,653
Leases payable	85,697	-	16,031	69,666	16,388
Early retirement incentive	155,124	-	31,025	124,099	31,025
Compensated absences	192,585	64,057	-	256,642	-
Total OPEB liability	708,937	283,398	-	992,335	-
Net pension liability	6,127,170	4,276,245	-	10,403,415	-
Total	\$ 34,921,372	\$ 4,869,619	\$ 582,797	\$ 39,208,194	\$ 370,327

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments for financed purchases-are made in the General Fund.
- Payments for leases payable-are made in the General Fund.
- Payments for early retirement incentive are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2022	Additions	Deductions	Bonds Outstanding June 30, 2023
1999 Series A	8/5/1999	2025	4.70-5.65%	\$ 4,136,347	\$ 1,021,987	\$ 43,253	\$ 440,595	\$ 624,645
2018 Series A (K-8)	12/13/2018	2057	4.00-5.50%	5,500,000	5,360,000	-	-	5,360,000
2018 Series A	9/19/2019	2055	2.03-4.00%	7,495,000	7,445,595	72,280	-	7,517,875
2018 Series B (K-8)	12/4/2019	2050	1.90-4.00%	3,688,798	3,817,699	63,448	-	3,881,147
2018 Series B	1/25/2022	2052	2.82-8.00%	2,501,115	2,501,115	40,628	-	2,541,743
2018 Series C (K-8)	1/25/2022	2057	2.00-8.00%	895,380	895,380	26,310	-	921,690
					\$ 21,041,776	\$ 245,919	\$ 440,595	\$ 20,847,100

The annual requirements to amortize the general obligation bonds payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 196,778	\$ 798,185	\$ 994,963
2025	220,032	873,333	1,093,365
2026	167,149	680,806	847,955
2027	179,858	751,765	931,623
2028	201,692	833,660	1,035,352
2029 - 2033	1,302,461	3,122,279	4,424,740
2034 - 2038	1,780,904	3,583,904	5,364,808
2039 - 2043	2,340,290	4,183,133	6,523,423
2044 - 2048	4,311,534	3,643,004	7,954,538
2049 - 2053	5,930,000	1,312,600	7,242,600
2054 - 2057	3,265,000	280,800	3,545,800
Accretion	951,402	(951,402)	-
Total	\$ 20,847,100	\$ 19,112,067	\$ 39,959,167

B. Certificates of Participation

In May 2021, the District issued certificates of participation (COP) in the amount of \$3,925,000, at a premium of \$58,443, with interest rates ranging from 2.00% to 3.00%. At June 30, 2023, the principal outstanding was \$3,925,000. The annual requirements to amortize all certificates of participation outstanding at June 30, 2023 were as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 30,000	\$ 94,256	\$ 124,256
2025	30,000	93,656	123,656
2026	30,000	93,056	123,056
2027	35,000	92,456	127,456
2028	35,000	91,756	126,756
2029 - 2033	585,000	419,481	1,004,481
2034 - 2038	900,000	334,881	1,234,881
2039 - 2043	1,150,000	228,775	1,378,775
2044 - 2048	1,130,000	77,060	1,207,060
Total	\$ 3,925,000	\$ 1,525,377	\$ 5,450,377

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 8 – LONG-TERM LIABILITIES (continued)

C. Financed Purchases

In September 2013, the District was selected to receive a loan under the provisions of California Education Code, Section 17456, totaling \$1,065,000 to be used toward solar panel construction. The loan bears interest at 1.5%. As of June 30, 2023, the principal balance outstanding was \$580,981.

In December 2018, the District was selected to receive a loan under California Education Code, Section 17456, totaling \$1,247,000 to be used toward solar panel construction and energy efficient improvements. The loan bears interest at 0.5%. The provisions of the loan require the District to deposit \$68,585 annually for 20 years beginning December 14, 2018, into a sinking fund, to repay the loan due December 14, 2037. As of June 30, 2023, the principal balance outstanding was \$1,247,000.

The finance purchases mature through December 2037 as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 66,653	\$ 14,575	\$ 81,228
2025	67,659	13,570	81,229
2026	68,679	12,549	81,228
2027	69,715	11,513	81,228
2028	70,767	4,226	74,993
2029 - 2033	237,508	37,455	274,963
2034 - 2038	1,247,000	37,410	1,284,410
Total	\$ 1,827,981	\$ 131,298	\$ 1,959,279

D. Leases Payable

In May 2022, the District has entered into a five-year lease agreement as lessee for the acquisition and use of copiers. An initial lease liability was recorded in the amount of \$85,697 as of May 2022. At June 30, 2023, the value of the lease liability was \$69,666. The District is required to make monthly principal and interest payments of \$1,573. The lease has an interest rate of 4%. The agreement does not contain a purchase option. Conditions of the lease do not provide for variable payments or residual value guarantees. The equipment has a five-year estimated useful life. The value of the right-to-use assets as of June 30, 2023, was \$85,697 and had accumulated amortization of \$21,425. There were no variable or other payments recognized for the year ended June 30, 2023, that were not previously included in the measurement of the lease liability.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Year Ended June 30,	Lease Payment
2024	\$ 18,876
2025	18,876
2026	18,876
2027	18,876
Total minimum lease payments	75,504
Less amount representing interest	(5,838)
Present value of minimum lease payments	\$ 69,666

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 8 – LONG-TERM LIABILITIES (continued)

E. Early Retirement Incentive

The District has offered an early retirement incentive program. The payments are scheduled as follows:

Year Ended June 30,	Payments
2024	\$ 31,025
2025	31,025
2026	31,025
2027	31,024
Total	\$ 124,099

F. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2023 amounted to \$256,642. This amount is included as part of long-term liabilities in the government-wide financial statements.

G. Other Postemployment Benefits

The District's beginning total OPEB liability was \$708,937 and increased by \$283,398 during the year ended June 30, 2023. The ending total OPEB liability at June 30, 2023 was \$992,335. See Note 10 for additional information regarding the total OPEB liability.

H. Net Pension Liability

The District's beginning net pension liability was \$6,127,170 and increased by \$4,276,245 during the year ended June 30, 2023. The ending net pension liability at June 30, 2023 was \$10,403,415. See Note 11 for additional information regarding the net pension liability.

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2023:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 5,000	\$ -	\$ -	\$ 5,000
Stores inventory	-	-	8,939	8,939
Prepaid expenditures	2,496	47,128	-	49,624
Total non-spendable	7,496	47,128	8,939	63,563
Restricted				
Educational programs	4,481,704	-	-	4,481,704
Food service	-	-	812,473	812,473
Associated student body	-	-	209,281	209,281
Capital projects	-	2,198,370	483,960	2,682,330
Debt service	-	-	1,112,084	1,112,084
Total restricted	4,481,704	2,198,370	2,617,798	9,297,872
Assigned				
Bus replacement fund	86,628	-	-	86,628
COP repayment fund	277,872	-	-	277,872
Staff technology replacement	64,721	-	-	64,721
Student technology replacement	45,221	-	-	45,221
Curriculum purchases	100,000	-	-	100,000
Supplemental and concentration	160,335	-	-	160,335
Supplemental and concentration (15%)	90,268	-	-	90,268
Unrestricted lottery	86,488	-	-	86,488
Education protection account	4,843	-	-	4,843
Deferred maintenance	902	-	-	902
Total assigned	917,278	-	-	917,278
Unassigned	2,681,493	-	-	2,681,493
Total Fund Balance	\$ 8,087,971	\$ 2,245,498	\$ 2,626,737	\$ 12,960,206

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

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

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

B. Benefits Provided

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

	<u>Certificated & Certificated Management</u>
Benefit types provided	Medical, dental and vision
Duration of Benefits	10 years or to age 65
Required Service	20 years
Minimum Age	STRS retirement eligibility
Dependent Coverage	Yes
District Contribution %	100% to District Cap
District Cap	\$2,500*
*Retirees with 30 years of service have a cap of \$12,500	

C. Contributions

For the measurement period, the District contributed \$14,605 to the Plan, all of which was used for current premiums.

D. Plan Membership

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	1
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	45
Total number of participants**	46

*Information not provided

**As of the June 30, 2023 valuation date

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

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

E. Total OPEB Liability

The Upper Lake Unified School District's total OPEB liability of \$992,335 was measured as of June 30, 2023 and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2023 was determined by an actuarial valuation as of that same date using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Economic assumptions:

Inflation	2.50%
Salary increases	2.75%
Discount rate	3.65%
Healthcare cost trend rate	4.00%

Non-economic assumptions:

Mortality:

Certificated	2020 CalSTRS Mortality Table
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Retirement rates:

Certificated	Hired 2012 and earlier: 2020 CalSTRS 2.0%@60 Rates
	Hired 2013 and later: 2020 CalSTRS 2.0%@62 Rates

The actuarial assumptions used in the June 30, 2023 valuation were based on a review of plan experience during the period July 1, 2021 to June 30, 2023.

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

G. Changes in Total OPEB Liability

	<u>June 30, 2023</u>
Total OPEB Liability	
Service cost	\$ 45,960
Interest on total OPEB liability	25,651
Difference between expected and actual experience	236,389
Changes of assumptions	(9,997)
Benefits payments	(14,605)
Net change in total OPEB liability	283,398
Total OPEB liability - beginning	708,937
Total OPEB liability - ending	<u>\$ 992,335</u>
 Covered-employee payroll	 \$ 5,118,161
 District's total OPEB liability as a percentage of covered-employee payroll	 19.39%

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

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

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

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

	1% Decrease	Valuation Discount Rate	1% Increase
	(2.65%)	(3.65%)	(4.65%)
Total OPEB liability	\$ 1,085,539	\$ 992,335	\$ 904,579

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

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
	(3.00%)	(4.00%)	(5.00%)
Total OPEB liability	\$ 854,829	\$ 992,335	\$ 1,157,154

J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the Upper Lake Unified School District recognized OPEB expense of \$103,094. At June 30, 2023, the Upper Lake Unified School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 339,785	\$ 84,370
Changes in assumptions	139,970	101,011
Total	\$ 479,755	\$ 185,381

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	\$ 43,196	\$ 11,713
2025	43,196	11,713
2026	43,196	11,713
2027	43,196	11,712
2028	43,193	10,522
Thereafter	263,778	128,008
Total	\$ 479,755	\$ 185,381

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 5,018,730	\$ 2,543,279	\$ 621,653	\$ (13,896)
PERS Pension	5,384,685	2,458,648	136,943	857,317
Total	\$ 10,403,415	\$ 5,001,927	\$ 758,596	\$ 843,421

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

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

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2023, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2023 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$984,007 for the year ended June 30, 2023.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$403,195 to CalSTRS.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	5,018,730
State's proportionate share of the net pension liability associated with the District		2,513,394
Total	\$	7,532,124

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2022, the District's proportion was 0.007 percent, which did not change from its proportion measured as of June 30, 2021.

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2023, the District recognized pension expense of \$(13,896). In addition, the District recognized pension expense and revenue of \$(187,982) 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 projected and actual earnings on plan investments	\$ -	\$ 245,353
Differences between expected and actual experience	4,117	376,300
Changes in assumptions	248,892	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,306,263	-
District contributions subsequent to the measurement date	984,007	-
Total	\$ 2,543,279	\$ 621,653

The \$984,007 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	\$ 488,562	\$ 262,399
2025	278,021	277,494
2026	278,021	374,278
2027	278,023	(361,927)
2028	24,224	52,148
2029	212,421	17,261
Total	\$ 1,559,272	\$ 621,653

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	100%	

*20-year geometric average

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 8,523,664	\$ 5,018,730	\$ 2,108,580

Pension Plan Fiduciary Net Position

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

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits Provided

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

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2023 was 25.37% of annual payroll. Contributions to the plan from the District were \$946,339 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$5,384,685 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2022, the District's proportion was 0.016 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2021.

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2023, the District recognized pension expense of \$857,317. 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 projected and actual earnings on plan investments	\$ 635,785	\$ -
Differences between expected and actual experience	24,336	133,978
Changes in assumptions	398,328	-
Changes in proportion and differences between District contributions and proportionate share of contributions	453,860	2,965
District contributions subsequent to the measurement date	946,339	-
Total	\$ 2,458,648	\$ 136,943

The \$946,339 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	\$ 456,742	\$ 48,863
2025	354,502	44,579
2026	293,340	40,028
2027	407,725	3,473
Total	\$ 1,512,309	\$ 136,943

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Discount Rate	6.90%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from 2000 through 2019.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*
Global Equity – cap-weighted	30.0%	4.45%
Global Equity – non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	(5.0)%	(0.59)%
	<u>100.0%</u>	

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

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	\$ 7,778,450	\$ 5,384,685	\$ 3,406,326

Pension Plan Fiduciary Net Position

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

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2023.

C. Construction Commitments

As of June 30, 2023, the District had commitments with respect to unfinished capital projects of \$170,483.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in four joint ventures under joint powers authorities (JPAs), Northern California Regional Liability Excess Fund (ReliEF), Schools Insurance Group, Northern Alliance (SIGNAL); School Insurance Group, Northern Alliance II (SIGNAL II); and California's Valued Trust (CVT). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2023, total deferred outflows related to pensions was \$5,001,927 and total deferred inflows related to pensions was \$758,596.

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2023, total deferred outflows related to other postemployment benefits was \$479,755 and total deferred inflows related to other postemployment benefits was \$185,381.

REQUIRED SUPPLEMENTARY INFORMATION

**UPPER LAKE UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 10,415,105	\$ 12,085,860	\$ 12,192,492	\$ 106,632
Federal sources	2,715,350	3,450,675	3,800,415	349,740
Other state sources	1,539,770	4,504,952	4,192,831	(312,121)
Other local sources	609,800	783,371	1,511,828	728,457
Total Revenues	15,280,025	20,824,858	21,697,566	872,708
EXPENDITURES				
Certificated salaries	4,770,750	5,535,326	5,652,752	(117,426)
Classified salaries	2,258,516	2,543,615	2,629,364	(85,749)
Employee benefits	4,031,243	4,985,535	4,339,659	645,876
Books and supplies	1,185,322	2,095,349	1,886,989	208,360
Services and other operating expenditures	2,189,804	2,846,082	2,938,717	(92,635)
Capital outlay	410,783	806,049	532,108	273,941
Other outgo				
Excluding transfers of indirect costs	179,000	479,924	502,327	(22,403)
Transfers of indirect costs	(38,250)	(38,250)	-	(38,250)
Total Expenditures	14,987,168	19,253,630	18,481,916	771,714
NET CHANGE IN FUND BALANCE				
	292,857	1,571,228	3,215,650	1,644,422
Fund Balance - Beginning	4,615,023	4,615,023	4,615,023	-
Fund Balance - Ending	\$ 4,907,880	\$ 6,186,251	\$ 7,830,673	\$ 1,644,422

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On-behalf payments of \$403,195 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund in accordance with the fund type definitions promulgated by GASB Statement No. 54.
- Revenues for Medi-Cal Billing Option and Medi-Cal Administrative Activities are presented as federal revenues in this schedule, while these amounts have been reclassified as local revenues in the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- The amounts reported on this schedule do not include the audit adjustment related to accounts receivable impacting other state sources and an adjustment related to investments impacting other local sources.
- The schedule above does not reflect reclassifying journal entries.

UPPER LAKE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability						
Service cost	\$ 45,960	\$ 58,044	\$ 51,293	\$ 29,160	\$ 15,376	\$ 15,883
Interest on total OPEB liability	25,651	16,649	17,920	14,351	14,641	13,011
Difference between expected and actual experience	236,389	-	(94,569)	157,457	10,400	(1,449)
Changes of assumptions	(9,997)	(101,294)	2,632	191,448	15,957	(10,504)
Benefits payments	<u>(14,605)</u>	<u>(12,500)</u>	<u>(18,151)</u>	<u>(6,335)</u>	<u>(16,735)</u>	<u>-</u>
Net change in total OPEB liability	283,398	(39,101)	(40,875)	386,081	39,639	16,941
Total OPEB liability - beginning	<u>708,937</u>	<u>748,038</u>	<u>788,913</u>	<u>402,832</u>	<u>363,193</u>	<u>346,252</u>
Total OPEB liability - ending	<u>\$ 992,335</u>	<u>\$ 708,937</u>	<u>\$ 748,038</u>	<u>\$ 788,913</u>	<u>\$ 402,832</u>	<u>\$ 363,193</u>
 Covered-employee payroll	 \$ 5,118,161	 \$ 4,354,807	 \$ 3,999,518	 \$ 3,836,380	 \$ 3,658,883	 \$ 3,540,996
 District's total OPEB liability as a percentage of covered-employee payroll	 19.39%	 16.28%	 18.70%	 20.56%	 11.01%	 10.26%

See accompanying notes to required supplementary information.

UPPER LAKE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.007%	0.007%	0.007%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%
District's proportionate share of the net pension liability	\$ 5,018,730	\$ 3,249,852	\$ 6,804,059	\$ 5,418,960	\$ 5,514,420	\$ 5,548,800	\$ 4,852,860	\$ 4,039,440	\$ 3,506,220
State's proportionate share of the net pension liability associated with the District	2,513,394	1,635,234	3,507,465	2,956,428	3,157,279	3,282,650	2,763,053	2,136,413	2,117,228
Total	<u>\$ 7,532,124</u>	<u>\$ 4,885,086</u>	<u>\$ 10,311,524</u>	<u>\$ 8,375,388</u>	<u>\$ 8,671,699</u>	<u>\$ 8,831,450</u>	<u>\$ 7,615,913</u>	<u>\$ 6,175,853</u>	<u>\$ 5,623,448</u>
District's covered payroll	\$ 3,973,895	\$ 3,973,895	\$ 3,836,380	\$ 3,555,553	\$ 3,435,385	\$ 3,347,957	\$ 3,150,559	\$ 2,870,585	\$ 2,760,624
District's proportionate share of the net pension liability as a percentage of its covered payroll	126.3%	81.8%	177.4%	152.4%	160.5%	165.7%	154.0%	140.7%	127.0%
Plan fiduciary net position as a percentage of the total pension liability	81.2%	87.2%	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

UPPER LAKE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.016%	0.014%	0.014%	0.013%	0.014%	0.014%	0.014%	0.013%	0.013%
District's proportionate share of the net pension liability	\$ 5,384,685	\$ 2,877,318	\$ 4,316,461	\$ 3,890,466	\$ 3,708,844	\$ 3,213,257	\$ 2,686,008	\$ 1,930,953	\$ 1,419,054
District's covered payroll	\$ 2,285,106	\$ 2,285,106	\$ 2,279,758	\$ 2,005,570	\$ 1,834,563	\$ 1,553,420	\$ 1,531,400	\$ 1,450,820	\$ 1,320,675
District's proportionate share of the net pension liability as a percentage of its covered payroll	235.6%	125.9%	189.3%	194.0%	202.2%	206.9%	175.4%	133.1%	107.4%
Plan fiduciary net position as a percentage of the total pension liability	69.8%	81.0%	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**UPPER LAKE UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2023**

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	\$ 984,007	\$ 795,468	\$ 641,784	\$ 656,021	\$ 578,844	\$ 495,726	\$ 421,173	\$ 338,056	\$ 254,908
Contributions in relation to the contractually required contribution*	(984,007)	(795,468)	(641,784)	(656,021)	(578,844)	(495,726)	(421,173)	(338,056)	(254,908)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,118,161	\$ 3,973,895	\$ 3,836,380	\$ 3,555,553	\$ 3,435,385	\$ 3,347,957	\$ 3,150,559	\$ 2,870,585	\$ 2,760,624
Contributions as a percentage of covered payroll	19.23%	20.02%	16.73%	18.45%	16.85%	14.81%	13.37%	11.78%	9.23%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

**UPPER LAKE UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2023**

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	\$ 946,339	\$ 663,365	\$ 473,017	\$ 449,591	\$ 362,246	\$ 284,926	\$ 214,739	\$ 181,425	\$ 170,776
Contributions in relation to the contractually required contribution*	(946,339)	(663,365)	(473,017)	(449,591)	(362,246)	(284,926)	(214,739)	(181,425)	(170,776)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,953,279	\$ 2,285,106	\$ 2,279,758	\$ 2,005,570	\$ 1,834,563	\$ 1,553,420	\$ 1,531,400	\$ 1,450,820	\$ 1,320,675
Contributions as a percentage of covered payroll	32.04%	29.03%	20.75%	22.42%	19.75%	18.34%	14.02%	12.50%	12.93%

*Amounts do not include on-behalf contributions

**UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Changes in Total OPEB Liability and Related Ratios

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

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation.

Changes in Assumptions

The interest assumption changed from 3.54% to 3.65% since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

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

Changes in Benefit Terms

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

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS. The discount rate changed from 7.15% to 6.90% and the inflation rate changed from 2.50% to 2.30% since the previous measurement for CalPERS.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2023, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code, as shown below.

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 5,535,326	\$ 5,652,752	\$ 117,426
Classified salaries	\$ 2,543,615	\$ 2,629,364	\$ 85,749
Services and other operating expenditures	\$ 2,846,082	\$ 2,938,717	\$ 92,635
Other outgo			
Excluding transfers of indirect costs	\$ 479,924	\$ 502,327	\$ 22,403

SUPPLEMENTARY INFORMATION

**UPPER LAKE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 537,425
Comprehensive Support and Improvement for LEAs	84.010	15438	203,882
Subtotal Title I, Part A			<u>741,307</u>
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	62,535
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	28,800
Title VI, Part B, Rural & Low Income School Program	84.358	14356	9,478
Title VIII, Impact Aid	84.041	10015	11,572
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	171,331
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	667,002
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	607,824
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	294,955
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	24,524
Expanded Learning Opportunities (ELO) Grant GEER II	84.425	15619	5,162
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425	15620	15,986
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425	15621	27,558
Subtotal Education Stabilization Fund Discretionary Grants			<u>1,643,011</u>
Total U. S. Department of Education			<u>2,668,034</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Basic	10.553	13525	53,519
School Breakfast Program - Needy	10.553	13526	219,063
National School Lunch Program	10.555	13391	646,919
USDA Commodities	10.555	*	59,946
Summer Food Service Program for Children	10.559	13004	33,172
Supply Chain Assistance (SCA) Funds	10.555	15655	26,377
Subtotal Child Nutrition Cluster			<u>1,038,996</u>
Forest Reserve Funds	10.665	10044	135,384
<i>Passed through California Department of Social Services:</i>			
CACFP Claims - Centers and Family Day Care	10.558	13393	45,227
Total U. S. Department of Agriculture			<u>1,219,607</u>
Total Federal Expenditures			<u>\$ 3,887,641</u>

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

**UPPER LAKE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2023**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	257.54	242.78
Extended Year Special Education	-	0.21
Total TK/K through Third	257.54	242.99
Fourth through Sixth		
Regular ADA	180.41	179.60
Total Fourth through Sixth	180.41	179.60
Seventh through Eighth		
Regular ADA	100.10	100.14
Total Seventh through Eighth	100.10	100.14
Ninth through Twelfth		
Regular ADA	301.54	299.52
Total Ninth through Twelfth	301.54	299.52
TOTAL SCHOOL DISTRICT	839.59	822.25

**UPPER LAKE UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2023**

Grade Level	Minutes Requirement	Actual Instructional Minutes	Credited Minutes Per the Approved Form J-13A*	Total Minutes Offered	Required Number of Days	Actual Number of Days	Credited Days Per the Approved Form J-13A*	Total Days Offered	Status
Kindergarten	36,000	59,649	1,011	60,660	180	177	3	180	Complied
Grade 1	50,400	53,454	906	54,360	180	177	3	180	Complied
Grade 2	50,400	53,454	906	54,360	180	177	3	180	Complied
Grade 3	50,400	53,454	906	54,360	180	177	3	180	Complied
Grade 4	54,000	53,454	906	54,360	180	177	3	180	Complied
Grade 5	54,000	53,454	906	54,360	180	177	3	180	Complied
Grade 6	54,000	65,883	1,117	67,000	180	177	3	180	Complied
Grade 7	54,000	65,883	1,117	67,000	180	177	3	180	Complied
Grade 8	54,000	65,883	1,117	67,000	180	177	3	180	Complied
Grade 9	64,800	64,959	1,101	66,060	180	177	3	180	Complied
Grade 10	64,800	64,959	1,101	66,060	180	177	3	180	Complied
Grade 11	64,800	64,959	1,101	66,060	180	177	3	180	Complied
Grade 12	64,800	64,959	1,101	66,060	180	177	3	180	Complied

*The District received an approved Form J-13A for three instructional days and the number of minutes outlined above.

**UPPER LAKE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

	2024 (Budget)	2023	2022	2021
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 20,058,144	\$ 21,697,566	\$ 14,534,945	\$ 13,252,607
Expenditures And Other Financing Uses	21,433,747	18,481,916	14,335,036	12,396,744
Net change in Fund Balance	\$ (1,375,603)	\$ 3,215,650	\$ 199,909	\$ 855,863
Ending Fund Balance	\$ 6,455,070	\$ 7,830,673	\$ 3,961,563	\$ 3,761,654
Available Reserves*	\$ 2,347,507	\$ 2,681,493	\$ 1,918,864	\$ 1,500,000
Available Reserves As A Percentage Of Outgo	10.95%	14.51%	13.39%	12.10%
Long-term Liabilities	\$ 38,837,867	\$ 39,208,194	\$ 34,921,372	\$ 36,794,169
Average Daily Attendance At P-2***	843	840	746	765

The General Fund ending fund balance has increased by \$4,069,019 over the past two years. However, the fiscal year 2023-24 budget projects a decrease of \$1,375,603. For a District this size, the State recommends available reserves of at least 4% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years but anticipates incurring an operating deficit during the 2023-24 fiscal year. Total long-term obligations have increased by \$2,414,025 over the past two years.

Average daily attendance has increased by 75 ADA over the past two years. A further increase of 3 ADA is anticipated during the 2023-24 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund in accordance with the fund type definitions promulgated by GASB Statement No. 54. Additionally, the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances include an audit adjustment related to accounts receivable and investments impacting revenues and other financing sources.

On-behalf payments of \$403,195 are not included in the actual revenues and expenditures reported in this schedule.

***Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.

**UPPER LAKE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Deferred Maintenance Fund
June 30, 2023, annual financial and budget report fund balance	\$ 7,830,673	\$ 902
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Accounts receivable	225,124	-
Investments	31,272	-
Fund balance transfer (GASB 54)	902	(902)
Net adjustments and reclassifications	257,298	(902)
June 30, 2023, audited financial statement fund balance	<u>\$ 8,087,971</u>	<u>\$ -</u>

**UPPER LAKE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2023**

The District was not the sponsoring organization for any charter schools during the year ended June 30, 2023.

UPPER LAKE UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2023

	Student Activity Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	State School Building Lease- Purchase Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
ASSETS								
Cash and investments	\$ 208,942	\$ 671,214	\$ 294,160	\$ 123,130	\$ 112	\$ 4,586	\$ 1,184,506	\$ 2,486,650
Accounts receivable	6,104	160,088	-	-	-	-	-	166,192
Due from other funds	-	-	72,422	-	-	-	-	72,422
Stores inventory	-	8,939	-	-	-	-	-	8,939
Total Assets	\$ 215,046	\$ 840,241	\$ 366,582	\$ 123,130	\$ 112	\$ 4,586	\$ 1,184,506	\$ 2,734,203
LIABILITIES								
Accrued liabilities	\$ 5,765	\$ 18,829	\$ 10,450	\$ -	\$ -	\$ -	\$ -	\$ 35,044
Due to other funds	-	-	-	-	-	-	72,422	72,422
Total Liabilities	5,765	18,829	10,450	-	-	-	72,422	107,466
FUND BALANCES								
Non-spendable	-	8,939	-	-	-	-	-	8,939
Restricted	209,281	812,473	356,132	123,130	112	4,586	1,112,084	2,617,798
Total Fund Balances	209,281	821,412	356,132	123,130	112	4,586	1,112,084	2,626,737
Total Liabilities and Fund Balances	\$ 215,046	\$ 840,241	\$ 366,582	\$ 123,130	\$ 112	\$ 4,586	\$ 1,184,506	\$ 2,734,203

See accompanying notes to supplementary information.

**UPPER LAKE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023**

	Student Activity Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	State School Building Lease- Purchase Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
REVENUES								
Federal sources	\$ -	\$ 1,084,222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,084,222
Other state sources	-	272,571	-	-	-	-	10,023	282,594
Other local sources	143,383	(34,666)	247,688	160,947	1	47	1,178,215	1,695,615
Total Revenues	143,383	1,322,127	247,688	160,947	1	47	1,188,238	3,062,431
EXPENDITURES								
Current								
Pupil services								
Food services	-	1,000,317	-	-	-	-	-	1,000,317
General administration								
Plant services	-	-	219,587	9,579	-	-	-	229,166
Facilities acquisition and construction	-	-	1,545,331	89,366	-	-	-	1,634,697
Ancillary services	143,532	-	-	-	-	-	-	143,532
Debt service								
Principal	-	-	-	-	-	-	89,928	89,928
Interest and other	-	-	3,900	-	-	-	629,875	633,775
Total Expenditures	143,532	1,000,317	1,768,818	98,945	-	-	719,803	3,731,415
Excess (Deficiency) of Revenues Over Expenditures	(149)	321,810	(1,521,130)	62,002	1	47	468,435	(668,984)
Other Financing Sources (Uses)								
Transfers out	-	-	(648,529)	-	-	-	-	(648,529)
Net Financing Sources (Uses)	-	-	(648,529)	-	-	-	-	(648,529)
NET CHANGE IN FUND BALANCE	(149)	321,810	(2,169,659)	62,002	1	47	468,435	(1,317,513)
Fund Balance - Beginning	209,430	499,602	2,525,791	61,128	111	4,539	643,649	3,944,250
Fund Balance - Ending	\$ 209,281	\$ 821,412	\$ 356,132	\$ 123,130	\$ 112	\$ 4,586	\$ 1,112,084	\$ 2,626,737

See accompanying notes to supplementary information.

**UPPER LAKE UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2023**

The Upper Lake Unified School District was established on July 1, 2016, and is located in Lake County. The new District was created from the merging of Upper Lake Union High School District and Upper Lake Union Elementary School District. There were no changes in the boundaries of the District during the current year. The District operates one elementary schools, one middle school, one high school, and an adult education program.

GOVERNING BOARD

Member	Office	Term Expires
Diane Plante	President	2026
Joanne Breton	Vice President	2026
Ana Santana	Clerk	2026
Franklin Gudmundson	Member	2024
Claudine Pedroncelli	Member	2024

DISTRICT ADMINISTRATORS

Dr. Giovanni Annous, Ed. D.
Superintendent

Stephanie Wayment
Assistant Superintendent, Elementary School Principal, Education Services

Tenderly Logan
Assistant Superintendent, Pupil Personnel Services

Michael Kauble
Chief Business Official

**UPPER LAKE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District and displays information for each Charter School on whether or not the Charter School is included in the District audit.

Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

OTHER INDEPENDENT AUDITORS' REPORTS

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

Governing Board
Upper Lake Unified School District
Upper Lake, 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 Upper Lake Unified School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Upper Lake Unified School District's basic financial statements, and have issued our report thereon dated February 27, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Upper Lake Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Upper Lake Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Upper Lake Unified School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

As part of obtaining reasonable assurance about whether Upper Lake Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

San Diego, California
February 27, 2024

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

Governing Board
Upper Lake Unified School District
Upper Lake, California

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

We have audited Upper Lake Unified School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Upper Lake Unified School District's major federal programs for the year ended June 30, 2023. Upper Lake Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Upper Lake Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Upper Lake Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Upper Lake Unified School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Upper Lake Unified School District's federal programs.

Auditor's Responsibilities for the Audit for Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Upper Lake Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Upper Lake Unified School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgement 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 Upper Lake Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Upper Lake Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Upper Lake Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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.

Report on Internal Control Over Compliance (continued)

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

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

San Diego, California
February 27, 2024

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

Governing Board
Upper Lake Unified School District
Upper Lake, California

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

We have audited Upper Lake Unified School District's compliance with the requirements specified in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to Upper Lake Unified School District's state program requirements as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report for the year ended June 30, 2023.

In our opinion, Upper Lake Unified School District complied, in all material respects, with the laws and regulations of the applicable laws and regulations of the applicable state programs for the year ended June 30, 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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Upper Lake Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Upper Lake Unified School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Upper Lake Unified School District's state programs.

Auditor's Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Upper Lake Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Upper Lake Unified School District's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Upper Lake Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of Upper Lake Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Upper Lake Unified School District's internal control over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine Upper Lake Unified School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
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

Auditor's Responsibilities for the Audit of State Compliance (continued)

PROGRAM NAME	PROCEDURES PERFORMED
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	Yes
Charter Schools	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Continuation Education because the ADA was not material. The term "Not Applicable" is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

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

Report on Internal Control Over Compliance

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

Report on Internal Control Over Compliance (continued)

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

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

San Diego, California
February 27, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**UPPER LAKE UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.425, 84.425U</u>	<u>Education Stabilization Fund Discretionary Grants</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2022-23 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**UPPER LAKE UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no financial statement findings for the year ended June 30, 2023.

**UPPER LAKE UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2023.

**UPPER LAKE UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

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

There were no state award findings or questioned costs for the year ended June 30, 2023.

**UPPER LAKE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022-001: INTERNAL CONTROL (STUDENT BODY) – 30000

Criteria: Internal control procedures should be implemented to ensure that:

1. All deposits be made on a timely basis, and appropriate documentation to support when the funds were first received is maintained.
2. Pre-numbered tickets or tally sheets are used for events and reconciled to the deposit prior to leaving the event.
3. Cash disbursements are approved prior to incurring expenses, including items related to reimbursements. For unorganized student bodies, this includes the advisor and the District official. For organized student bodies, the student council representative's approval must also be obtained.

Condition: During our testing of student body accounts, we noted the following:

1. Four of four cash receipts tested at Upper Lake Elementary School and four of five cash receipts tested at Upper Lake High School were not deposited timely or determination of timeliness could not be made based on the support provided.
2. One of one deposits tested at Upper Lake Middle School and one of four deposits tested at Upper Lake High School related to a school event. No pre-numbered tickets or tally sheets were used for the event.
3. One of one cash disbursements tested at Upper Lake Elementary School, one of two cash disbursements tested at Upper Lake Middle School, and three of nine cash disbursements tested at Upper Lake High School were not preapproved or preapproval could not be determined based on the support provided.

Cause: Due to the decentralized nature of student body account management, accounting policies and procedures were not strictly followed.

Effect: Without strengthening internal controls over cash receipts and cash disbursements, student body assets may not be properly safeguarded, may be susceptible to misappropriation, and may be expended on activities that are not valid.

Context: The sample is statistically valid. The items noted appear to be systematic.

Recommendation: We recommend that procedures be implemented to strengthen internal controls over student body funds and accounting records.

District Response: The District's administration will implement procedures during 2022-23 to comply with the recommendation.

Current Status: Implemented.

**UPPER LAKE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022-002: ATTENDANCE (INTERNAL CONTROL) – 10000

Criteria: Controls should be in place to ensure that the District complies with the provisions of California Education Code, Section 44809 and California Code of Regulations, Title 5, Sections 400-401, which require schools maintain records of pupil attendance. These written attendance records should be prepared daily and signed weekly by the teacher who instructed the students, and summarized at the end of each attendance month. The attendance records should be used to support the ADA reported to the California Department of Education in the Attendance School District reporting in the Principal Apportionment Data Collection (PADC).

Condition: During our testing of the District's attendance records, we noted the following:

1. The school sites did not print monthly the Aeries Monthly Attendance Summary or Monthly Attendance Report (student detail) as part of the attendance documentation accumulated throughout the year. These reports were printed at the time the auditor came on site. The District did, however, print the weekly attendance registers regularly to support contemporaneous attendance, except as noted below related to Upper Lake Middle School and Upper Lake High School.
2. Although the District's procedures require attendance registers be signed weekly, three of three teachers selected for testing at Upper Lake Middle School and Upper Lake High School did not sign their rosters timely. The rosters were signed several weeks tardy. In addition, one teacher's signature was backdated as the date signed was prior to the date the report was printed with a date stamp from the attendance system.
3. We also noted that the District understated the TK-3 grade span average daily attendance (ADA) originally reported in the Annual Attendance School District report, due to a clerical error. The District has excluded the transitional kindergarten ADA from the reported totals on line A-1. This accounts for 7.93 ADA.

Cause: During transitions, certain policies and procedures were not consistently followed.

Effect: The ADA has no derived value as the issue noted affected only the Annual Attendance School District reporting on line A-1, therefore did not impact the District's principal apportionment. However, without strengthening internal controls over attendance reporting, average daily attendance may not be accurately reported to the California Department of Education.

Context: The sample is statistically valid. The items noted appear systematic.

Recommendation: We recommend that the District ensure internal controls are in place to maintain written records of attendance that are prepared daily and signed weekly by the teacher who instructed the students. At the end of the month, the District should print the Monthly Attendance Summary and Monthly Attendance Report. The District should ensure that data is accurately summarized for reporting in PADC. We recommend that the District amend the Annual Attendance School District report to include the ADA that was inadvertently excluded.

District Response: The District's administration will amend the Annual Attendance School District report in PADC and adopt procedures during fiscal year 2022-23 to comply with the recommendation.

Current Status: Implemented.

**UPPER LAKE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022-003: STATE COMPLIANCE (INDEPENDENT STUDY) – 40000

Criteria: California Education Code, Section 51747, requires that:

1. A board policy and learning agreement with specific required elements be in place.
2. Learning agreements and supporting documents must be completely filled out, and be signed and dated by the required parties within the required timeframes.
3. Students are assigned work and/or synchronous instruction meeting the required daily minimum instructional minutes by grade level to claim apportionment.
4. Apportionment credit claimed for independent study is supported by the time value of pupil work products, as personally judged by a certificated teacher employed by the District, or the combined time value of the work product and pupil participation in synchronous instruction.
5. A tiered reengagement plan with specific required elements be in place and applied to students participating greater than 14 cumulative school days.
6. For the 2021-22 school year, the District notify parents and guardians of all enrolled students of their options to enroll their child in in-person instruction or independent study. The notice was to include at a minimum, the right to request a pupil-parent-educator conference meeting before enrollment, rights for enrolling, disenrolling, and reenrolling in independent study, and the synchronous and asynchronous instructional time that a pupil would have access to as part of the independent study program.

Condition: During our testing over independent study, we noted the following:

1. For five of five students selected for testing, the learning agreement did not include all required elements. Upon further review, the District's form utilized throughout the year was not compliant.
2. For one of five students selected for testing, the learning agreement was not filled out completely. The course values and manner of reporting were left blank.
3. For two of five students selected for testing, the dates each party signed the learning agreement could not be determined, either because the document was electronically signed but we could not view the date stamp, or the party manually signed but did not date.
4. One of five students selected for testing was assigned 160 minutes of work daily, while the student's grade level requires a minimum of 240 minutes.
5. For one of five students selected for testing, the teacher's judgment of the time value of the work indicated four days, while six days of apportionment credit were claimed.
6. A tiered reengagement plan was not in place. Board policy included the required language to identify the required elements for a tiered reengagement plan, however, the plan was not developed. The board policy was not, however, updated to require the plan to apply to students that miss 10% of the required minimum instructional time over four continuous weeks of an District's approved instructional calendar.
7. Communication to parents/guardians about the availability of the independent study program did not include all required elements. Rights on enrolling, disenrolling, and reenrolling, and synchronous and asynchronous instructional time that a pupil would have access to as part of the independent study program were not included.

**UPPER LAKE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINDING #2022-003: STATE COMPLIANCE (INDEPENDENT STUDY) – 40000 (continued)

Cause: Due to being the first year of dramatic change to the independent study program, certain requirements were overlooked.

Effect: The District was not in compliance with the provisions of California Education Code, Section 51747. As a result, the average daily attendance (ADA) in the Second Period Attendance School District report was overstated by 15.17 ADA and ADA in the Annual Attendance School report was overstated by 16.81 ADA. The disallowed ADA and derived value, which includes all independent study ADA generated by the District, is as follows:

Grade Span	TK/K-3	4-6	7-8	9-12	Totals
Second Period Report	1.60	1.36	1.01	11.20	15.17
Annual Report	1.52	1.28	0.98	13.03	16.81
Derived value of ADA by grade span	\$ 11,979.82	\$ 11,014.47	\$ 11,340.27	\$ 13,484.17	
Calculated derived value of ADA	\$ 19,168	\$ 14,980	\$ 11,454	\$ 151,023	\$ 196,625

Pursuant to California Education Code, Section 42238.5, the District's principal apportionment is calculated based on the greater of current-year or prior-year ADA. California Education Code, Section 42238.023(c), provided for proxy ADA to calculate the current-year ADA. Had the District been in compliance with the provisions noted above, the District's principal apportionment would have been calculated using current year proxy ADA. Because the District is not in compliance with the requirements to receive proxy ADA under California Education Code, Section 42238.023(c), the District's calculated principal apportionment is calculated to be \$689,072 less using prior year ADA rather than current-year proxy ADA.

Context: The sample is statistically valid. It appears the noncompliance is pervasive and significant to the program.

Recommendation: We recommend that the District amend the Second Period and Annual Attendance School District reports to exclude the ADA noted above, and implement policies and procedures to comply with the provisions of California Education Code, Section 51747.

District Response: The District's administration will submit an appeal for substantial compliance, and will implement procedures during 2022-23 to comply with the provisions of California Education Code, Section 51747.

Current Status: Implemented.