

Upper Lake Unified School District

County of Lake

Upper Lake, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2022



Upper Lake Unified School District

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
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 Upper Lake Unified School District (the District) as of and for the year ended June 30, 2022; and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 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

The District's 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.

INDEPENDENT AUDITORS' REPORT

(Continued)

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

Auditors' 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 auditors' 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

INDEPENDENT AUDITORS' REPORT

(Continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison schedule, and the required supplementary information listed on the table of contents 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 an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information on pages 71 to 79, including the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such 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 information on pages 73 to 79 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

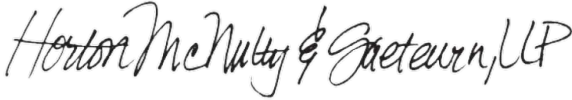
The local educational agency organization structure and the schedule of charter schools have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

INDEPENDENT AUDITORS' REPORT

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



January 31, 2023
Chico, California

FINANCIAL SECTION

Required Supplementary Information

FINANCIAL HIGHLIGHTS

Overall revenues were \$16,485,213 for the year ended June 30, 2022. Revenues exceeded expenses by \$1,447,324.

Total net position in governmental funds was \$2,278,104. The General Fund reported a total fund balance of \$3,961,563.

Enrollment in the District was 906 students during 2021-22.

As described in note 1 to the basic financial statements, the District adopted the provisions of GASB Statement No. 87, *Leases*, as of July 1, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements provide 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 District's assets owned less the liabilities owed. The statement of activities includes all of the current year's revenues and expenses regardless of when cash is received or paid. The two statements report the District's net position and how it has changed.

Net position, the difference between the District's assets and liabilities, 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 position is improving or deteriorating. To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The statement of net position and the statement of activities divide the District into two kinds of activities:

Governmental Activities: Represent the basic services provided by the District, such as regular and special education, administration, and transportation.

Business-Type Activities: Represent services for which the District charges fees to help cover the cost of certain services beyond the scope of normal district operations. The District does not have any of these types of activities at this time.

Upper Lake Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Fund Financial Statements

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

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

Governmental Funds

All of the District's basic services are included in governmental funds, which generally focus on:

- How cash and other financial assets can readily be converted to cash flow (in and out).
- The balances left at year end that are available for spending.

A detailed short-term view is provided by the governmental fund statements. These help determine whether there are more or fewer financial resources that can be spent in the near future for financing the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental fund statements that explains the differences (or relationships) between them.

Upper Lake Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

As shown in the following table, the District's net position as of June 30, 2022, was \$2,278,104. Of this amount, a negative \$10,797,514 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the Board of Trustees' ability to use the net position for day-to-day operations. All District net position is the result of governmental activities.

June 30	Governmental Activities		Percentage Change 2021-22
	2021	2022	
ASSETS			
Cash and investments	\$ 17,264,219	\$ 11,010,874	-36.2%
Receivables	2,221,452	1,282,026	-42.3%
Other assets	130,163	56,067	-56.9%
Restricted cash and investments	191,638	253,988	32.5%
Capital assets - net	16,608,407	28,113,487	69.3%
TOTAL ASSETS	36,415,879	40,716,442	11.8%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources for pensions	3,306,656	2,948,126	-10.8%
Deferred outflows of resources for OPEB	316,172	286,562	-9.4%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,622,828	3,234,688	-10.7%
LIABILITIES			
Accounts payable and other liabilities	1,448,864	1,984,412	37.0%
Advances from grantors	599,575	512,180	-14.6%
Long-term debt	36,794,169	34,921,372	-5.1%
TOTAL LIABILITIES	38,842,608	37,417,964	-3.7%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pensions	268,378	4,067,965	1415.8%
Deferred inflows of resources for OPEB	96,941	187,097	93.0%
TOTAL DEFERRED INFLOWS OF RESOURCES	365,319	4,255,062	1064.8%
NET POSITION			
Net investment in capital assets	1,472,687	2,901,722	97.0%
Restricted	14,671,980	10,173,896	-30.7%
Unrestricted	(15,313,887)	(10,797,514)	29.5%
TOTAL NET POSITION	\$ 830,780	\$ 2,278,104	174.2%

Upper Lake Unified School District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Change in Net Position

The following table summarizes the change in net position for the District.

Total revenues were \$16,485,213. Property taxes and state aid funding accounted for most of the District's income, representing 67.9% of total revenues. Another 31.7% came from federal and state aid for specific programs, and the remaining 0.4% came from fees charged for services and miscellaneous sources.

The total cost of all programs and services was \$15,037,889. Revenues exceeded the District's expenses for the year by \$1,447,324. The District's expenses are primarily related to educating and caring for students (71.2%). Administrative activities of the District account for 9.9% of the total costs and plant maintenance activities account for another 9.5%.

Years Ended June 30	Governmental Activities		Percentage Change 2021-22
	2021	2022	
REVENUES			
Program Revenues			
Charges for services	\$ 130,535	\$ 109,666	-16.0%
Federal and state categorical programs	4,345,976	5,222,837	20.2%
General Revenues			
Property taxes	3,258,006	4,157,428	27.6%
State formula aid	6,780,095	7,029,771	3.7%
Other	109,953	(34,489)	-131.4%
TOTAL REVENUES	14,624,565	16,485,213	12.7%
EXPENSES			
Instruction-related services	8,394,187	8,483,465	1.1%
Student support services	2,055,705	2,218,008	7.9%
Ancillary	152,176	334,589	119.9%
Plant services	1,469,924	1,428,419	-2.8%
Administration	1,702,869	1,481,283	-13.0%
Other	1,093,143	1,092,125	-0.1%
TOTAL EXPENSES	14,868,004	15,037,889	1.1%
Change in Net Position	\$ (243,439)	\$ 1,447,324	694.5%

Upper Lake Unified School District
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The District's governmental funds reported a combined fund balance of \$10,238,217. Following is a summary of the District's fund balances.

June 30	Fund Balance		Increase (Decrease)
	2021	2022	
General	\$ 3,761,654	\$ 3,961,563	\$ 199,909
Student Activity Special Revenue	192,985	209,430	16,445
Cafeteria Special Revenue	187,893	499,602	311,709
Building	9,434,788	2,525,791	(6,908,997)
Capital Facilities	47,484	61,128	13,644
State School Building Lease-Purchase	111	111	-
County School Facilities	4,532	4,539	7
Special Reserve Capital Projects	3,629,860	2,332,404	(1,297,456)
Bond Interest and Redemption	732,358	643,649	(88,709)
Totals	\$ 17,991,665	\$ 10,238,217	\$ (7,753,448)

The continued increase in the General Fund is due to one-time grants to adapt instructional strategies and mitigate learning loss caused by COVID-19 as well as new state allocations such as the Learning Recovery Emergency Block Grant.

The increase in the Student Activity Special Revenue Fund is due to fundraising exceeding spending.

The increase in the Cafeteria Special Revenue Fund is due to serving all free meals, and additional one-time funding to assist with COVID-19.

The decrease in the Building Fund is due to spending down of general obligation bonds money to fund facilities improvements.

The increase in the Capital Facilities Fund is due to developer fees collected exceeding expenditures.

The decrease in the Special Reserve Capital Projects Fund is due to facilities improvements.

The decrease in the Bond Interest and Redemption Fund is due to interest and principal payments exceeding property tax collections.

Upper Lake Unified School District
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (Continued)

General Fund Budgetary Highlights

During the course of the year, the District revises its budget as information is available that results in changes in revenues and expenditures. A schedule showing the District's original and final budget amounts compared with the amounts actually paid and received for the General Fund is provided in the budgetary comparison schedule for the General Fund.

Budgeted revenues increased by \$1,145,483 and budgeted expenditures increased by \$1,252,041 during 2021-22.

The District budgeted General Fund revenues and other financing sources to exceed expenditures and other financing uses by \$897,695. However, actual results for the year reflected an increase of \$199,909. This was due to the planned spending down of existing monies on account.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

The District has invested \$34,818,824 in capital assets including land, construction in progress, site improvements, buildings, and equipment. During 2021-22, the District continued work on modernization projects. The District also purchased miscellaneous equipment.

June 30	Governmental Activities		Percentage
	2021	2022	Change 2021-22
Land	\$ 210,000	\$ 210,000	0.0%
Construction in progress	4,377,065	15,550,194	255.3%
Buildings and improvements	16,630,455	17,598,411	5.8%
Equipment and vehicles	1,374,542	1,374,522	0.0%
Leased assets	-	85,697	N/A
Totals	\$ 22,592,062	\$ 34,818,824	54.1%

Upper Lake Unified School District
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (Continued)

Long-Term Debt

At year end, the District had \$34,921,372 in outstanding long-term debt. The District made regularly scheduled payments on its general obligation bonds, notes payable, and early retirement incentives. During 2021-22, the District issued \$3,396,495 in general obligation bonds, entered into a lease liability for \$85,697, and awarded retirement incentives of \$155,124. The net pension liability saw a decrease due to changes in the District's proportionate share of the liabilities in CalSTRS and CalPERS.

June 30	Governmental Activities		Percentage
	2021	2022	Change 2021-22
General obligation bonds	\$ 17,558,095	\$ 20,728,716	18.1%
Capitalized interest	1,072,082	1,056,150	-1.5%
Lease liability	-	85,697	N/A
Compensated absences	142,942	192,585	34.7%
Direct borrowing notes payable	1,958,330	1,893,644	-3.3%
Certificates of participation	3,982,001	3,973,349	-0.2%
Early retirement incentives	212,161	155,124	-26.9%
Total OPEB liability	748,038	708,937	-5.2%
Net pension liability	11,120,520	6,127,170	-44.9%
Totals	\$ 36,794,169	\$ 34,921,372	-5.1%

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has completed the process of retrofitting District lighting and replacing HVAC units. In addition, the District will continue to utilize general obligation bond proceeds toward capital projects at the elementary, middle, and high schools.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, please contact:

Michael Kauble, Chief Business Official
 Upper Lake Unified School District
 675 Clover Valley Road
 Upper Lake, CA 95485

Basic Financial Statements

Upper Lake Unified School District

STATEMENT OF NET POSITION

	Governmental Activities
June 30, 2022	
ASSETS	
Cash and investments	\$ 11,010,874
Accounts receivable	97,284
Due from other governments	1,184,742
Inventories	8,939
Prepaid expenses	47,128
Restricted cash and investments	253,988
Nondepreciated capital assets	15,760,194
Depreciated capital assets - net	12,267,596
Leased assets - net	85,697
TOTAL ASSETS	40,716,442
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pensions	2,948,126
Deferred outflows of resources for OPEB	286,562
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,234,688
LIABILITIES	
Accounts payable and other current liabilities	1,362,907
Due to other governments	621,505
Advances from grantors	512,180
Long-term obligations:	
Due within one year	566,683
Due beyond one year	34,354,689
TOTAL LIABILITIES	37,417,964
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pensions	4,067,965
Deferred inflows of resources for OPEB	187,097
TOTAL DEFERRED INFLOWS OF RESOURCES	4,255,062
NET POSITION	
Net investment in capital assets	2,901,722
Restricted for capital projects	4,868,591
Restricted for debt service	643,649
Restricted for educational programs	3,961,563
Restricted for other purposes	700,093
Unrestricted	(10,797,514)
TOTAL NET POSITION	\$ 2,278,104

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

Upper Lake Unified School District
STATEMENT OF ACTIVITIES

Year Ended June 30, 2022	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position - Governmental Activities
		Charges for Services	Operating Grants and Contributions	
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities:				
Instruction	\$ 6,983,971	\$ 86,983	\$ 3,087,058	\$ (3,809,930)
Instruction-related services	1,499,494	5,070	190,271	(1,304,153)
Pupil services	2,218,008	13,099	1,511,264	(693,645)
Ancillary services	334,589	-	104,948	(229,641)
General administration	1,481,283	2,954	244,538	(1,233,791)
Plant services	1,428,419	-	72,695	(1,355,724)
Other outgo	41,242	1,560	12,063	(27,619)
Interest on long-term debt	1,050,883	-	-	(1,050,883)
Total Governmental Activities	\$ 15,037,889	\$ 109,666	\$ 5,222,837	(9,705,386)
GENERAL REVENUES				
Property taxes - levied for general purposes				3,032,324
Property taxes - levied for debt service				1,053,972
Property taxes - levied for other specific purposes				71,132
Federal and state aid not restricted to specific purposes				7,029,771
Unrestricted investment earnings				(214,125)
Interagency revenues				29,508
Miscellaneous				150,128
Total General Revenues				11,152,710
Change in Net Position				1,447,324
Net Position - Beginning of Year				830,780
Net Position - End of Year				\$ 2,278,104

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

Upper Lake Unified School District
BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2022	General Fund	Building Fund	Special Reserve Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 4,372,974	\$ 2,839,767	\$ 2,469,996	\$ 1,328,137	\$ 11,010,874
Accounts receivable	90,453	-	-	6,831	97,284
Due from other governments	1,016,292	-	-	168,450	1,184,742
Due from other funds	-	72,422	-	-	72,422
Inventories	-	-	-	8,939	8,939
Prepaid expenditures	-	-	47,128	-	47,128
Restricted cash and investments	253,988	-	-	-	253,988
TOTAL ASSETS	\$ 5,733,707	\$ 2,912,189	\$ 2,517,124	\$ 1,512,357	\$ 12,675,377
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and other current liabilities	\$ 638,459	\$ 386,398	\$ 184,720	\$ 21,476	\$ 1,231,053
Due to other governments	621,505	-	-	-	621,505
Due to other funds	-	-	-	72,422	72,422
Advances from grantors	512,180	-	-	-	512,180
Total Liabilities	1,772,144	386,398	184,720	93,898	2,437,160
Fund Balances					
Nonspendable	5,000	-	47,128	8,939	61,067
Restricted	1,499,103	2,525,791	2,277,022	1,409,520	7,711,436
Assigned	538,596	-	8,254	-	546,850
Unassigned	1,918,864	-	-	-	1,918,864
Total Fund Balances	3,961,563	2,525,791	2,332,404	1,418,459	10,238,217
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,733,707	\$ 2,912,189	\$ 2,517,124	\$ 1,512,357	\$ 12,675,377

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

Upper Lake Unified School District

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION

June 30, 2022

Total Fund Balances - Governmental Funds	\$ 10,238,217
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Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

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

Capital assets at historical cost	\$ 34,818,824
Accumulated depreciation/amortization	(6,705,337)

Total Capital Assets - Net	28,113,487
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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:

(131,854)

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:

General obligation bonds	21,784,866
Certificates of participation	3,973,349
Lease liability	85,697
Total OPEB liability	708,937
Net pension liability	6,127,170
Compensated absences	192,585
Direct borrowing notes payable	1,893,644
Early retirement incentives	155,124

Total Long-Term Liabilities	(34,921,372)
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Balance Forward	\$ 3,298,478
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The accompanying notes are an integral part of these financial statements.

Upper Lake Unified School District

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO GOVERNMENT-WIDE NET POSITION (Continued)

June 30, 2022

Balance Brought Forward	\$ 3,298,478
<p>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:</p>	
Deferred outflows of resources relating to pensions	2,948,126
Deferred inflows of resources relating to pensions	(4,067,965)
<p>Deferred outflows and inflows of resources relating to other postemployment benefits (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:</p>	
Deferred outflows of resources relating to OPEB	286,562
Deferred inflows of resources relating to OPEB	(187,097)
Total Net Position - Governmental Activities	\$ 2,278,104

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

Upper Lake Unified School District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year Ended June 30, 2022	General Fund	Building Fund	Special Reserve Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 3,032,324	\$ -	\$ -	\$ 1,053,972	\$ 4,086,296
Local control funding formula sources	6,615,651	-	-	-	6,615,651
Other state revenue	2,147,127	-	-	72,854	2,219,981
Federal revenue	1,971,830	-	-	1,119,466	3,091,296
Other local revenue	598,257	(48,663)	(39,251)	100,468	610,811
Total Revenues	14,365,189	(48,663)	(39,251)	2,346,760	16,624,035
Expenditures					
Current:					
Instruction	7,118,939	-	-	-	7,118,939
Instruction-related services	1,602,192	-	-	-	1,602,192
Pupil services	1,411,913	-	-	840,697	2,252,610
Ancillary services	263,082	-	-	71,538	334,620
General administration	1,464,613	-	-	37,100	1,501,713
Plant services	1,412,672	-	-	-	1,412,672
Transfers between agencies	41,242	-	-	-	41,242
Debt service:					
Principal	64,686	-	-	255,172	319,858
Interest and other charges	16,542	-	74,096	890,515	981,153
Issuance costs	-	237,192	-	-	237,192
Capital outlay	939,155	10,073,079	1,100,050	16,598	12,128,882
Total Expenditures	14,335,036	10,310,271	1,174,146	2,111,620	27,931,073
Excess (Deficiency) of Revenues Over Expenditures	\$ 30,153	\$ (10,358,934)	\$ (1,213,397)	\$ 235,140	\$ (11,307,038)

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

Upper Lake Unified School District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (Continued)

Year Ended June 30, 2022	General Fund		Building Fund	Special Reserve Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)						
Interfund transfers in	\$ 84,059	\$ -	\$ -	\$ -	\$ -	\$ 84,059
Interfund transfers out	-	-	-	(84,059)	-	(84,059)
Proceeds from issuance of bonds	-	3,396,495	-	-	-	3,396,495
Other sources	85,697	53,442	-	-	17,956	157,095
Total Other Financing Sources (Uses)	169,756	3,449,937	(84,059)	17,956	3,553,590	
Net Change in Fund Balances	199,909	(6,908,997)	(1,297,456)	253,096	(7,753,448)	
Fund Balances - Beginning of Year	3,761,654	9,434,788	3,629,860	1,165,363	17,991,665	
Fund Balances - End of Year	\$ 3,961,563	\$ 2,525,791	\$ 2,332,404	\$ 1,418,459	\$ 10,238,217	

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

Upper Lake Unified School District

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION

Year Ended June 30, 2022

Total Net Change in Fund Balances - Governmental Funds	\$ (7,753,448)
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Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

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

Expenditures for capital outlay	\$ 12,226,782
Depreciation/amortization expense	(721,702)

Net Capital Outlay	11,505,080
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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:

319,858

Debt proceeds: In governmental funds, proceeds from long-term debt are recognized as other financing sources. In the government-wide statements, proceeds from long-term debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from long-term debt, net of issue premium or discount, were:

(3,553,590)

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 that it is incurred. Unmatured interest owed at the end of the period, less matured interest paid during the period but owed from the prior period, was:

116,710

Balance Forward	\$ 634,610
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The accompanying notes are an integral part of these financial statements.

Upper Lake Unified School District

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION

(Continued)

Year Ended June 30, 2022

Balance Brought Forward	\$ 634,610
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 amounts earned. The difference between compensated absences paid and compensated absences earned was:	(49,643)
Other expenditures relating to prior periods: Certain expenditures recognized in governmental funds relate to prior periods. Typical examples, in addition to compensated absences and interest on long-term debt, are payments on structured legal settlements or retirement incentives paid over time. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations are first incurred, so they must not be recognized again in the current period. Expenditures relating to prior periods for early retirement incentives were:	212,161
Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was:	835,233
Other postemployment benefits (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:	(80,665)
Balance Forward	\$ 1,551,696

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

Upper Lake Unified School District

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION

(Continued)

Year Ended June 30, 2022

Balance Brought Forward

\$ 1,551,696

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, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:

(155,124)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: 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, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is:

50,752

Change in Net Position of Governmental Activities

\$ 1,447,324

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

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The District is governed by an elected five-member board. The District operates one elementary school, one middle school, one high school, one continuation high school, and an adult education program in Upper Lake, California.

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 District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP, and used by the District, are discussed below.

Implementation of New Accounting Standard

The District adopted the provisions of GASB Statement No. 87, *Leases*, as of July 1, 2021. This statement improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement has been applied as of the beginning of the period of implementation. Upon analysis of the District's existing operating leases, it was determined that the resulting balances would be immaterial. As a result, the District has not recognized any right-to-use lease assets or lease liabilities as of July 1, 2021.

Basis of Presentation

Government-Wide Financial Statements The statement of net position and statement of activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues 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. Program revenues include: (a) fees, fines, and charges paid by recipients of goods or services offered by the major programs; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and unrestricted grants and contributions, are presented as general revenues.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Fund Financial Statements Fund financial statements are organized by funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type; and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The funds of the District are described below.

Governmental Funds

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

Special Revenue Funds Funds that are established to account for the proceeds from specific resources that are restricted to the financing of particular activities.

1. Student Activity Special Revenue Fund is used to account for the transactions of the associated student body in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*California Education Code*, Section 48930-48938).
2. Cafeteria Special Revenue Fund is used to account separately for federal, state, and local resources received to operate the District's food service program (*California Education Code*, Sections 38091 and 38100).

Capital Projects Funds Funds that are established to account for financial resources to be used for the acquisition or construction of major capital facilities.

1. Building Fund exists primarily to account separately for proceeds from the sale of bonds (*California Education Code*, Section 15146).
2. Capital Facilities Fund is used primarily to account for funds received from fees levied on developers or others as a condition for approving development (*California Education Code*, Sections 17620-17626).
3. State School Building Lease-Purchase Fund is used primarily to account separately for state apportionments as provided by *California Education Code*, Sections 17000-17039.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. County School Facilities Fund is used to receive apportionments from the State School Facilities Fund 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 (*California Education Code*, Section 17070.10).
6. Special Reserve Fund is used to account for resources designated for capital outlay projects (*California Education Code*, Section 42840).

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

1. Bond Interest and Redemption Fund is used to account for the repayment of bonds (*California Education Code*, Sections 15125-15262).

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Major Governmental Funds:

- General Fund
- Building Fund
- Special Reserve Capital Projects Fund

Nonmajor Governmental Funds:

- Student Activity Special Revenue Fund
- Cafeteria Special Revenue Fund
- Capital Facilities Fund
- State School Building Lease-Purchase Fund
- County School Facilities Fund
- Bond Interest and Redemption Fund

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus On the government-wide statement of net position and the statement of activities, both governmental and business-like activities are presented using the “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

In the fund financial statements, governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within one year. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District’s Governing Board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District’s Governing Board satisfied these requirements.

These budgets are revised by the District’s Governing Board and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information.

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Cash, Cash Equivalents, and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as cash and investments.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with *California Education Code*, Section 41001, the District maintains substantially all of its cash in the Lake County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2022, the fair value of the County pool was 97.88% of the carrying value and is deemed to represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. The District is considered to be an involuntary participant in the external investment pool.

The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decrease in the fair value of investments during the year ended June 30, 2022, was \$237,008. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at June 30, 2022, was \$237,008.

Restricted Cash, Cash Equivalents, and Investments

Certain restricted cash, cash equivalents, and investments are held by a fiscal agency in trust for redemption of notes payable. Restricted cash and cash equivalents are combined with investments and displayed as restricted cash and investments.

Accounts Receivable and Due From Other Governments

Accounts receivable represent amounts due from private persons, firms, or corporations based on contractual agreements or amounts billed, but not received, as of June 30, 2022. Amounts due from other governments include entitlements and grants from federal, state, and local governments that the District has earned or been allocated, but has not received, as of June 30, 2022. At June 30, 2022, no allowance for doubtful accounts was deemed necessary.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Balances Due To/From Other Funds

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Balances due to/from other funds between funds within governmental activities are eliminated in the statement of net position.

Inventories and Prepaid Expenses

Inventories consist of supplies and materials. Expenses are recorded as the supplies and materials are consumed. Inventories are valued on the average cost method for purchased supplies and materials. Donated commodities inventory is valued at its fair value at the time of donation. Prepaid expenses consist of operating expenses for which payment is due in advance and are expensed when the benefit is received.

Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the effective-interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. In the governmental funds, these costs are reported as an other financing source when the related liability is incurred.

Certificates of Participation (COP) Premiums

On the government-wide financial statements, COP premiums are deferred and amortized over the term of the COP using the effective-interest method. COP premiums are presented as an increase of the face amount of the COPS payable. In the governmental funds, these costs are reported as an other financing source when the related liability is incurred.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. All fixed assets are valued at historical cost, or estimated historical cost if the actual cost is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Capital assets also include right-to-use leased assets, the measurement of which is described later in this section.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. Amortization of all right-to-use assets is recorded as an allocated expense in the statement of activities with accumulated amortization reflected in the statement of net position. Amortization of right-to-use assets is provided over the shorter of the lease period or the assets' estimated useful lives. The range of estimated useful lives in years by type of asset is as follows:

School buildings	7-50
Portable classrooms	20
Site improvements	7-20
Equipment	5-20
Vehicles	5-20
Right-to-use leased equipment	5

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations, including contracts giving the District the right to use leased assets, are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Advances From Grantors

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Advances from grantors are recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations, fiduciary fund operations, or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. All long-term debt to be repaid from fiduciary resources is reported as liabilities in the fiduciary fund statements.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

Compensated Absences

The liability for earned but unused vacation leave is recorded as long-term debt for compensated absences in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes 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(s), which will only be recognized as an outflow of resources (expense/expenditures) in the future. District contributions subsequent to the measurement date related to pension plans, are reported as deferred outflows of resources in the government-wide statement of net position. District contributions subsequent to the measurement date will be amortized during the next fiscal year.

In addition to liabilities, the statement of net position includes 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(s) and would only be recognized as an inflow of resources (revenue) at that time.

Changes in proportion and differences between the District's contributions and proportionate share of pension contributions, the District's proportionate share of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and the differences between the District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

Differences between projected and actual earnings on OPEB plan investments, changes in assumptions, and the differences between the District's expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the government-wide statement of net position. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan.

Leases

Lessee The District recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain indirect costs. Subsequently, the leased asset is amortized on a straight-line basis over the shorter of the asset's useful life or the life of the lease.

Key estimates and judgments related to leases include how the District determines the discount rate it uses to discount the expected lease payments to present value, the lease term, and the lease payments. The District uses the following key estimates and assumptions:

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Leased assets are reported with other capital assets and lease liabilities are reported with long-term debt in the government-wide statement of net position.

Equity Classifications

Government-Wide Statements Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets: Consists of capital assets, including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, leases, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted Net Position: Consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements Governmental fund equity is classified as fund balance. Fund balance is further classified and displayed in five components:

Nonspendable Fund Balance: Consists of amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted Fund Balance: Consists of amounts that can be spent only for specific purposes because of constraints that are externally imposed by groups such as creditors, grantors, contributors, laws or regulations of other governments, or because of laws through constitutional provisions or enabling legislation.

Committed Fund Balance: Consists of amounts that can be used only for specific purposes determined by a formal action of the District's Board of Trustees. The District's Board of Trustees is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or budget adoption approved by the District's Board of Trustees.

Assigned Fund Balance: Consists of amounts that the District intends to use for specific purposes. Assignments may be established either by the District's Board of Trustees or a designee of the District's Board of Trustees.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Unassigned Fund Balance: Consists of the residual balance in the General Fund that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

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 4% of total General Fund's expenditures and other financing uses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District's Board of Trustees has provided otherwise in its commitment or assignment actions.

Local Control Funding Formula Grant and Property Tax

The District's local control funding formula (LCFF) grant is received from a combination of local property taxes and state apportionments.

Lake County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. Secured property taxes attach as an enforceable lien on property as of January 1. Property taxes on the secured roll are due on December 10 and April 10 and become delinquent after December 10 and April 10, respectively.

Secured property taxes are recorded as revenue when apportioned in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the *California Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

Property taxes are recorded as LCFF sources by the District. The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state's General Fund and is referred to as the state apportionment. The District's LCFF provides a base grant per average daily attendance (ADA), which varies by grade span, plus supplemental and concentration grants that reflect student demographic factors and categorical programs.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Revenue – Nonexchange Transactions

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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.

Expenditures and Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by character:

- Current (further classified by function)
- Debt service
- Capital outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Pensions

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

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Upper Lake Unified School District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

2. CASH AND INVESTMENTS

The following is a summary of cash and investments:

June 30, 2022	Maturities	Fair Value
Deposits (1)	\$	5,000
Investments That Are Not Securities (2)		
County treasurer's investment pool	15.72 months average	11,004,787
Open-end mutual fund		1,087
Subtotal		11,005,874
Total Cash and Investments Per Government-Wide Statement of Net Position		\$ 11,010,874

- (1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.
- (2) **Investments That Are Not Securities** A “security” is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Restricted Cash And Investments

The following is a summary of restricted cash and investments with fiscal agents:

June 30, 2022	Fair Value
Deposits (1)	\$ 253,988

- (1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.

Credit Risk – Investments

California Government Code, Section 53601, limits investments in commercial paper to “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The District has no investment policy that would further limit its investment choices. The District’s investment in the County investment pool is unrated.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2022:

- County treasurer's investment pool of \$11,004,787 is valued using quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).
- Open-end mutual fund of \$1,087 is valued using quoted market prices (level 1 inputs).

Concentration of Credit Risk – Investments

California Government Code, Section 53635, places the following concentration limits on the County investment pool:

No more than 40% may be invested in eligible commercial paper and no more than 10% may be invested in the outstanding commercial paper of any single issuer.

California Government Code, Section 53601, places the following concentration limits on the District's investments:

No more than 10% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises and where otherwise noted; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 40% may be invested in bankers' acceptances and no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in reverse repurchase agreements; no more than 30% may be invested in medium-term notes; no more than 20% may be invested in mortgage passthrough and related securities; and no more than 30% may be invested in certain unsecured, unsubordinated obligations.

Upper Lake Unified School District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

June 30, 2022	General Fund	Other Governmental Funds
Other	\$ 90,453	\$ 6,831

4. DUE FROM OTHER GOVERNMENTS

Due from other governments consisted of the following:

June 30, 2022	General Fund	Other Governmental Funds
Due From		
Federal government	\$ 682,106	\$ 159,567
State government	334,186	8,883
Total	\$ 1,016,292	\$ 168,450

5. INTERFUND TRANSFERS AND BALANCES DUE TO/FROM OTHER FUNDS

Balances Due To/From Other Funds

Balances due to/from other funds in the fund financial statements are as follows:

Due From Other Funds	Due to Other Funds	
Building	Bond Interest and Redemption	\$ 72,422

The specific purposes of the balances due to/from other funds are as follows:

Building Fund interfund receivable from the Bond Interest and Redemption Fund to transfer the refund of issuance costs deposited into the Bond Interest and Redemption Fund to the Building Fund.

Management's plan to repay the amount transferred during 2019-20 that was not cleared by transferring cash during 2021-22 is as follows:

Transfer cash from the Bond Interest and Redemption Fund to the Building Fund during fiscal year 2022-23.

Upper Lake Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Interfund Transfers

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

Interfund transfers are as follows:

Interfund Transfer Out	Interfund Transfer In		
Special Reserve Capital Projects	General	\$	84,059

Transfers are used for the following:

To move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; and

To use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The specific purpose for transfers that do not occur on a routine basis are as follows:

Transfer from the Special Reserve Capital Projects Fund to the General Fund to move a deposit that was made to the Special Reserve Capital Projects Fund but meant for the General Fund.

No transfers are inconsistent with the activities of the funds making the transfer.

Upper Lake Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

6. CAPITAL ASSETS

Capital assets activity is as follows:

Year Ended June 30, 2022	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Nondepreciated Capital Assets				
Land	\$ 210,000	\$ -	\$ -	\$ 210,000
Construction in progress	4,377,065	11,173,129	-	15,550,194
Total Nondepreciated Capital Assets	4,587,065	11,173,129	-	15,760,194
Depreciated Capital Assets				
Buildings	15,457,494	893,642	-	16,351,136
Site improvements	1,172,961	74,314	-	1,247,275
Equipment and vehicles	1,374,542	-	20	1,374,522
Total Depreciated Capital Assets	18,004,997	967,956	20	18,972,933
Less: Accumulated Depreciation				
Buildings	4,927,405	538,126	-	5,465,531
Site improvements	403,667	56,299	-	459,966
Equipment and vehicles	652,583	127,277	20	779,840
Total Accumulated Depreciation	5,983,655	721,702	20	6,705,337
Total Depreciated Capital Assets - Net	12,021,342	246,254	-	12,267,596
Leased Assets				
Equipment	-	85,697	-	85,697
Less: Accumulated amortization	-	-	-	-
Total Leased Assets - Net	-	85,697	-	85,697
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS - NET	\$ 16,608,407	\$ 331,951	\$ -	\$ 28,113,487

Depreciation expense was charged to governmental activities as follows:

Year Ended June 30, 2022	
Governmental Activities	
Instruction	\$ 571,446
Pupil services	74,493
Ancillary services	10,607
General administration	1,880
Plant services	63,276
Total Depreciation Expense - Governmental Activities	\$ 721,702

Upper Lake Unified School District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2022	General Fund	Building Fund	Special Reserve Capital Projects Fund	Other Governmental Funds
Vendors	\$ 215,980	\$ 386,398	\$ 184,720	\$ 20,838
Salaries and benefits	417,662	-	-	-
Other	4,817	-	-	638
Total	\$ 638,459	\$ 386,398	\$ 184,720	\$ 21,476

8. DUE TO OTHER GOVERNMENTS

Due to other governments consisted of the following:

June 30, 2022	General Fund
Due To State government	\$ 621,505

9. BONDED DEBT

The outstanding general obligation bonded debt is as follows:

Issue Date	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2021	Redeemed Current Year	Issued Current Year	Outstanding June 30, 2022
1999	4.60-5.75%	2025	\$ 4,136,347	\$ 350,361	\$ 95,172	\$ -	\$ 255,189
2018	4.00-5.50%	2057	5,500,000	5,470,000	110,000	-	5,360,000
2019	2.03-4.00%	2055	7,495,144	7,335,144	50,000	-	7,285,144
2019	1.90-4.00%	2050	3,688,798	3,688,798	-	-	3,688,798
2022	2.75-8.00%	2051	2,501,115	-	-	2,501,115	2,501,115
2022	2.00-8.00%	2047	895,380	-	-	895,380	895,380
Total			\$ 24,216,784	\$ 16,844,303	\$ 255,172	\$ 3,396,495	\$ 19,985,626

The amount of interest cost incurred during the year ended June 30, 2022, was \$771,558, all of which was charged to expenses.

Upper Lake Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Year Ending June 30	Principal	Interest	Total
2023	\$ 89,928	\$ 754,250	\$ 844,178
2024	196,778	797,285	994,063
2025	220,032	809,933	1,029,965
2026	167,148	556,606	723,754
2027	179,857	570,664	750,521
2028-2032	1,215,959	3,045,892	4,261,851
2033-2037	1,670,820	3,481,414	5,152,234
2038-2042	2,219,453	4,041,044	6,260,497
2043-2047	3,690,651	4,077,527	7,768,178
2048-2052	6,070,000	1,431,132	7,501,132
2053-2057	4,265,000	366,100	4,631,100
Total	\$ 19,985,626	\$ 19,931,847	\$ 39,917,473

10. LEASE LIABILITY

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, 2022, the value of the lease liability was \$85,697. 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, 2022, was \$85,697 and had accumulated amortization of \$-0-. The amount of interest cost incurred during the year ended June 30, 2022, was \$-0-, all of which was charged to expenses. There were no variable or other payments recognized for the year ended June 30, 2022, that were not previously included in the measurement of the lease liability.

The future lease payments are as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 16,031	\$ 2,845	\$ 18,876
2024	16,388	2,488	18,876
2025	17,055	1,821	18,876
2026	17,750	1,126	18,876
2027	18,473	403	18,876
Total	\$ 85,697	\$ 8,683	\$ 94,380

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

11. DIRECT BORROWING NOTES PAYABLE

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, 2022, the principal balance outstanding was \$646,644.

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, 2022, the principal balance outstanding was \$1,247,000.

The amount of interest cost incurred during the year ended June 30, 2022, was \$16,542, all of which was charged to expenses.

The notes payable mature through December 2037 as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 65,663	\$ 15,566	\$ 81,229
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
2028-2032	308,275	41,681	349,956
2033-2037	-	31,175	31,175
2038	1,247,000	6,235	1,253,235
Total	\$ 1,893,644	\$ 146,864	\$ 2,040,508

Upper Lake Unified School District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

12. 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%. As of June 30, 2022, the principal balance outstanding was \$3,925,000. The amount of interest cost incurred during the year ended June 30, 2022, was \$17,935, all of which was charged to expenses.

The COP mature through 2047 as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ -	\$ 94,256	\$ 94,256
2024	30,000	93,956	123,956
2025	30,000	93,356	123,356
2026	30,000	92,757	122,757
2027	35,000	92,106	127,106
2028-2032	495,000	426,906	921,906
2033-2037	810,000	343,606	1,153,606
2038-2042	1,125,000	240,603	1,365,603
2043-2047	1,370,000	94,960	1,464,960
Total	\$ 3,925,000	\$ 1,572,506	\$ 5,497,506

13. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt:

Year Ended June 30, 2022	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Compensated absences	\$ 142,942	\$ 49,643	\$ -	\$ 192,585	\$ -
General obligation bonds	16,844,303	3,396,495	255,172	19,985,626	149,928
Bond issuance premium	713,792	71,398	42,100	743,090	55,311
Capitalized interest	1,072,082	218,896	234,828	1,056,150	240,072
Lease liability	-	85,697	-	85,697	16,031
Direct borrowing					
notes payable	1,958,330	-	64,686	1,893,644	65,663
Certificates of participation	3,925,000	-	-	3,925,000	-
COP issuance premium	57,001	-	8,652	48,349	8,653
Early retirement incentives	212,161	155,124	212,161	155,124	31,025
Total OPEB liability	748,038	-	39,101	708,937	-
Net pension liability	11,120,520	-	4,993,350	6,127,170	-
Total	\$ 36,794,169	\$ 3,977,253	\$ 5,850,050	\$ 34,921,372	\$ 566,683

Upper Lake Unified School District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

14. FUND BALANCES COMPONENTS

Fund balances are composed of the following:

June 30, 2022	General Fund	Building Fund	Special Reserve Capital Projects Fund	Other Governmental Funds
Nonspendable				
Reserved for:				
Revolving cash	\$ 5,000	\$ -	\$ -	\$ -
Inventories	-	-	-	8,939
Prepaid expenditures	-	-	47,128	-
Total Nonspendable	\$ 5,000	\$ -	\$ 47,128	\$ 8,939
Restricted				
Restricted for:				
Capital projects	\$ -	\$ 2,525,791	\$ 2,277,022	\$ 65,778
Debt service	-	-	-	643,649
Student activities	-	-	-	209,430
Federal and state categoricals	1,499,098	-	-	490,663
Scholarships	5	-	-	-
Total Restricted	\$ 1,499,103	\$ 2,525,791	\$ 2,277,022	\$ 1,409,520
Assigned				
Assigned for:				
Deferred maintenance	\$ 893	\$ -	\$ -	\$ -
Lottery	61,831	-	-	-
Capital projects	-	-	8,254	-
Education protection account	9,103	-	-	-
Debt repayment	125,000	-	-	-
Bus replacement	95,000	-	-	-
Technology replacement	117,000	-	-	-
Supplemental/concentration	114,927	-	-	-
E-rate	11,168	-	-	-
Other	3,674	-	-	-
Total Assigned	\$ 538,596	\$ -	\$ 8,254	\$ -
Unassigned				
Designated for economic uncertainties				
	\$ 1,918,864	\$ -	\$ -	\$ -

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

15. JOINT POWERS AUTHORITIES

The District participates in joint ventures under joint powers agreements with the following 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 relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs arrange for and provide property, liability, workers' compensation, health care, and excess liability coverage for their members. Each JPA is governed by a board consisting of representatives from the members. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the boards. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to its participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA.

16. COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Awards, and Grants

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

COVID-19

The novel coronavirus, COVID-19, was declared a worldwide pandemic by the World Health Organization on March 11, 2020. The ongoing pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly-evolving situation. The impact of the pandemic on the District's operations and financial performance will depend on future developments, including government mandates and duration of the pandemic, all of which are uncertain and difficult to predict. As a result, it is not currently possible to assess the overall impact of COVID-19 on the District's future. However, if the pandemic continues, the disease could have a material adverse effect on the District's results of operations, financial condition, and cash flows. Management is monitoring the situation on a daily basis in order to mitigate the potential impact of COVID-19 on the District's operations and financial performance.

Stormwater Runoff

The District has been identified as needing to address stormwater runoff due to local regulations. The cost of remediation cannot be reasonably estimated and is unknown at this time. Heavy rainfall is needed to measure the sediment. With current drought conditions, no further action can be taken currently.

Upper Lake Unified School District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Construction Commitments

Construction project commitments as of June 30, 2022, are as follows:

June 30, 2022	Remaining Construction Commitment
Upper Lake Elementary School modernization	\$ 143,913
Upper Lake High School modernization	2,059,453
Upper Lake Elementary School roofing	57,252
Total	\$ 2,260,618

17. RISK MANAGEMENT

The District is exposed to various risks, including loss or damage to property, general liability, and injuries to employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made. As described above, the District participates in risk pools under joint powers agreements for property, liability, workers' compensation, health care, and excess liability coverage.

18. EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer defined benefit pension plans maintained by agencies of the state of California. Certificated employees are members of CalSTRS, and classified employees are members of CalPERS.

Summary

Net pension liability, deferred outflows or resources, deferred inflows of resources, and pension expense are reported as follows:

June 30, 2022	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS State Teachers' Retirement Plan	\$ 3,249,852	\$ 2,071,667	\$ 2,916,822	\$ 221,468
CalPERS School Employer Pool	2,877,318	876,459	1,151,143	402,133
Total	\$ 6,127,170	\$ 2,948,126	\$ 4,067,965	\$ 623,601

Net pension liability, deferred outflows of resources, and deferred inflows of resources are reported in the accompanying statement of net position; pension expense is reported in the accompanying statement of activities.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

California State Teachers' Retirement System

Plan Description Certificated employees of the District participate in STRP, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions are established by state statute, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues publicly available financial reports that can be obtained at www.calstrs.com.

Benefits Provided STRP provides retirement, disability, and survivor benefits to beneficiaries. The defined benefit program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. The program has two benefit formulas:

- **CalSTRS 2% at 60** 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% of final compensation multiplied by the number of years 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 a maximum of 2.4% at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2% to the age factor, up to the 2.4% maximum.
- **CalSTRS 2% at 62** 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% of final compensation multiplied by the number of years 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% at age 65 or older.

Contributions Required member, employer, and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Active plan members of the CalSTRS 2% at 60 formula are required to contribute 10.25% of their salary. Active plan members of the CalSTRS 2% at 62 formula are required to contribute 10.205% of their salary. The required employer contribution rate for fiscal year 2021-22 was 16.92% of annual payroll. The District's contributions to CalSTRS for the fiscal year ended June 30, 2022, were \$795,468.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2022, the District reported a net pension 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:

June 30, 2022

District's proportionate share of the net pension liability	\$	3,249,852
State's proportionate share of the net pension liability associated with the District		1,635,234
Total	\$	4,885,086

The District's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. 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 employers and the state, actuarially determined. At June 30, 2022, the District's proportion was 0.007%.

State Teachers' Retirement Law also requires the state to contribute 10.828% of the members' creditable earnings from the fiscal year ending in the prior calendar year. For the year ended June 30, 2022, the District recognized pension expense of \$320,430 and revenue of \$320,430 for support provided by the state. At June 30, 2022, 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
Difference between expected and actual experience	\$ 8,141	\$ 345,920
Net difference between projected and actual earnings on pension plan investments	-	2,570,902
Change in assumptions	460,316	-
Changes in proportion and differences between District contributions and proportionate share of contributions	807,742	-
District contributions subsequent to the measurement date	795,468	-
Total	\$ 2,071,667	\$ 2,916,822

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The \$795,468 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 ending June 30, 2023. 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 Ending June 30	
2023	\$ (350,667)
2024	(285,032)
2025	(507,814)
2026	(603,790)
2027	123,940
Thereafter	(17,260)
Total	\$ (1,640,623)

Actuarial Assumptions The total pension liability in the June 30, 2020, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.10%
Interest on accounts	3.00%
Wage growth	3.50%
Consumer price inflation	2.75%
Post-retirement benefit increases	2.00% simple

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2018.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs 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, 2021, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.80%
Private equity	13%	6.30%
Real estate	15%	3.60%
Inflation sensitive	6%	3.30%
Fixed income	12%	1.30%
Risk mitigating strategies	10%	1.80%
Cash/liquidity	2%	-0.40%
Total	100%	

Discount Rate The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers were made at statutory contribution rates in accordance with the statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10%) and assumes that contributions, benefit payments, and administrative expenses occurred midyear. Based on those assumptions, the STRP'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%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
June 30, 2022			
District's proportionate share of the net pension liability	\$ 6,615,536	\$ 3,249,852	\$ 456,399

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Pension Plan Fiduciary Net Position Detailed information about the pension plan's fiduciary net position is available in CalSTRS' separately issued *Annual Comprehensive Financial Report (ACFR)*.

California Public Employees' Retirement System

Plan Description Classified employees of the District participate in the School Employer Pool (the Plan) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

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

Contributions Member contribution rates are defined by law. Employer contribution rates are determined by periodic actuarial valuations. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. Active plan members that met the definition of a new member under the Public Employees' Pension Reform Act are required to contribute 7.00% of their salary. Classic employees are required to contribute 7.00% of their salary. The required employer contribution rate for the 2021-22 fiscal year was 22.91%. The District's contributions to CalPERS for the fiscal year ended June 30, 2022, were \$663,365.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2022, the District reported a net pension liability of \$2,877,318 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. 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 0.0142%.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

For the year ended June 30, 2022, the District recognized pension expense of \$402,133. At June 30, 2022, 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
Difference between expected and actual experience	\$ 85,895	\$ 6,783
Net difference between projected and actual earnings on pension plan investments	-	1,104,229
Changes in proportion and differences between District contributions and proportionate share of contributions	127,199	40,131
District contributions subsequent to the measurement date	663,365	-
Total	\$ 876,459	\$ 1,151,143

The \$663,365 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 ending June 30, 2023. 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 Ending June 30	
2023	\$ (193,921)
2024	(182,265)
2025	(254,755)
2026	(307,108)
Total	\$ (938,049)

Actuarial Assumptions The total pension liability in the June 30, 2020, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15%

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The tables below reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class	Assumed Asset Allocation	Real Rate of Return	
		Years 1 - 10	Years 11+
Global equity	50%	4.80%	5.98%
Fixed income	28%	1.00%	2.62%
Inflation assets	0%	0.77%	1.81%
Private equity	8%	6.30%	7.23%
Real estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	100%		

Discount Rate The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

June 30, 2022	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 4,851,562	\$ 2,877,318	\$ 1,238,272

Pension Plan Fiduciary Net Position Detailed information about the pension plan's fiduciary net position is available in CalPERS' separately issued ACFR.

19. EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2021-22, pursuant to *California Education Code*, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

20. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description and Benefits Provided

The District provides postemployment health care benefits to qualifying employees through a single-employer defined benefit health care plan administered by the District. The District provides postemployment health care benefits to certificated employees after completing at least 20 consecutive years of full-time credentialed service in the District. Retirees are subject to a limit on district-paid premiums of \$2,500 per year, and a total of \$25,000 over a maximum benefit period of ten years. District-paid benefits end at age 65. A further provision offers District contributions of up to \$12,500 per year for a maximum of ten years, but not beyond age 65, for certificated retirees who have at least 30 years of full-time credentialed service to the District and who accept such benefits in lieu of a CalSTRS Golden Handshake. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employees Covered

Employees covered by the benefit terms of the plan consisted of:

Inactive plan members or beneficiaries currently receiving benefit payments	1
Active plan members	42
Total	43

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Contributions

The District's agreement with employees is for monthly contributions for members who meet the eligibility criteria of their collective bargaining agreement and who retire during the term of the contract. The contribution requirements of plan members and the District are established and may be amended by the District's Board of Trustees through the collective bargaining process. The members receiving benefits contributions vary depending on the level of coverage selected. It is the District's policy to fund the obligation on a pay-as-you-go basis. For the fiscal year ended June 30, 2022, the District made contributions of \$12,500.

Total OPEB Liability

The District's total OPEB liability for the plan is measured as the total OPEB liability, less the plan's fiduciary net position. The total OPEB liability of the plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The June 30, 2022, total OPEB liability was based on the actuarial methods and assumptions as shown below.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry age
Actuarial assumptions:	
Discount rate	3.54%
Salary increases	2.75%
Consumer price inflation	2.50%
Healthcare cost trend rate	4.00%

Mortality rates were based on the 2020 CalSTRS Mortality table created by CalSTRS. CalSTRS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. This table incorporates mortality projections as deemed appropriate based on CalSTRS analysis.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.54%. The discount rate is based on the Bond Buyer 20 Index.

Upper Lake Unified School District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Changes in the Total OPEB Liability

The changes in the total OPEB liability for the plan are as follows:

Year Ended June 30, 2022

Total OPEB Liability		
Service cost	\$	58,044
Interest		16,649
Difference between expected and actual experience		-
Changes of assumptions		(101,294)
Benefit payments - including refunds of employee contributions		(12,500)
Net Change in Total OPEB Liability		(39,101)
Total OPEB Liability - Beginning of Year		748,038
Total OPEB Liability - End of Year	\$	708,937
Covered-employee payroll	\$	4,354,807
District's total OPEB liability as a percentage of covered-employee payroll		16.28%

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

The following presents the District's total OPEB liability calculated using the discount rate of 3.54%, as well as the District's total OPEB liability if it was calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate:

June 30, 2022	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	\$ 783,715	\$ 708,937	\$ 652,540

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

The following presents the District's total OPEB liability calculated using the healthcare cost trend rate of 4.00%, as well as the District's total OPEB liability if it was calculated using a healthcare trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

June 30, 2022	1% Decrease (3.00%)	Health Cost Trend Rates (4.00%)	1% Increase (5.00%)
Total OPEB liability	\$ 601,366	\$ 708,937	\$ 834,666

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the District recognized OPEB expense of \$93,165. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 130,691	\$ 90,221
Changes in assumptions	155,871	96,876
Total	\$ 286,562	\$ 187,097

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

Year Ending June 30

2023	\$ 18,472
2024	18,472
2025	18,472
2026	18,472
2027	18,473
Thereafter	7,104
Total	\$ 99,465

21. FUTURE GASB IMPLEMENTATION

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This statement improves financial reporting by establishing a definition for SBITA and providing uniform guidance for accounting and financial reporting for transactions that meet this definition. This statement establishes that a SBITA results in a right-to-use asset—an intangible asset—and a corresponding subscription liability. It 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*. The District’s management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2022, will have on the District’s financial statements, if any.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. This statement enhances 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. The District’s management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2023, will have on the District’s financial statements, if any.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This statement outlines a unified recognition and measurement model that will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. The District’s management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2024, will have on the District’s financial statements, if any.

Required Supplementary Information

Upper Lake Unified School District
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year Ended June 30, 2022	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 2,570,361	\$ 3,032,323	\$ 3,032,324	\$ 1
Local control funding formula sources	6,710,026	7,367,997	6,615,651	(752,346)
Other state revenue	1,749,302	1,879,249	2,147,127	267,878
Federal revenue	2,367,955	2,042,809	1,971,830	(70,979)
Other local revenue	476,422	697,171	598,257	(98,914)
Total Revenues	13,874,066	15,019,549	14,365,189	(654,360)
Expenditures				
Certificated salaries	4,421,576	4,764,009	4,764,010	(1)
Classified salaries	1,863,043	2,109,193	2,109,192	1
Employee benefits	3,650,317	3,892,400	3,892,404	(4)
Books and supplies	764,637	891,079	934,496	(43,417)
Services and other operating	1,726,416	1,512,504	1,512,508	(4)
Capital outlay	487,883	951,358	1,037,056	(85,698)
Other outgo	40,000	4,142	4,142	-
Debt service:				
Principal	-	64,686	64,686	-
Interest and other charges	-	16,542	16,542	-
Total Expenditures	12,953,872	14,205,913	14,335,036	(129,123)
Excess (Deficiency) of Revenues Over Expenditures	920,194	813,636	30,153	(783,483)
Other Financing Sources (Uses)				
Interfund transfers in	-	84,059	84,059	-
Other sources	-	-	85,697	85,697
Total Other Financing Sources (Uses)	-	84,059	169,756	85,697
Net Change in Fund Balances	920,194	897,695	199,909	(697,786)
Fund Balances - Beginning of Year	3,761,654	3,761,654	3,761,654	-
Fund Balances - End of Year	\$ 4,681,848	\$ 4,659,349	\$ 3,961,563	\$ (697,786)

See the accompanying notes to this budgetary comparison schedule.

Upper Lake Unified School District
NOTES TO THE BUDGETARY COMPARISON SCHEDULE

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's Governing Board annually adopts a budget for the General Fund of the District. The budget is presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule of the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budget, as amended. Unexpended appropriations on the annual budget lapse at the end of each fiscal year.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures exceeded appropriations by the following amounts:

<u>June 30, 2022</u>	<u>General Fund</u>
Certificated salaries	\$ 1
Employee benefits	\$ 4
Books and supplies	\$ 43,417
Services and other operating	\$ 4
Capital outlay	\$ 85,698

These excess expenditures were funded by actual revenues in excess of actual expenditures.

Upper Lake Unified School District

SCHEDULE OF CHANGES IN DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Years Ended June 30	2022		2021		2020		2019		2018	
Total OPEB Liability										
Service cost	\$	58,044	\$	51,293	\$	29,160	\$	15,376	\$	15,883
Interest		16,649		17,920		14,351		14,641		13,011
Difference between expected and actual experience		-		(94,569)		157,457		10,400		(1,449)
Changes of assumptions		(101,294)		2,632		191,448		15,957		(10,504)
Benefit payments - including refunds of employee contributions		(12,500)		(18,151)		(6,335)		(16,735)		-
Net Change In Total OPEB Liability		(39,101)		(40,875)		386,081		39,639		16,941
Total OPEB Liability - Beginning of Year		748,038		788,913		402,832		363,193		346,252
Total OPEB Liability - End of Year	\$	708,937	\$	748,038	\$	788,913	\$	402,832	\$	363,193
Covered-employee payroll	\$	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		16.28%		18.70%		20.56%		11.01%		10.26%

See the accompanying notes to the required supplementary information.

Upper Lake Unified School District
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB

Years Ended June 30	2022		2021		2020		2019		2018	
Contractually required contribution	\$	12,500	\$	18,151	\$	6,335	\$	16,735	\$	-
Contributions in relation to the contractually required contribution		(12,500)		(18,151)		(6,335)		(16,735)		-
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$	-	\$	-
Covered-employee payroll	\$	4,354,807	\$	3,999,518	\$	3,836,380	\$	3,658,883	\$	3,540,996
Contributions as a percentage of covered-employee payroll		0.29%		0.45%		0.17%		0.46%		0.00%

See the accompanying notes to the required supplementary information.

Upper Lake Unified School District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Years Ended June 30	2022	2021	2020
District's proportion of the net pension liability (asset)	0.007%	0.007%	0.006%
District's proportionate share of the net pension liability (asset)	\$ 3,249,852	\$ 6,804,059	\$ 5,418,960
State's proportionate share of the net pension liability (asset) associated with the District	1,635,234	3,507,465	2,956,428
Total	\$ 4,885,086	\$ 10,311,524	\$ 8,375,388
District's covered-employee payroll	\$ 3,973,895	\$ 3,836,380	\$ 3,555,553
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	81.78%	177.36%	152.41%
Plan fiduciary net position as a percentage of the total pension liability	87.20%	71.80%	72.60%

Years Ended June 30	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.006%	0.006%	0.006%	0.006%	0.006%
District's proportionate share of the net pension liability (asset)	\$ 5,514,420	\$ 5,548,800	\$ 4,852,860	\$ 4,039,440	\$ 3,506,220
State's proportionate share of the net pension liability (asset) associated with the District	3,157,279	3,282,650	2,763,053	2,136,413	2,117,228
Total	\$ 8,671,699	\$ 8,831,450	\$ 7,615,913	\$ 6,175,853	\$ 5,623,448
District's covered-employee payroll	\$ 3,435,385	\$ 3,347,957	\$ 3,150,559	\$ 2,870,585	\$ 2,760,624
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	160.52%	165.74%	154.03%	140.72%	127.01%
Plan fiduciary net position as a percentage of the total pension liability	71.00%	69.00%	70.00%	74.00%	77.00%

See the accompanying notes to the required supplementary information.

Upper Lake Unified School District

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Years Ended June 30	2022	2021	2020
Contractually required contribution	\$ 795,468	\$ 641,784	\$ 656,021
Contributions in relation to the contractually required contribution	(795,468)	(641,784)	(656,021)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,973,895	\$ 3,836,380	\$ 3,555,553
Contributions as a percentage of covered-employee payroll	20.02%	16.73%	18.45%

Years Ended June 30	2019	2018	2017	2016	2015
Contractually required contribution	\$ 578,844	\$ 495,726	\$ 421,173	\$ 338,056	\$ 254,908
Contributions in relation to the contractually required contribution	(578,844)	(495,726)	(421,173)	(338,056)	(254,908)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3,435,385	\$ 3,347,957	\$ 3,150,559	\$ 2,870,585	\$ 2,760,624
Contributions as a percentage of covered-employee payroll	16.85%	14.81%	13.37%	11.78%	9.23%

See the accompanying notes to the required supplementary information.

Upper Lake Unified School District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Years Ended June 30	2022	2021	2020		
District's proportion of the net pension liability (asset)	0.0142%	0.0141%	0.0134%		
District's proportionate share of the net pension liability (asset)	\$ 2,877,318	\$ 4,316,461	\$ 3,890,466		
District's covered-employee payroll	\$ 2,285,106	\$ 2,279,758	\$ 2,005,570		
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	125.92%	189.34%	193.98%		
Plan fiduciary net position as a percentage of the total pension liability	81.00%	70.00%	70.00%		
Years Ended June 30	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0139%	0.0135%	0.0136%	0.0130%	0.0130%
District's proportionate share of the net pension liability (asset)	\$ 3,708,844	\$ 3,213,257	\$ 2,686,008	\$ 1,930,953	\$ 1,419,054
District's covered-employee payroll	\$ 1,834,563	\$ 1,553,420	\$ 1,531,400	\$ 1,450,820	\$ 1,320,675
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	202.16%	206.85%	175.40%	133.09%	107.45%
Plan fiduciary net position as a percentage of the total pension liability	70.80%	71.90%	73.90%	79.40%	83.50%

See the accompanying notes to the required supplementary information.

Upper Lake Unified School District

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Years Ended June 30	2022	2021	2020
Contractually required contribution	\$ 663,365	\$ 473,017	\$ 449,591
Contributions in relation to the contractually required contribution	(663,365)	(473,017)	(449,591)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$2,285,106	\$2,279,758	\$2,005,570
Contributions as a percentage of covered-employee payroll	29.03%	20.75%	22.42%

Years Ended June 30	2019	2018	2017	2016	2015
Contractually required contribution	\$ 362,246	\$ 284,926	\$ 215,739	\$ 181,425	\$ 170,776
Contributions in relation to the contractually required contribution	(362,246)	(284,926)	(215,739)	(181,425)	(170,776)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$1,834,563	\$1,553,420	\$1,531,400	\$1,450,820	\$1,320,675
Contributions as a percentage of covered-employee payroll	19.75%	18.34%	14.09%	12.50%	12.93%

See the accompanying notes to the required supplementary information.

Upper Lake Unified School District

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

1. TOTAL OPEB LIABILITY

Changes in Benefit Terms

There were no significant changes in benefit terms during the measurement period ended June 30, 2022.

Changes in Assumptions

The discount rate increased from 2.16% to 3.84% due to changes in the Bond Buyer 20 Index during the measurement period ended June 30, 2022.

Assets to Pay Related Benefits

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 as of June 30, 2022.

2. PENSION – CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

Changes in Benefit Terms

There were no significant changes of benefit terms during the measurement period ended June 30, 2021.

Changes in Assumptions

There were no significant changes in assumptions during the measurement period ended June 30, 2021.

3. PENSION – CALIFORNIA STATE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Changes in Benefit Terms

There were no significant changes of benefit terms during the measurement period ended June 30, 2021.

Changes in Assumptions

There were no significant changes of assumptions during the measurement period ended June 30, 2021.

OTHER SUPPLEMENTARY INFORMATION SECTION

Upper Lake Unified School District

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

June 30, 2022

The Upper Lake Unified School District is located in Lake County and was established July 1, 2016. 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 school, one middle school, one high school, one continuation high school, and an adult education program.

GOVERNING BOARD

Name	Office	Term Expires
Diane Plante	President	2022
Claudine Pedroncelli	Vice President	2024
Ana Santana	Clerk	2022
Franklin Gudmundson	Member	2024
Joanne Breton	Member	2022

ADMINISTRATION

Dr. Giovanni Annous, Ed.D.
Superintendent

Stephanie Wayment
Assistant Superintendent

Tenderly Logan
Assistant Superintendent

Michael Kauble
Chief Business Official

Upper Lake Unified School District

SCHEDULE OF CHARTER SCHOOLS

Year Ended June 30, 2022

The District is not the sponsoring local educational agency for any charter schools.

See the accompanying note to the other supplementary information.

Upper Lake Unified School District
SCHEDULE OF AVERAGE DAILY ATTENDANCE
Year Ended June 30, 2022

	Second Period Report	Annual Report	Second Period Report	Annual Report
ELEMENTARY				
Regular ADA*				
Transitional kindergarten/ kindergarten through grade 3	223	216	221	222
Grades 4 through 6	155	155	154	154
Grades 7 through 8	99	100	98	99
ELEMENTARY TOTALS	477	471	473	475
HIGH SCHOOL				
Regular ADA**				
Grades 9 through 12	284	282	273	269
ADA Totals	761	753	746	744

** Includes opportunity classes, home and hospital, and special day classes.*

***Includes opportunity classes, home and hospital, special day classes, and continuation education.*

See the accompanying note to the other supplementary information.

Upper Lake Unified School District
SCHEDULE OF INSTRUCTIONAL TIME
Year Ended June 30, 2022

	Minutes Requirement	Days Requirement	Actual Minutes Offered	Actual Days Offered	Approved J-13A Credited Minutes*	Approved J-13A Credited Days*	Total Traditional Calendar Minutes	Total Traditional Calendar Days	Multitrack Calendar Days	Status
Kindergarten	36,000	180	60,660	180	-	-	60,660	180	N/A	Complied
Grade 1	50,400	180	54,360	180	-	-	54,360	180	N/A	Complied
Grade 2	50,400	180	54,360	180	-	-	54,360	180	N/A	Complied
Grade 3	50,400	180	54,360	180	-	-	54,360	180	N/A	Complied
Grade 4	54,000	180	54,360	180	-	-	54,360	180	N/A	Complied
Grade 5	54,000	180	54,360	180	-	-	54,360	180	N/A	Complied
Grade 6	54,000	180	67,000	180	-	-	67,000	180	N/A	Complied
Grade 7	54,000	180	67,000	180	-	-	67,000	180	N/A	Complied
Grade 8	54,000	180	67,000	180	-	-	67,000	180	N/A	Complied
Grade 9	64,800	180	66,060	180	-	-	66,060	180	N/A	Complied
Grade 10	64,800	180	66,060	180	-	-	66,060	180	N/A	Complied
Grade 11	64,800	180	66,060	180	-	-	66,060	180	N/A	Complied
Grade 12	64,800	180	66,060	180	-	-	66,060	180	N/A	Complied

**The District did not apply for any Form J-13A emergency closure days.*

See the accompanying note to the other supplementary information.

Upper Lake Unified School District
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

Years Ended June 30	(Budget) 2023	2022	2021	2020
General Fund				
Revenues and other financial sources	\$ 19,721,703	\$ 14,534,945	\$ 13,252,607	\$ 11,510,587
Expenditures	17,344,808	14,335,036	12,396,744	11,490,347
Other uses and transfers out	-	-	-	175,000
Total Outgo	17,344,808	14,335,036	12,396,744	11,665,347
Change in Fund Balance	2,376,895	199,909	855,863	(154,760)
Ending Fund Balance	\$ 6,338,458	\$ 3,961,563	\$ 3,761,654	\$ 2,905,791
Available reserves	\$ 2,162,655	\$ 1,918,864	\$ 1,500,000	\$ 1,200,000
Designated for economic uncertainties	\$ 2,162,655	\$ 1,918,864	\$ 1,500,000	\$ 1,200,000
Undesignated fund balance	\$ -	\$ -	\$ -	\$ -
Available reserves as a percentage of total outgo	12%	13%	12%	10%
Total long-term debt	\$ 34,610,829	\$ 34,921,372	\$ 36,794,169	\$ 31,597,169
Average daily attendance at P-2	821	746	765 *	765

**Pursuant to California Education Code, Section 43502, the District was funded based on 2019-20 ADA.*

The General Fund balance has increased by \$1,055,772 over the past two years. The fiscal year 2022-23 budget projects an increase of \$2,376,895 (60.0%). For a district this size, the state recommends available reserves of at least 4% of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in one of the past three years and anticipates incurring an operating surplus during the 2022-23 fiscal year. Total long-term debt has increased by \$3,324,203 over the past two years.

Average daily attendance has decreased by 19 over the past two years. Additional growth in ADA of 75 is anticipated during fiscal year 2022-23.

See the accompanying note to the other supplementary information.

Upper Lake Unified School District

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT

WITH AUDITED FINANCIAL STATEMENTS

Year Ended June 30, 2022

	General Fund	Student Activities Special Revenue Fund	Cafeteria Special Revenue Fund	Special Reserve Capital Projects Fund	Bond Interest and Redemption Fund
Annual Financial and Budget Report Fund Balance	\$ 4,615,921	\$ 213,876	\$ 456,342	\$ 2,465,074	\$ 659,465
Adjustments Increasing (Decreasing) the Fund Balance					
Overstatement of cash and investments	(94,603)	(4,446)	(7,391)	(53,520)	(15,516)
Overstatement of accounts receivable	(260,593)	-	-	-	-
Understatement of due from other governments	312,120	-	60,180	-	-
Overstatement of restricted cash and investments	-	-	-	(79,150)	-
Understatement of accounts payable	-	-	(9,529)	-	-
Understatement of due to other governments	(611,282)	-	-	-	-
Net Adjustments	(654,358)	(4,446)	43,260	(132,670)	(15,516)
Audited Financial Statements Fund Balance	\$ 3,961,563	\$ 209,430	\$ 499,602	\$ 2,332,404	\$ 643,949

See the accompanying notes to the other supplementary information.

Upper Lake Unified School District
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL PROGRAMS			
U.S. Department of Education			
Passed Through California Department of Education			
Vocational Programs - Vocational and Applied Technical			
Secondary, Section 131	84.048	14894	\$ 9,498
Special Education - IDEA Basic Local Assistance	84.027	13379	140,771
Special Education - IDEA Preschool	84.173	13430	2,271
ESEA - Title VI, Part B, Rural and Low Income School	84.358	14356	36,712
ESEA - Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	13,524
ESEA - Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	13,055
Subtotal			215,831
Education Stabilization Fund			
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	261,299
COVID-19 - Elementary and Secondary School Emergency Relief III (ESSER) Fund	84.425D	15547	442,954
COVID-19 - Elementary and Secondary School Emergency Relief III (ESSER) Fund	84.425D	15559	501,151
COVID-19 - Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	48,301
Total Education Stabilization Fund			1,253,705
Title I Grants			
ESEA - Title I, Part A, Basic Grants	84.010A	14329	147,238
ESEA - School Improvement Funding for LEAs	84.010A	15438	118,855
Total Title I Grants			266,093
Direct Program			
Impact Aid - Title VIII	84.041		117,454
Total U.S. Department of Education			1,853,083
Subtotal Forward			\$ 1,853,083

See the accompanying note to the other supplementary information.

Upper Lake Unified School District
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2022
 (Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
FEDERAL PROGRAMS			
Subtotal Brought Forward			\$ 1,853,083
U.S. Department of Agriculture Passed Through California Department of Education			
Child Nutrition Cluster			
School Breakfast	10.553	13390	378,110
National School Lunch	10.555	13391	640,408
Nonmonetary Assistance			
Food Donation	10.555		27,792
Total Child Nutrition Cluster			1,046,310
Child and Adult Care Food	10.558	13393	42,305
COVID-19 - Pandemic EBT Local Administrative Grant	10.649	15644	614
Passed Through Lake County Office of Education			
Schools and Roads - Grants to Counties	10.666	10044	103,272
Total U.S. Department of Agriculture			1,192,501
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,045,584

See the accompanying note to the other supplementary information.

PURPOSE OF SCHEDULES

Schedule of Charter Schools

This schedule lists all charter schools sponsored by the District and indicates whether or not the charter school is included in the audit of the District.

Schedule of Average Daily Attendance

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

Schedule of Instructional Time

The District received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District met or exceeded its local funding formula target. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *California Education Code*, Sections 46200 through 46208.

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 each fund, as reported in the annual financial and budget report, to the audited financial statements.

Schedule of Expenditures of Federal Awards

This schedule includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2022. 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* (the Uniform Guidance).

Expenditures reported on this schedule are reported on the modified basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER REPORTS SECTION

INDEPENDENT AUDITORS' 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

To the Board of Trustees
Upper Lake Unified School District
Upper Lake, California

We have audited, 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 of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Lake Unified School District (the District) as of and for the year ended June 30, 2022; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated January 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent, or detect, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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; and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be significant deficiencies.

INDEPENDENT AUDITORS' 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

(Continued)

Report on Compliance and Other Matters

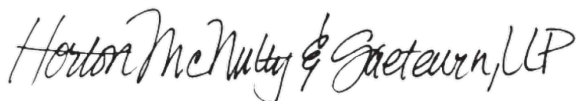
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

The District's Response to Findings

Government Auditing Standards requires that the auditor perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



January 31, 2023
Chico, California

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the Board of Trustees
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 (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2022.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

(Continued)

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

(Continued)

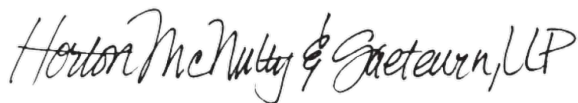
Report on Internal Control Over Compliance

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 Auditors' 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 have not been identified.

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

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



January 31, 2023
Chico, California

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON
INTERNAL CONTROL OVER STATE COMPLIANCE**

To the Board of Trustees
Upper Lake Unified School District
Upper Lake, California

Report on Compliance

Qualified and Unmodified Opinions on State Compliance

We have audited the Upper Lake Unified School District's (the District) compliance with the requirements specified in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, applicable to the District's state program requirements identified below for the year ended June 30, 2022.

Qualified Opinion on Independent Study

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the state compliance requirements applicable to independent study.

Unmodified Opinion on Each of the Other State Programs

In our opinion, the District complied, in all material respects, with the other laws and regulations of the state programs noted in the table on pages 89 and 90 for the year ended June 30, 2022.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER STATE COMPLIANCE

(Continued)

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our 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 qualified and unmodified opinions on state compliance. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Independent Study

As described in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding independent study as described in item 2022-003. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to independent study.

Responsibilities of Management for Compliance

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

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER STATE COMPLIANCE

(Continued)

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such procedures as we considered necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON
INTERNAL CONTROL OVER STATE COMPLIANCE**

(Continued)

June 30, 2022		Procedures Performed
Local Education Agencies Other than Charter Schools:		
A.	Attendance	Yes
B.	Teacher certification and misassignments	Yes
C.	Kindergarten continuance	Yes
D.	Independent study	Yes
E.	Continuation education	No
F.	Instructional time	Yes
G.	Instructional materials	Yes
H.	Ratios of administrative employees to teachers	Yes
I.	Classroom teacher salaries	Yes
J.	Early retirement incentive	No
K.	Gann limit calculation	Yes
L.	School accountability report card	Yes
M.	Juvenile court schools	Not applicable
N.	Middle and early college high schools	No
O.	K-3 grade span adjustment	Yes
P.	Transportation maintenance of effort	Yes
Q.	Apprenticeship: Related and supplemental instruction	No
R.	Comprehensive school safety plan	Yes
S.	District of choice	No
School Districts, County Offices of Education, and Charter Schools:		
T.	California Clean Energy Jobs Act	Yes
U.	After/Before school education and safety program:	
	After school	Yes
	Before school	No
	General requirements	Yes
V.	Proper expenditure of education protection account funds	Yes
W.	Unduplicated local control funding formula pupil counts	Yes
X.	Local control and accountability plan	Yes
Y.	Independent study-course based	No
Z.	Immunizations	No
AZ.	Educator effectiveness	Yes
BZ.	Expanded learning opportunities grant (ELO-G)	Yes
CZ.	Career technical education incentive grant	Yes
DZ.	In-person instruction grant	Yes

**INDEPENDENT AUDITORS’ REPORT ON STATE COMPLIANCE AND ON
INTERNAL CONTROL OVER STATE COMPLIANCE**

(Continued)

June 30, 2022		Procedures Performed
Charter schools:		
AA.	Attendance	No
BB.	Mode of instruction	No
CC.	Nonclassroom-based instruction/independent study	No
DD.	Determination of funding for nonclassroom-based instruction	No
EE.	Annual instructional minutes – classroom based	No
FF.	Charter school facility grant program	No

Testing was not performed for continuation education (E) because the ADA for this program was below the level which requires testing. District of choice (S) steps 2 and 3 were not performed because the board of the District did not elect to operate as a school district of choice. Testing for immunizations (Z) was not performed because the District did not include any schools that did not submit immunization assessment reports to the California Department of Public Health or that reported a high number of conditionally enrolled students.

Since the District did not participate in the following programs during 2021-22 or the program is not applicable to school districts, all steps related to them were not performed:

- J. Early retirement incentives
- M. Juvenile court schools
- N. Middle and early college high schools
- Q. Apprenticeship: Related and supplemental instruction
- U. After/Before school education and safety program - before school
- Y. Independent study-course based

Since the District did not sponsor any charter schools during 2021-22, all steps related to the following were not performed:

- AA. Attendance
- BB. Mode of instruction
- CC. Nonclassroom-based instruction/independent study
- DD. Determination of funding for nonclassroom-based instruction
- EE. Annual instructional minutes - classroom based
- FF. Charter school facility grant program

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.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER STATE COMPLIANCE

(Continued)

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our compliance audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a 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, that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002, to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON
INTERNAL CONTROL OVER STATE 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 *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Horton McNulty & Gaetavn, LLP

January 31, 2023
Chico, California

FINDINGS AND QUESTIONED COSTS SECTION

Upper Lake Unified School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2022

SECTION I
SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	Yes
Is any noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs:	
AL No. 84.425 COVID-19 – Education Stabilization Fund (ESF)	
Threshold for distinguishing types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Are any material weaknesses identified?	No
Are any significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for state programs:	Qualified

Upper Lake Unified School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2022
(Continued)

SECTION II FINDINGS
FINANCIAL STATEMENTS AUDIT

INTERNAL CONTROL (Student Body)
30000 (2022-001)

Significant Deficiency

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.

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.

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.

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

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

Repeat Finding This is a repeat finding of item 2021-001 that was reported in the previous year and is listed in the Summary Schedule of Prior Audit Findings.

Upper Lake Unified School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

(Continued)

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

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

Upper Lake Unified School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2022
(Continued)

SECTION III FINDINGS
FEDERAL AWARDS AUDIT

None.

SECTION IV FINDINGS
STATE AWARDS AUDIT

ATTENDANCE (Internal Control)
10000 (2022-002)

Significant Deficiency

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.

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).

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.

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

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

Repeat Finding This finding is related to finding 2020-003, which is included in the Summary Schedule of Prior Audit Findings. Because Senate Bill 98 significantly changes attendance accounting and report for the 2020-21 audit, this finding has been followed up on during the 2021-22 audit.

Upper Lake Unified School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

(Continued)

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.

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.

STATE COMPLIANCE (Independent Study)

40000 (2022-003)

Material Noncompliance

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.

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.

Upper Lake Unified School District
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2022
 (Continued)

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.

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

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

Repeat Finding No, this is not a repeat finding.

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.

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.

Upper Lake Unified School District

CORRECTIVE ACTION PLAN

June 30, 2022

Not applicable: there are no current-year findings related to federal awards.

INTERNAL CONTROL (Student Body)
30000 (2021-001)

Significant Deficiency

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

1. One of two cash receipts tested at Upper Lake Elementary School, one of three cash receipts tested at Upper Lake Middle School, and one 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. Three of four cash disbursements tested at Upper Lake Elementary School, one of two cash disbursements tested at Upper Lake Middle School, and one of six cash disbursements tested at Upper Lake High School were not preapproved or preapproval could not be determined based on the support provided.

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. 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.

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.

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

Repeat Finding This is a repeat finding of item 2020-001 that was reported in the 2020-21 Summary Schedule of Prior Audit Findings.

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

Current Status See current-year finding in the schedule of findings and questioned costs (item 2022-001).

Upper Lake Unified School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2022
(Continued)

CLASSROOM TEACHER SALARIES

61000 (2022-002)

Significant Deficiency

Condition The District is not in compliance with the required minimum percentage for payment of classroom teachers' compensation under *California Education Code*, Section 41372(b). The District's percentage of current expense of education for classroom teachers' compensation was 50.72% for the fiscal year ended June 30, 2021.

Criteria *California Education Code*, Section 41372(b) requires the District to expend 55% or greater of the District's current expense of education for payment of classroom teachers' compensation.

Effect The current expense of education for the District was \$9,916,770, and classroom teachers' compensation was \$5,029,499, resulting in a deficiency of \$424,438.

Cause The cause of the noncompliance is an increasing amount of expenditures from unrestricted funds under the local control funding formula, which makes meeting the required minimum percentage for payment of classroom teachers' compensation more difficult.

Repeat Finding This is a repeat finding of item 2020-002 that was reported in the 2020-21 Summary Schedule of Prior Audit Findings.

Recommendation The District should implement procedures to ensure that a minimum of 55% of the current expense of education is for classroom teachers' compensation. As an application for exemption was approved by the County Superintendent of Schools, no further action is needed related to the 2020-21 fiscal year's deficiency.

Current Status Fully implemented.

Upper Lake Unified School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2022
(Continued)

ATTENDANCE AND DISTANCE LEARNING (Tiered Reengagement Plan)
10000 (2021-003)

State Compliance

Condition During our testing over compliance of Attendance and Distance Learning, we identified the following:

The District’s written tiered reengagement plan did not include all required elements. The plan did not include instructions to transition the pupil to full-time in-person instruction where feasible.

In our inquiries with the District, the District noted that the above area was performed as part of the reengagement process; however, the required element was not formally documented in the written tiered reengagement plan.

For every school site tested for Attendance and Distance Learning (at least one school site or 10% for each grade span), we selected a random sample to achieve a high level of assurance. We reviewed each student selected for testing, and further tested 100% of the selected students with at least one absence for compliance with tiered reengagement. As a result of testing, we noted eleven students across all school sites tested that had more than three absences during the week tested. This resulted in 22 days of noncompliance.

Criteria *California Education Code*, Section 43504(f)(2) requires LEAs to develop written procedures for tiered reengagement strategies for all pupils who are absent from distance learning for more than three schooldays or 60% of the instructional days in a school week. The procedures shall include, but are not limited to: verification of current contact information for each enrolled pupil; daily notification to parents or guardians of absences; a plan for outreach from the school to determine pupil needs including health and social services as necessary; and transitioning the pupil to full-time in-person instruction, when feasible.

Effect The District was not in compliance with the provisions of *California Education Code*, Section 43502(f)(2). The penalty calculated pursuant to *California Education Code*, Section 43504(i)(2), is \$1,425. The District is required to return principal apportionment funding totaling \$1,425, to the California Department of Education. The calculation is displayed below:

Year Ended June 30, 2021	Grades K-3	Grades 4-6	Grades 7-8	Grades 9-12	Total
Days out of compliance	-	2	4	16	22
Number of days required to be offered	180	180	180	180	
Derived value of ADA by grade span	\$ 10,848.98	\$ 9,974.99	\$ 10,271.00	\$ 12,212.91	
Distance Learning Penalty	\$ -	\$ 111	\$ 228	\$ 1,086	\$ 1,425

Cause Although the District had written tiered reengagement plans in place, the District was not aware of the requirements for specific elements to include in the written plan.

Upper Lake Unified School District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2022

(Continued)

Repeat Finding No, this is not a repeat finding. Although there was a finding regarding attendance accounting in the 2020-21 Summary Schedule of Prior Audit Findings, the issues noted in this finding are not related to the issues noted in item 2020-003. Therefore, we do not consider this a repeat finding of item 2020-003.

Recommendation We recommend that the District continue to monitor new requirements to ensure compliance, and that the District return funding of \$1,425 to the California Department of Education.

Current Status The provisions of *California Education Code*, Section 43504(f)(2) applied only to the 2020-21 fiscal year, therefore, no follow up is applicable.

Upper Lake Unified School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2022
(Continued)

SCHOOL ACCOUNTABILITY REPORT CARD
72000 (2021-004)

State Compliance

Condition The District was unable to locate the school facility inspection tool that was used to update information on safety, cleanliness, and adequacy of school facilities included in the 2020-21 School Accountability Report Card (SARC) for the Upper Lake High School.

Criteria Pursuant to *California Education Code*, Section 33126, the SARC should provide certain data by which a parent can make a meaningful comparison between schools. Pursuant to *California Education Code*, Section 33126(b)(8), the SARC should include information on safety, cleanliness, and adequacy of school facilities, consistent with the information collected in the school facility inspection tool pursuant to *California Education Code*, Section 17002(d).

Effect The District is not in compliance with the requirements of *California Education Code*, Section 33126(b).

Cause The school facility inspection tool was misplaced.

Repeat Finding This is a repeat finding of item 2020-004 that was reported in the 2020-21 Summary Schedule of Prior Audit Findings.

Recommendation We recommend that the District management ensure that the school facility inspection tools are retained.

Current Status Fully implemented.

Upper Lake Unified School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2022
(Continued)

ATTENDANCE (Internal Control)

10000 (2020-003)

Significant Deficiency

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 High School.
2. Although the District's procedures require attendance registers be signed weekly, each week's records did not include a complete set of teacher attendance registers at Upper Lake High School. We performed alternative procedures to verify that teachers took attendance daily through the computerized attendance system. We reviewed the attendance accounting system log reports and other teachers' signed weekly attendance registers to determine that attendance for the sampled classes was accurately stated, except as noted below.
3. Upper Lake High School's attendance included discrepancies between the weekly signed attendance registers and the Monthly Attendance Report, which is used to report average daily attendance (ADA). These differences related to a total of nine students from the three teachers that were selected for testing. The offsetting errors resulted in an immaterial understatement of less than 0.01 ADA for the second period and annual period.

Criteria Pursuant to *California Education Code*, Section 44809 and *California Code of Regulations*, Title 5, Sections 400-401, schools must 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 average daily attendance (ADA) reported to the California Department of Education in the Report of School District Attendance.

Effect Due to offsetting errors, the effect to the District's principal apportionment is not considered material. However, without strengthening internal controls over attendance reporting, average daily attendance may not be accurately reported to the California Department of Education.

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

Repeat Finding No, this is not a repeat finding.

Upper Lake Unified School District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2022

(Continued)

Recommendation We recommend that the District 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 also consider utilizing controls in the attendance software which prevent changes to the attendance after a designated period of time. All changes that occur after the teacher's initial entry into the software should be supported by absence notes, phone logs, sign-in sheets, or other contemporaneous records.

Current Status Since the provisions of this section did not apply to the 2020-21 school year, the status of the finding was updated for the 2021-22 fiscal year audit. See current-year finding in the schedule of findings and questioned costs (item 2022-002).

Upper Lake Unified School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2022
(Continued)

LOCAL CONTROL ACCOUNTABILITY PLAN
62000 (2020-005)

State Compliance

Condition The District did not maintain supporting documents that the local control and accountability plan or approved annual update was presented to the parent advisory committee in accordance with *California Education Code*, Section 52062(a)(1).

Criteria *California Education Code*, Section 52062(a)(1) requires that the superintendent of the school district present the local control and accountability plan or approved annual update to the parent advisory committee for review and comment.

Effect The District is not in compliance with the requirements of *California Education Code*, Section 52062(a)(1).

Cause The District could not locate meeting minutes or other supporting documents for the presentation to the parent advisory committee.

Repeat Finding This is a repeat finding of item 2019-005 that was reported in the 2018-19 Schedule of Findings and Questioned Costs.

Recommendation We recommend that the District maintain documentation to support the presentation of the local control and accountability plan or approved annual update to the parent advisory to support compliance with *California Education Code*, Section 52062(a)(1).

Current Status Fully implemented. Since the provisions of this section did not apply to the 2020-21 school year, the status of the finding was updated for the 2021-22 fiscal year audit.

Upper Lake Unified School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2022
(Continued)

ATTENDANCE (Continuation Education)

10000 (2020-006)

State Compliance

Condition During our testing of the District's continuation education attendance records, we noted that 17% of the program's average daily attendance (ADA) generated was from independent study. ADA reported to the California Department of Education in the Second Period and Annual Reports of School District Attendance was overstated by 0.78 ADA, all of which related to the 9-12 grade span.

Criteria Pursuant to *California Education Code*, Section 51745(b), not more than 10% of the pupils participating in a continuation high school, shall be eligible for apportionment credit for independent study. A pupil who is pregnant or is a parent who is the primary caregiver for one or more of his or her children shall not be counted within the 10% cap.

Effect Due to the overstatement of 0.78 ADA in the Second Period Report of School District Attendance, the principal apportionment for 2019-20 is overstated by \$9,582. We took the derived value of grade span 9-12 ADA and multiplied by 0.78 ADA. The District is required to return the funding totaling \$9,582 from the principal apportionment to the California Department of Education.

Cause The independent study program was utilized to encourage participation from continuation education students, however, the District had not considered the effect of the 10% cap on independent study ADA.

Repeat Finding No, this is not a repeat finding.

Recommendation We recommend that the District monitor independent study ADA generated to ensure that the threshold pursuant to *California Education Code*, Section 51745(b) is not exceeded. We recommend that both the Second Period and Annual Report of School District Attendance be amended for the disallowance noted above to return funding totaling \$9,582 to the California Department of Education.

Current Status Fully implemented. There was no independent study ADA generated by the continuation education program during 2021-22. Since the provisions of this section did not apply to the 2020-21 school year, the status of the finding was updated for the 2021-22 fiscal year audit.