

Upper Lake Unified School District

County of Lake
Upper Lake, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2021



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 Financial Statements

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, 2021; and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021; 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.

Effect of Adopting New Accounting Standards

As discussed in note 1 to the basic financial statements, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 92, *Omnibus 2020*, for the fiscal year ended June 30, 2021. Our opinion is not modified with respect to this matter.

Other Matters

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, 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.

Other 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 69 to 76, 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.

INDEPENDENT AUDITORS' REPORT

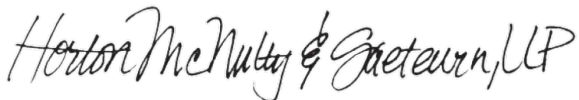
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Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures 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 71 to 76 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2022, 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 26, 2022
Chico, California

FINANCIAL SECTION

Required Supplementary Information

FINANCIAL HIGHLIGHTS

Overall revenues were \$14,624,565 for the year ended June 30, 2021. Expenses exceeded revenues by \$243,439.

Total net position in governmental funds was \$830,780. The General Fund reported a total fund balance of \$3,761,654.

Enrollment in the District was 852 students during 2020-21.

As discussed in note 1 to the basic financial statements, the District implemented the provisions of Governmental Accounting Standards Board (GASB) GASB Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 92, *Omnibus 2020*, for the fiscal year ended June 30, 2021. The summarized comparative information presented in this management's discussion and analysis for the year ended June 30, 2020, has not been restated to reflect student activity revenue and expense accounting as required by the GASB Statement No. 84, as amended by GASB Statement No. 92. Information was not available for such restatement. Therefore, certain accounts fluctuate significantly between fiscal years 2019-20 and 2020-21 due to information for the two years not being comparable.

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, 2021, was \$830,780. Of this amount, a negative \$15,313,887 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
	2020	2021	Change
			2020-21
ASSETS			
Cash and investments	\$ 17,434,437 *	\$ 17,264,219	-1.0%
Receivables	1,647,771 *	2,221,452	34.8%
Other assets	14,912	130,163	772.9%
Restricted cash and investments	208,438	191,638	-8.1%
Capital assets - net	12,440,488	16,608,407	33.5%
TOTAL ASSETS	31,746,046 *	36,415,879	14.7%
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources for pensions	2,334,114	3,306,656	41.7%
Deferred outflows of resources for OPEB	343,150	316,172	-7.9%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,677,264	3,622,828	35.3%
LIABILITIES			
Accounts payable and other liabilities	1,164,452 *	1,448,864	24.4%
Advances from grantors	61,503	599,575	874.9%
Long-term debt	31,597,169	36,794,169	16.4%
TOTAL LIABILITIES	32,823,124 *	38,842,608	18.3%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pensions	517,599	268,378	-48.1%
Deferred inflows of resources for OPEB	8,368	96,941	1058.5%
TOTAL DEFERRED INFLOWS OF RESOURCES	525,967	365,319	-30.5%
NET POSITION			
Net investment in capital assets	5,047,962	1,472,687	-70.8%
Restricted	15,769,877 *	14,671,980	-7.0%
Unrestricted	(19,743,620)	(15,313,887)	22.4%
TOTAL NET POSITION	\$ 1,074,219 *	\$ 830,780	-22.7%

* As restated for implementation of GASB Statement No. 84, as amended by GASB Statement No. 92.

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 \$14,624,565. Property taxes and state aid funding accounted for most of the District's income, representing 68.6% of total revenues. Another 29.7% came from federal and state aid for specific programs, and the remaining 1.7% came from fees charged for services and miscellaneous sources.

The total cost of all programs and services was \$14,868,004. Expenses exceeded the District's revenues for the year by \$243,439. The District's expenses are primarily related to educating and caring for students (70.3%). Administrative activities of the District account for 11.5% of the total costs and plant maintenance activities account for another 9.9%.

Years Ended June 30	Governmental Activities		Percentage
	2020	2021	Change 2020-21
REVENUES			
Program Revenues			
Charges for services	\$ 107,941	\$ 130,535	20.9%
Federal and state categorical programs	2,287,225	4,345,976	90.0%
General Revenues			
Property taxes	3,459,556	3,258,006	-5.8%
State formula aid	6,640,265	6,780,095	2.1%
Other	358,584	109,953	-69.3%
TOTAL REVENUES	12,853,571	14,624,565	13.8%
EXPENSES			
Instruction-related services	7,784,525	8,394,187	7.8%
Student support services	2,126,973	2,055,705	-3.4%
Ancillary	234,543	152,176	-35.1%
Plant services	1,326,330	1,469,924	10.8%
Administration	1,292,975	1,702,869	31.7%
Other	1,214,923	1,093,143	-10.0%
TOTAL EXPENSES	13,980,269	14,868,004	6.3%
Change in Net Position	\$ (1,126,698)	\$ (243,439)	78.4%

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 \$17,991,665. Following is a summary of the District's fund balances.

June 30	Fund Balance		Increase (Decrease)
	2020	2021	
General	\$ 2,905,791 *	\$ 3,761,654	\$ 855,863
Student Activity Special Revenue	200,336 *	192,985	(7,351)
Cafeteria Special Revenue	92,653	187,893	95,240
Building	13,781,666	9,434,788	(4,346,878)
Capital Facilities	111,508	47,484	(64,024)
State School Building Lease-Purchase	110	111	1
County School Facilities	4,511	4,532	21
Special Reserve Capital Projects	91,915	3,629,860	3,537,945
Bond Interest and Redemption	1,113,428	732,358	(381,070)
Totals	\$ 18,301,918 *	\$ 17,991,665	\$ (310,253)

** As restated for implementation of GASB Statement No. 84, as amended by GASB Statement No. 92.*

The increase in the General Fund is due to one-time grants to adapt instructional strategies and mitigate learning loss caused by COVID-19.

The increase in the Cafeteria Special Revenue Fund is due to interfund support from the General Fund as well as re-benching the Community Eligibility Program which raised the percentage to be reimbursed at the highest rate from 93.25% to 100%.

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

The decrease in the Capital Facilities Fund is due to board-approved expenditures related to facility modernization and expansion.

The increase in the Special Reserve Capital Projects Fund is due to issuance of certificates of participation to fund facility modernization and expansion.

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 \$2,457,142 and budgeted expenditures increased by \$837,446 during 2020-21.

The District budgeted General Fund revenues and other financing sources to exceed expenditures and other financing uses by \$970,721. However, actual results for the year reflected an increase of \$855,863. 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 \$22,592,062 in capital assets including land, construction in progress, site improvements, buildings, and equipment. During 2020-21, the District continued work on modernization projects and completed some of the construction projects. The District also purchased miscellaneous equipment.

June 30	Governmental Activities		Percentage
	2020	2021	Change 2020-21
Land	\$ 210,000	\$ 210,000	0.0%
Construction in progress	1,032,331	4,377,065	324.0%
Buildings and improvements	16,085,138	16,630,455	3.4%
Equipment and vehicles	1,892,521	1,374,542	-27.4%
Totals	\$ 19,219,990	\$ 22,592,062	17.5%

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

Long-Term Debt

At year end, the District had \$36,794,169 in outstanding long-term debt. The District made regularly scheduled payments on its general obligation bonds, capital leases, notes payable, and early retirement incentives. In May 2021, the District issued \$3,925,000 in certificates of participation. The net pension liability saw an increase due to changes in the District's proportionate share of the liabilities in CalSTRS and CalPERS.

June 30	Governmental Activities		Percentage
	2020	2021	Change 2020-21
General obligation bonds	\$ 17,885,309	\$ 17,558,095	-1.8%
Capitalized interest	1,102,818	1,072,082	-2.8%
Capital leases	164,009	-	-100.0%
Compensated absences	90,763	142,942	57.5%
Direct borrowing notes payable	2,022,056	1,958,330	-3.2%
Certificates of participation	-	3,982,001	N/A
Early retirement incentives	233,875	212,161	-9.3%
Total OPEB liability	788,913	748,038	-5.2%
Net pension liability	9,309,426	11,120,520	19.5%
Totals	\$ 31,597,169	\$ 36,794,169	16.4%

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
<u>June 30, 2021</u>	
ASSETS	
Cash and investments	\$ 17,264,219
Accounts receivable	134,415
Due from other governments	2,087,037
Inventories	8,939
Prepaid expenses	121,224
Restricted cash and investments	191,638
Nondepreciated capital assets	4,587,065
Depreciated capital assets	18,004,997
Accumulated depreciation	(5,983,655)
TOTAL ASSETS	36,415,879
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pensions	3,306,656
Deferred outflows of resources for OPEB	316,172
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,622,828
LIABILITIES	
Accounts payable and other current liabilities	1,448,864
Advances from grantors	599,575
Long-term obligations:	
Due within one year	558,458
Due beyond one year	36,235,711
TOTAL LIABILITIES	38,842,608
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pensions	268,378
Deferred inflows of resources for OPEB	96,941
TOTAL DEFERRED INFLOWS OF RESOURCES	365,319
NET POSITION	
Net investment in capital assets	1,472,687
Restricted for capital projects	12,991,824
Restricted for debt service	732,358
Restricted for educational programs	575,854
Restricted for other purposes	371,944
Unrestricted	(15,313,887)
TOTAL NET POSITION	\$ 830,780

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

Upper Lake Unified School District
STATEMENT OF ACTIVITIES

Year Ended June 30, 2021	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position - Governmental Activities
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities:				
Instruction	\$ 6,854,481	\$ -	\$ 2,269,781	\$ (4,584,700)
Instruction-related services	1,539,706	-	202,274	(1,337,432)
Pupil services	2,055,705	72,340	1,093,916	(889,449)
Ancillary services	152,176	-	33,889	(118,287)
General administration	1,702,869	-	127,752	(1,575,117)
Plant services	1,469,924	49,191	578,540	(842,193)
Other outgo	151,664	9,004	39,824	(102,836)
Interest on long-term debt	941,479	-	-	(941,479)
Total Governmental Activities	\$ 14,868,004	\$ 130,535	\$ 4,345,976	(10,391,493)
GENERAL REVENUES				
Property taxes - levied for general purposes				2,535,098
Property taxes - levied for debt service				657,178
Property taxes - levied for other specific purposes				65,730
Federal and state aid not restricted to specific purposes				6,780,095
Unrestricted investment earnings				74,209
Interagency revenues				27,404
Miscellaneous				8,340
Total General Revenues				10,148,054
Change in Net Position				(243,439)
Net Position - as Previously Reported				873,878
Cumulative effect of changes in accounting principles				200,341
Net Position - as Restated				1,074,219
Net Position - End of Year				\$ 830,780

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

Upper Lake Unified School District
BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2021	General Fund	Building Fund	Special Reserve Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 2,437,494	\$ 10,023,044	\$ 3,508,636	\$ 1,295,045	\$ 17,264,219
Accounts receivable	131,345	-	-	3,070	134,415
Due from other governments	2,037,202	-	-	49,835	2,087,037
Due from other funds	100,000	72,422	-	-	172,422
Inventories	-	-	-	8,939	8,939
Prepaid expenditures	-	-	121,224	-	121,224
Restricted cash and investments	191,638	-	-	-	191,638
TOTAL ASSETS	\$ 4,897,679	\$ 10,095,466	\$ 3,629,860	\$ 1,356,889	\$ 19,979,894
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and other current liabilities	\$ 536,450	\$ 660,678	\$ -	\$ 19,104	\$ 1,216,232
Due to other funds	-	-	-	172,422	172,422
Advances from grantors	599,575	-	-	-	599,575
Total Liabilities	1,136,025	660,678	-	191,526	1,988,229
Fund Balances					
Nonspendable	5,000	-	121,224	8,939	135,163
Restricted	575,859	9,434,788	3,504,909	1,156,424	14,671,980
Assigned	1,680,795	-	3,727	-	1,684,522
Unassigned	1,500,000	-	-	-	1,500,000
Total Fund Balances	3,761,654	9,434,788	3,629,860	1,165,363	17,991,665
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,897,679	\$ 10,095,466	\$ 3,629,860	\$ 1,356,889	\$ 19,979,894

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, 2021

Total Fund Balances - Governmental Funds	\$ 17,991,665
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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.

Capital assets at historical cost	\$ 22,592,062
Accumulated depreciation	(5,983,655)

Total Capital Assets - Net	16,608,407
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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 unmaturred interest owing at the end of the period was:

(232,632)

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	18,630,177
Certificates of participation	3,982,001
Total OPEB liability	748,038
Net pension liability	11,120,520
Compensated absences	142,942
Direct borrowing notes payable	1,958,330
Early retirement incentives	212,161

Total Long-Term Liabilities	(36,794,169)
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Balance Forward	\$ (2,426,729)
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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, 2021

Balance Brought Forward	\$ (2,426,729)
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:	
Deferred outflows of resources relating to pensions	3,306,656
Deferred inflows of resources relating to pensions	(268,378)
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:	
Deferred outflows of resources relating to OPEB	316,172
Deferred inflows of resources relating to OPEB	(96,941)
Total Net Position - Governmental Activities	\$ 830,780

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, 2021	General Fund	Building Fund	Special Reserve Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 2,535,098	\$ -	\$ -	\$ 657,178	\$ 3,192,276
Local control funding formula sources	6,387,551	-	-	-	6,387,551
Other state revenue	1,637,463	-	-	141,601	1,779,064
Federal revenue	1,915,170	-	-	651,932	2,567,102
Other local revenue	696,306	61,007	1,959	99,387	858,659
Total Revenues	13,171,588	61,007	1,959	1,550,098	14,784,652
Expenditures					
Current:					
Instruction	6,301,938	-	-	-	6,301,938
Instruction-related services	1,486,912	-	-	-	1,486,912
Pupil services	1,325,837	-	-	700,429	2,026,266
Ancillary services	101,071	-	-	38,421	139,492
General administration	1,558,712	-	-	-	1,558,712
Plant services	1,308,173	9,958	-	606	1,318,737
Transfers between agencies	151,664	-	-	-	151,664
Debt service:					
Principal	86,521	-	141,214	291,340	519,075
Interest and other charges	26,026	-	8,325	750,310	784,661
Issuance costs	-	2,188	212,680	-	214,868
Capital outlay	49,890	4,396,054	4,219	126,175	4,576,338
Total Expenditures	12,396,744	4,408,200	366,438	1,907,281	19,078,663
Excess (Deficiency) of Revenues Over Expenditures	\$ 774,844	\$ (4,347,193)	\$ (364,479)	\$ (357,183)	\$ (4,294,011)

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, 2021	General Fund		Building Fund	Special Reserve Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)						
Interfund transfers in	\$ 81,019	\$ -	\$ -	\$ -	\$ -	\$ 81,019
Interfund transfers out	-	-	(81,019)	-	-	(81,019)
Proceeds from issuance of certificates of participation	-	315	3,983,443	-	-	3,983,758
Total Other Financing Sources (Uses)	81,019	315	3,902,424	-	-	3,983,758
Net Change in Fund Balances	855,863	(4,346,878)	3,537,945	(357,183)	(310,253)	
Fund Balances - as Previously Reported	2,905,786	13,781,666	91,915	1,322,210	18,101,577	
Cumulative effect of changes in accounting principles	5	-	-	200,336	200,341	
Fund Balances - as Restated	2,905,791	13,781,666	91,915	1,522,546	18,301,918	
Fund Balances - End of Year	\$ 3,761,654	\$ 9,434,788	\$ 3,629,860	\$ 1,165,363	\$ 17,991,665	

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, 2021

Total Net Change in Fund Balances - Governmental Funds	\$ (310,253)
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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 as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	\$ 4,827,923
Depreciation expense	(660,004)

Net Capital Outlay	4,167,919
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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:

519,075

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:

(3,983,443)

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:

20,419

Balance Forward	\$ 413,717
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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, 2021

Balance Brought Forward	\$ 413,717
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:	(52,179)
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:	21,714
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:	(589,331)
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:	(74,676)
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:	37,316
Change in Net Position of Governmental Activities	\$ (243,439)

The accompanying notes are an integral part of these 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 Standards

Governmental Accounting Standards Board Statements No. 84 and 92 The District adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, as amended by GASB Statement No. 92, *Omnibus 2020*, for the fiscal year ended June 30, 2021. This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. It establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement has been applied retroactively to all periods presented. Accordingly, the District's financial statements have been presented in accordance with the guidance from this statement as follows:

- The Student Body Fund, reported previously as a fiduciary fund, does not meet the new fiduciary criteria and has been reclassified to the Student Activity Special Revenue Fund, a governmental fund. Fund balances of the governmental funds and net position of the governmental activities, as of July 1, 2020, have been restated by \$200,336.
- The Foundation Private-Purpose Trust Fund, reported previously as a fiduciary fund, does not meet the new fiduciary criteria and has been reclassified to the General Fund. Fund balances of the governmental funds and net position of the governmental activities, as of July 1, 2020, have been restated by \$5.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.

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).

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.
4. 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).
5. 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.

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.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.

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 less than one year. As of June 30, 2021, the fair value of the County pool was 99.94% of the carrying value and is deemed to not 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 change in the fair value of investments was insignificant during the year ended June 30, 2021, and there was no significant unrealized gain or loss on investments held at June 30, 2021.

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.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2021. 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, 2021. At June 30, 2021, no allowance for doubtful accounts was deemed necessary.

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.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.

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. 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

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations 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.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.

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.

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.

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.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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.

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.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2021	Maturities	Fair Value
Deposits (1)		\$ 5,000
Investments That Are Not Securities (2)		
County treasurer's investment pool	3.9 months average	17,258,132
Open-end mutual fund		1,087
Subtotal		17,259,219
Total Cash and Investments Per Government-Wide Statement of Net Position		\$ 17,264,219

- (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, 2021	Fair Value
Deposits (1)	\$ 191,638

- (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, 2021:

- County treasurer's investment pool of \$17,258,132 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, 2021	General Fund	Other Governmental Funds
Other	\$ 131,345	\$ 3,070

4. DUE FROM OTHER GOVERNMENTS

Due from other governments consisted of the following:

June 30, 2021	General Fund	Other Governmental Funds
Due From		
Federal government	\$ 445,250	\$ 36,370
State government	1,443,791	13,465
Local governments	148,161	-
Total	\$ 2,037,202	\$ 49,835

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	
General	Cafeteria Special Revenue	\$ 100,000
Building	Bond Interest and Redemption	72,422
Total		\$ 172,422

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

General Fund interfund receivable from the Cafeteria Special Revenue Fund for a temporary loan repayment; and

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.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Management's plan to repay the amount transferred during 2019-20 that as not cleared by transferring cash during 2020-21 is as follows:

Transfer cash from the Bond Interest and Redemption Fund to the Building Fund during fiscal year 2021-22.

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	\$	81,019

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 reimburse capital project costs paid by 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, 2021	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Nondepreciated Capital Assets				
Land	\$ 210,000	\$ -	\$ -	\$ 210,000
Construction in progress	1,032,331	4,523,244	1,178,510	4,377,065
Total Nondepreciated Capital Assets	1,242,331	4,523,244	1,178,510	4,587,065
Depreciated Capital Assets				
Buildings and improvements	14,912,177	1,210,214	664,897	15,457,494
Site improvements	1,172,961	-	-	1,172,961
Equipment and vehicles	1,892,521	272,975	790,954	1,374,542
Total Depreciated Capital Assets	17,977,659	1,483,189	1,455,851	18,004,997
Totals at Historical Cost	19,219,990	6,006,433	2,634,361	22,592,062
Less: Accumulated Depreciation				
Buildings and improvements	5,098,858	493,444	664,897	4,927,405
Site improvements	351,084	52,583	-	403,667
Equipment and vehicles	1,329,560	113,977	790,954	652,583
Total Accumulated Depreciation	6,779,502	660,004	1,455,851	5,983,655
Total Depreciated Capital Assets - Net	11,198,157	823,185	-	12,021,342
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS - NET	\$ 12,440,488	\$ 5,346,429	\$ 1,178,510	\$ 16,608,407

Depreciation expense was charged to governmental activities as follows:

Year Ended June 30, 2021	
Governmental Activities	
Instruction	\$ 503,171
Pupil services	81,035
Ancillary services	10,607
General administration	1,880
Plant services	63,311
Total Depreciation Expense - Governmental Activities	\$ 660,004

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

7. ACCOUNTS PAYABLE

Accounts payable consisted of the following:

June 30, 2021	General Fund	Building Fund	Other Governmental Funds
Vendors	\$ 215,164	\$ 660,678	\$ 13,302
Salaries and benefits	317,936	-	5,261
Other	3,350	-	541
Total	\$ 536,450	\$ 660,678	\$ 19,104

8. BONDED DEBT

The outstanding general obligation bonded debt is as follows:

Issue Date	Interest Rate	Maturity Date	Amount of Original Issue	Outstanding July 1, 2020	Redeemed Current Year	Outstanding June 30, 2021
1999	4.60-5.75%	2025	\$ 4,136,347	\$ 451,701	\$ 101,340	\$ 350,361
2018	4.00-5.50%	2057	5,500,000	5,500,000	30,000	5,470,000
2019	2.03-4.00%	2055	7,495,144	7,495,144	160,000	7,335,144
2019	1.90-4.00%	2050	3,688,798	3,688,798	-	3,688,798
Total			\$ 20,820,289	\$ 17,135,643	\$ 291,340	\$ 16,844,303

The amount of interest cost incurred during the year ended June 30, 2021, was \$716,407, all of which was charged to expenses.

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 195,172	\$ 750,678	\$ 945,850
2023	149,928	752,722	902,650
2024	129,972	755,578	885,550
2025	135,289	758,261	893,550
2026	141,116	514,934	656,050
2027-2031	906,974	2,736,276	3,643,250
2032-2036	1,195,352	3,055,023	4,250,375
2037-2041	1,572,568	3,425,989	4,998,557
2042-2046	2,392,932	3,450,524	5,843,456
2047-2051	4,835,000	1,550,088	6,385,088
2052-2056	4,655,000	544,500	5,199,500
2057	535,000	10,700	545,700
Total	\$ 16,844,303	\$ 18,305,273	\$ 35,149,576

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

9. CAPITAL LEASES

The District leases energy retrofit and lighting retrofit projects under agreements which provide for titles to pass upon expiration of the lease periods. The cost of the energy retrofit and lighting retrofit projects are included in buildings and improvements on the statement of net position as depreciated capital assets and totaled \$366,985 at June 30, 2021. Accumulated depreciation of the leased buildings and improvements at June 30, 2021, was \$159,473. Depreciation of the asset under capital lease is included in depreciation expense and amounted to \$15,821 for the year ended June 30, 2021. The amount of interest cost incurred during the year ended June 30, 2021, was \$16,849, all of which was charged to expenses. The leases were paid off during 2020-21.

10. OPERATING LEASES

The District has entered into various operating leases for copiers with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days' written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments are as follows:

Year Ending June 30	Lease Payments	
2022	\$	24,881
2023		7,450
2024		7,148
2025		940
Total	\$	40,419

The District will receive no sublease rental revenues nor pay for any contingent rentals for this equipment. Rent expenditures were \$33,821 for the year ended June 30, 2021.

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, 2021, the principal balance outstanding was \$711,330.

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, 2021, the principal balance outstanding was \$1,247,000.

The amount of interest cost incurred during the year ended June 30, 2021, was \$17,503, all of which was charged to expenses.

The notes payable mature through December 2037 as follows:

Year Ending June 30	Principal		Interest		Total
2022	\$	64,687	\$	16,541	\$ 81,228
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
2027-2031		359,252		46,889	406,141
2032-2036		18,737		31,245	49,982
2037-2038		1,247,000		12,470	1,259,470
Total	\$	1,958,330	\$	163,405	\$ 2,121,735

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, 2021, the principal balance outstanding was \$3,925,000. The amount of interest cost incurred during the year ended June 30, 2021, was \$13,484, all of which was charged to expenses.

The Certificates mature through 2047 as follows:

Year Ending June 30	Principal	Interest	Total
2022	\$ -	\$ 74,096	\$ 74,096
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
2027-2031	410,000	440,306	850,306
2032-2036	715,000	360,706	1,075,706
2037-2041	1,105,000	263,766	1,368,766
2042-2046	1,310,000	129,434	1,439,434
2047	295,000	3,970	298,970
Total	\$ 3,925,000	\$ 1,646,603	\$ 5,571,603

13. CHANGES IN LONG-TERM DEBT

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

Year Ended June 30, 2021	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Compensated absences	\$ 90,763	\$ 52,179	\$ -	\$ 142,942	\$ -
General obligation bonds	17,135,643	-	291,340	16,844,303	195,172
Bond issuance premium	749,666	-	35,874	713,792	33,405
Capitalized interest	1,102,818	197,924	228,660	1,072,082	234,828
Capital leases	164,009	-	164,009	-	-
Direct borrowing					
notes payable	2,022,056	-	63,726	1,958,330	64,687
Certificates of participation	-	3,925,000	-	3,925,000	-
COP issue premium	-	58,443	1,442	57,001	8,652
Early retirement incentives	233,875	-	21,714	212,161	21,714
Total OPEB liability	788,913	-	40,875	748,038	-
Net pension liability	9,309,426	1,811,094	-	11,120,520	-
Total	\$ 31,597,169	\$ 6,044,640	\$ 847,640	\$ 36,794,169	\$ 558,458

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

14. FUND BALANCES COMPONENTS

Fund balances are composed of the following:

June 30, 2021	General Fund		Building Fund	Special Reserve Capital Projects Fund	Other Governmental Funds			
Nonspendable								
Reserved for:								
Revolving cash	\$	5,000	\$	-	\$	-		
Inventories		-		-		8,939		
Prepaid expenditures		-		-	121,224	-		
Total Nonspendable	\$	5,000	\$	-	\$	121,224	\$	8,939
Restricted								
Restricted for:								
Capital projects	\$	-	\$	9,434,788	\$	3,504,909	\$	52,127
Debt service		-		-		-		732,358
Student activities		-		-		-		192,985
Federal and state categoricals		575,854		-		-		178,954
Scholarships		5		-		-		-
Total Restricted	\$	575,859	\$	9,434,788	\$	3,504,909	\$	1,156,424
Assigned								
Assigned for:								
Stabilization account	\$	1,517,440	\$	-	\$	-	\$	-
Deferred maintenance		892		-		-		-
Donations		60,394		-		-		-
Lottery		80,312		-		-		-
Certificated salaries		21,757		-		-		-
Capital projects		-		-		3,727		-
Total Assigned	\$	1,680,795	\$	-	\$	3,727	\$	-
Unassigned								
Designated for								
economic uncertainties	\$	1,500,000	\$	-	\$	-	\$	-

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.

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

Construction Commitments

Construction project commitments as of June 30, 2021, are as follows:

	Remaining Construction Commitment
June 30, 2021	
Upper Lake Elementary School modernization	\$ 3,915,334
Upper Lake High School modernization	241,314
Energy upgrades	716,224
Total	\$ 4,872,872

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:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
June 30, 2021				
CalSTRS State Teachers' Retirement Plan	\$ 6,804,059	\$ 2,326,816	\$ 191,764	\$ 892,910
CalPERS School Employer Pool	4,316,461	979,840	76,614	811,223
Total	\$ 11,120,520	\$ 3,306,656	\$ 268,378	\$ 1,704,133

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 2020-21 was 16.15% of annual payroll. The District's contributions to CalSTRS for the fiscal year ended June 30, 2021, were \$641,784.

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, 2021, 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, 2021

District's proportionate share of the net pension liability	\$	6,804,059
State's proportionate share of the net pension liability associated with the District		3,507,465
Total	\$	10,311,524

The District's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, 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, 2021, the District's proportion was 0.007%.

State Teachers' Retirement Law also requires the state to contribute 10.328% of the members' creditable earnings from the fiscal year ending in the prior calendar year. *California Education Code*, Section 22950.6 appropriated an additional \$2,246,000,000 from the state's General Fund for the 2018-19 fiscal year to be transferred to the Teachers' Retirement Fund to reduce school employers' contributions and unfunded liabilities for the 2019-20 and 2020-21 fiscal years. For the year ended June 30, 2021, the District recognized pension expense of \$109,666 and revenue of \$109,666 for support provided by the state. At June 30, 2021, 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	\$ 12,006	\$ 191,764
Net difference between projected and actual earnings on pension plan investments	161,583	-
Change in assumptions	663,372	-
Changes in proportion and differences between District contributions and proportionate share of contributions	848,071	-
District contributions subsequent to the measurement date	641,784	-
Total	\$ 2,326,816	\$ 191,764

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The \$641,784 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, 2022. 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

2022	\$	204,769
2023		371,567
2024		436,055
2025		217,024
2026		263,190
Thereafter		663
Total	\$	1,493,268

Actuarial Assumptions The total pension liability in the June 30, 2019, actuarial valuation for CalSTRS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
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, 2019, 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, 2020, are summarized in the following table:

	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Asset Class		
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 rate increases pursuant to Chapter 47, Statutes of 2014 (AB 1469). 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.

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 7.10%, 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, 2021			
District's proportionate share of the net pension liability	\$ 10,279,985	\$ 6,804,059	\$ 3,934,192

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

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 2020-21 fiscal year was 20.70%. The District's contributions to CalPERS for the fiscal year ended June 30, 2021, were \$473,017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions At June 30, 2021, the District reported a net pension liability of \$4,316,461 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, 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, 2021, the District's proportion was 0.01407%.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

For the year ended June 30, 2021, the District recognized pension expense of \$811,223. *California Government Code*, Section 20825.2 appropriated \$904,000,000 from the state's General Fund for fiscal year 2018-19 to be transferred to the Public Employees' Retirement Fund, to reduce school employers' contributions and unfunded liabilities for the 2019-20 through 2021-22 fiscal years. For the year ended June 30, 2021, the District recognized pension expense of \$127,174 and revenue of \$127,174 for support provided by the state. At June 30, 2021, 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	\$ 214,083	\$ -
Net difference between projected and actual earnings on pension plan investments	89,855	-
Change in assumptions	15,829	-
Changes in proportion and differences between District contributions and proportionate share of contributions	187,056	76,614
District contributions subsequent to the measurement date	473,017	-
Total	\$ 979,840	\$ 76,614

The \$473,017 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, 2022. 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		
2022	\$	153,154
2023		108,605
2024		120,384
2025		48,066
Total	\$	430,209

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Actuarial Assumptions The total pension liability in the June 30, 2019, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
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.

The actuarial assumptions used in the June 30, 2019, 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.

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

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.

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:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
June 30, 2021			
District's proportionate share of the net pension liability	\$ 6,205,700	\$ 4,316,461	\$ 2,748,487

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

19. EARLY RETIREMENT INCENTIVE PROGRAM

The District did not enter into any early retirement incentive agreements during 2020-21, pursuant to *California Education Code*, Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

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, 2021, the District made contributions of \$18,151.

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, 2021, using an annual actuarial valuation as of June 30, 2021. The June 30, 2021, total OPEB liability was based on the actuarial methods and assumptions as shown below.

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2021
Actuarial cost method	Entry age
Actuarial assumptions:	
Discount rate	2.16%
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 2.16%. The discount rate is based on the Bond Buyer 20 Index.

Changes in the Total OPEB Liability

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

Year Ended June 30, 2021

Total OPEB Liability	
Service cost	\$ 51,293
Interest	17,920
Difference between expected and actual experience	(94,569)
Changes of assumptions	2,632
Benefit payments - including refunds of employee contributions	(18,151)
Net Change in Total OPEB Liability	(40,875)
Total OPEB Liability - Beginning of Year	788,913
Total OPEB Liability - End of Year	\$ 748,038
Covered-employee payroll	\$ 3,999,518
District's total OPEB liability as a percentage of covered-employee payroll	18.70%

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

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 2.16%, as well as the District's total OPEB liability if it was calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

June 30, 2021	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 815,081	\$ 748,038	\$ 683,668

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, 2021	1% Decrease (3.00%)	Health Cost Trend Rates (4.00%)	1% Increase (5.00%)
Total OPEB liability	\$ 637,790	\$ 748,038	\$ 881,193

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$92,827. At June 30, 2021, 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	\$ 144,400	\$ 96,072
Changes in assumptions	171,772	869
Total	\$ 316,172	\$ 96,941

Upper Lake Unified School District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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		
2022	\$	23,614
2023		23,614
2024		23,614
2025		23,614
2026		23,614
Thereafter		101,161
Total	\$	219,231

21. FUTURE GASB IMPLEMENTATION

In June 2017, GASB issued Statement No. 87, *Leases*. 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. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2021, 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, 2021	Budgeted Amounts		Actual Amounts GAAP Basis	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 2,516,592	\$ 2,535,098	\$ 2,535,098	\$ -
Local control funding formula sources	5,590,572	6,387,551	6,387,551	-
Other state revenue	1,159,376	1,475,997	1,637,463	161,466
Federal revenue	975,336	1,982,618	1,915,170	(67,448)
Other local revenue	553,592	871,346	696,306	(175,040)
Total Revenues	10,795,468	13,252,610	13,171,588	(81,022)
Expenditures				
Certificated salaries	4,180,326	4,324,495	4,324,488	7
Classified salaries	1,565,871	1,770,214	1,770,215	(1)
Employee benefits	3,322,659	3,405,363	3,405,365	(2)
Books and supplies	664,352	1,189,665	1,198,070	(8,405)
Services and other operating	1,256,865	1,141,335	1,132,920	8,415
Capital outlay	151,569	301,475	301,475	-
Other outgo	146,298	36,795	151,664	(114,869)
Debt service:				
Principal	130,503	86,521	86,521	-
Interest and other charges	26,000	26,026	26,026	-
Total Expenditures	11,444,443	12,281,889	12,396,744	(114,855)
Excess (Deficiency) of Revenues Over Expenditures	(648,975)	970,721	774,844	(195,877)
Other Financing Sources (Uses)				
Interfund transfers in	-	-	81,019	81,019
Interfund transfers out	50,000	-	-	-
Total Other Financing Sources (Uses)	50,000	-	81,019	81,019
Net Change in Fund Balances	(598,975)	970,721	855,863	(114,858)
Fund Balances - as Previously Reported	2,905,786	2,905,786	2,905,786	-
Cumulative effect of changes in accounting principles	-	-	5	5
Fund Balances - as Restated	2,905,786	2,905,786	2,905,791	5
Fund Balances - End of Year	\$ 2,306,811	\$ 3,876,507	\$ 3,761,654	\$ (114,858)

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, 2021</u>	<u>General Fund</u>
Classified salaries	\$ 1
Employee benefits	\$ 2
Books and supplies	\$ 8,405
Other outgo	\$ 114,869

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	2021		2020		2019		2018
Total OPEB Liability							
Service cost	\$	51,293	\$	29,160	\$	15,376	\$ 15,883
Interest		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		2,632		191,448		15,957	(10,504)
Benefit payments - including refunds of employee contributions		(18,151)		(6,335)		(16,735)	-
Net Change In Total OPEB Liability		(40,875)		386,081		39,639	16,941
Total OPEB Liability - Beginning of Year		788,913		402,832		363,193	346,252
Total OPEB Liability - End of Year	\$	748,038	\$	788,913	\$	402,832	\$ 363,193
Covered-employee payroll	\$	3,999,518	\$	3,836,380	\$	3,658,883	\$ 3,540,996
District's total OPEB liability as a percentage of covered-employee payroll		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	2021		2020		2019		2018
Contractually required contribution	\$	18,151	\$	6,335	\$	16,735	\$ -
Contributions in relation to the contractually required contribution		(18,151)		(6,335)		(16,735)	-
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$ -
Covered-employee payroll	\$	3,999,518	\$	3,836,380	\$	3,658,883	\$ 3,540,996
Contributions as a percentage of covered-employee payroll		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	2021		2020		2019	
District's proportion of the net pension liability (asset)	0.007%		0.006%		0.006%	
District's proportionate share of the net pension liability (asset)	\$	6,804,059	\$	5,418,960	\$	5,514,420
State's proportionate share of the net pension liability (asset) associated with the District		3,507,465		2,956,428		3,157,279
Total	\$	10,311,524	\$	8,375,388	\$	8,671,699
District's covered-employee payroll	\$	3,836,380	\$	3,555,553	\$	3,435,385
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		177.36%		152.41%		160.52%
Plan fiduciary net position as a percentage of the total pension liability		71.80%		72.60%		71.00%

Years Ended June 30	2018		2017		2016		2015	
District's proportion of the net pension liability (asset)	0.006%		0.006%		0.006%		0.006%	
District's proportionate share of the net pension liability (asset)	\$	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		3,282,650		2,763,053		2,136,413		2,117,228
Total	\$	8,831,450	\$	7,615,913	\$	6,175,853	\$	5,623,448
District's covered-employee payroll	\$	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		165.74%		154.03%		140.72%		127.01%
Plan fiduciary net position as a percentage of the total pension liability		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	2021		2020		2019	
Contractually required contribution	\$	641,784	\$	656,021	\$	578,844
Contributions in relation to the contractually required contribution		(641,784)		(656,021)		(578,844)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	3,836,380	\$	3,555,553	\$	3,435,385
Contributions as a percentage of covered-employee payroll		16.73%		18.45%		16.85%

Years Ended June 30	2018		2017		2016		2015	
Contractually required contribution	\$	495,726	\$	421,173	\$	338,056	\$	254,908
Contributions in relation to the contractually required contribution		(495,726)		(421,173)		(338,056)		(254,908)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	3,347,957	\$	3,150,559	\$	2,870,585	\$	2,760,624
Contributions as a percentage of covered-employee payroll		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	2021		2020		2019	
District's proportion of the net pension liability (asset)	0.01407%		0.013349%		0.01391%	
District's proportionate share of the net pension liability (asset)	\$	4,316,461	\$	3,890,466	\$	3,708,844
District's covered-employee payroll	\$	2,279,758	\$	2,005,570	\$	1,834,563
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	189.34%		193.98%		202.16%	
Plan fiduciary net position as a percentage of the total pension liability	70.00%		70.00%		70.80%	

Years Ended June 30	2018		2017		2016		2015	
District's proportion of the net pension liability (asset)	0.01346%		0.01360%		0.0130%		0.0130%	
District's proportionate share of the net pension liability (asset)	\$	3,213,257	\$	2,686,008	\$	1,930,953	\$	1,419,054
District's covered-employee payroll	\$	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	206.85%		175.40%		133.09%		107.45%	
Plan fiduciary net position as a percentage of the total pension liability	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	2021		2020		2019	
Contractually required contribution	\$	473,017	\$	449,591	\$	362,246
Contributions in relation to the contractually required contribution		(473,017)		(449,591)		(362,246)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	2,279,758	\$	2,005,570	\$	1,834,563
Contributions as a percentage of covered-employee payroll		20.75%		22.42%		19.75%

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

See the accompanying 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, 2021.

Changes in Assumptions

The discount rate decreased from 2.20% to 2.16% due to changes in the Bond Buyer 20 Index during the measurement period ended June 30, 2021. In addition, inflation rate decreased from 2.75% to 2.50% to align with the rate used for pensions.

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, 2021.

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, 2020.

Changes in Assumptions

On January 31, 2020, the CalSTRS board adopted new actuarial assumptions based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2018. These assumptions were reflected in the valuation dated June 30, 2019.

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, 2020.

Changes in Assumptions

There were no significant changes of assumptions during the measurement period ended June 30, 2020.

OTHER SUPPLEMENTARY INFORMATION SECTION

Upper Lake Unified School District

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE

June 30, 2021

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
Franklin Gudmundson	Vice President	2024
Ana Santana	Clerk	2022
Claudine Pedroncelli	Member	2024
Ron Raetz	Member	2022

ADMINISTRATION

Dr. Giovanni Annous, Ed.D.
Superintendent

Stephanie Wayment
Assistant Superintendent

Michael Kauble
Chief Business Official

Upper Lake Unified School District

SCHEDULE OF CHARTER SCHOOLS

Year Ended June 30, 2021

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 INSTRUCTIONAL TIME

Year Ended June 30, 2021

	Required Instructional Days	Actual Instructional Days Offered	Approved J-13A Credited Days*	Traditional Calendar Days	Multitrack Calendar Days	Status
Kindergarten	180	180	-	180	N/A	Complied
Grade 1	180	180	-	180	N/A	Complied
Grade 2	180	180	-	180	N/A	Complied
Grade 3	180	180	-	180	N/A	Complied
Grade 4	180	180	-	180	N/A	Complied
Grade 5	180	180	-	180	N/A	Complied
Grade 6	180	180	-	180	N/A	Complied
Grade 7	180	180	-	180	N/A	Complied
Grade 8	180	180	-	180	N/A	Complied
Grade 9	180	180	-	180	N/A	Complied
Grade 10	180	180	-	180	N/A	Complied
Grade 11	180	180	-	180	N/A	Complied
Grade 12	180	180	-	180	N/A	Complied

**The District did not apply for any Form I-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) 2022	2021	2020	2019
General Fund				
Revenues and other financial sources	\$ 15,042,387	\$ 13,252,607	\$ 11,510,587	\$ 11,706,609
Expenditures	13,631,274	12,396,744	11,490,347	11,310,811
Other uses and transfers out	-	-	175,000	2,320,564
Total Outgo	13,631,274	12,396,744	11,665,347	13,631,375
Change in Fund Balance	1,411,113	855,863	(154,760)	(1,924,766)
Ending Fund Balance	\$ 5,172,767	\$ 3,761,654	\$ 2,905,791 *	\$ 3,060,551 *
Available reserves	\$ 2,000,000	\$ 1,500,000	\$ 1,200,000	\$ 803,448
Designated for economic uncertainties	\$ 2,000,000	\$ 1,500,000	\$ 1,200,000	\$ 803,448
Undesignated fund balance	\$ -	\$ -	\$ -	\$ -
Available reserves as a percentage of total outgo	15%	12%	10%	6%
Total long-term debt	\$ 36,422,324	\$ 36,794,169	\$ 31,597,169	\$ 22,394,271
Average daily attendance at P-2	805	765 **	765	764

* As restated for implementation of GASB Statement No. 84, as amended by GASB Statement No. 92.

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

The General Fund balance has increased by \$701,103 over the past two years. The fiscal year 2021-22 budget projects an increase of \$1,411,113 (37.5%). 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 two of the past three years and anticipates incurring an operating surplus during the 2021-22 fiscal year. Total long-term debt has increased by \$14,399,898 over the past two years.

Average daily attendance has increased by one over the past two years. Additional growth in ADA of 40 is anticipated during fiscal year 2021-22.

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, 2021

	General Fund	Special Reserve Capital Projects Fund	Cafeteria Special Revenue Fund	Foundation Private-Purpose Trust Fund
Annual Financial and Budget Report Fund Balance	\$ 3,876,518	\$ 3,709,010	\$ 14,506	\$ 5
Adjustments Increasing (Decreasing) the Fund Balance				
Understatement of cash and investments	5	-	-	-
Overstatement of cash and investments	-	(79,150)	-	(5)
Understatement of due from other governments	-	-	39,387	-
Understatement of accounts payable	(144,869)	-	-	-
Net Adjustments	(144,864)	(79,150)	39,387	(5)
Audited Financial Statements Fund Balance	\$ 3,731,654	\$ 3,629,860	\$ 53,893	\$ -

See the accompanying notes to the other supplementary information.

Upper Lake Unified School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

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			
Special Education - IDEA Basic Local Assistance	84.027	13379	\$ 157,623
ESEA - Title VI, Part B, Rural and Low Income School	84.358	14356	6,459
ESEA - Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	21,851
ESEA - Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	17,336
Subtotal			203,269
Education Stabilization Fund			
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	8,856
COVID-19 - Elementary and Secondary School Emergency Relief III (ESSER) Fund	84.425D	15559	207,162
Total Education Stabilization Fund			216,018
Title I Grants			
ESEA - Title I, Part A, Basic Grants	84.010A	14329	354,430
ESEA - School Improvement Funding for LEAs	84.010A	15438	120,185
Total Title I Grants			474,615
Direct Program			
Impact Aid - Title VIII	84.041		147,943
Total U.S. Department of Education			1,041,845
Subtotal Forward			\$ 1,041,845

See the accompanying note to the other supplementary information.

Upper Lake Unified School District**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2021

(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			\$ 1,041,845
U.S. Department of Treasury Passed Through California Department of Education COVID-19 - Coronavirus Relief Fund (CRF):			
Learning Loss Mitigation	21.019	25516	769,501
U.S. Department of Agriculture Passed Through California Department of Education			
Child Nutrition Cluster			
School Breakfast	10.553	13390	228,683
National School Lunch	10.555	13391	382,198
Nonmonetary Assistance			
Food Donation	10.555		22,821
Total Child Nutrition Cluster			633,702
Child and Adult Care Food	10.558	13393	18,230
Passed Through Lake County Office of Education			
Schools and Roads - Grants to Counties	10.666	10044	116,733
Total U.S. Department of Agriculture			768,665
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,580,011

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 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 43501, 43502, 46208, and 43504.

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, 2021. 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, 2021; 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 26, 2022.

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 2021-001, 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)

Compliance and Other Matters

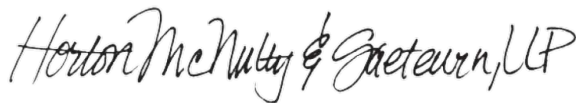
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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

The District's response to the findings identified in our audit is 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 26, 2022
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

We have audited Upper Lake Unified School District's (the District) compliance with the types of compliance requirements described 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, 2021. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

(Continued)

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

(Continued)

Purpose of This Report

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

A handwritten signature in black ink, reading "Horton McNulty & Gaetavn, LLP". The signature is written in a cursive, flowing style.

January 26, 2022
Chico, California

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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

Compliance

We have audited the Upper Lake Unified School District's (the District) compliance with the types of state compliance requirements described in the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, for the year ended June 30, 2021. The applicable state compliance requirements are identified in the table below.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance with the state laws and regulations based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards and the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

June 30, 2021	Procedures Performed
Attendance and distance learning	Yes
Teacher certification and misassignments	Yes
Kindergarten continuance	Yes
Instructional time	Yes
Instructional materials	Yes
Ratios of administrative employees to teachers	Yes
Classroom teacher salaries	Yes
Early retirement incentive	No
Gann limit calculation	Yes
School accountability report card	Yes
K-3 grade span adjustment	Yes
Apprenticeship: Related and supplemental instruction	No
Comprehensive school safety plan	Yes
District of choice	No
California Clean Energy Jobs Act	Yes
Proper expenditure of education protection account funds	Yes
Unduplicated local control funding formula pupil counts	Yes
Charter schools:	
Independent study-course based	No
Attendance	No
Mode of instruction	No
Nonclassroom-based instruction/independent study	No
Determination of funding for nonclassroom-based instruction	No
Charter school facility grant program	No

District of choice steps 2 and 3 were not performed because the board of the District did not elect to operate as a school district of choice.

Since the District did not participate in the following programs during 2020-21, all steps related to them were not performed:

Early retirement incentive
Apprenticeship: Related and supplemental instruction

Since the District did not sponsor any charter schools during 2020-21, all steps related to the following were not performed:

Independent study-course based
Attendance
Mode of instruction
Nonclassroom-based instruction/independent study
Determination of funding for nonclassroom-based instruction
Charter school facility grant program

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

(Continued)

Basis for Qualified Opinion on Classroom Teacher Salaries

As described in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding classroom teacher salaries as described in item 2021-002. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to classroom teacher salaries.

Qualified Opinion on Classroom Teacher Salaries

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, the District complied, in all material respects, with the state compliance requirements applicable to classroom teacher salaries.

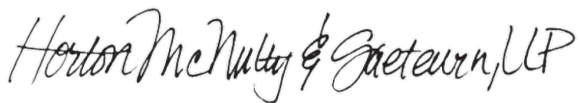
Unmodified Opinion on Each of the Other State Programs

In our opinion, the District complied, in all material respects, with the other state compliance requirements referred to above that are applicable to the District for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with the state compliance requirements referred to above that are required to be reported in accordance with the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, which are described in the accompanying schedule of findings and questioned costs as item 2021-003 and 2021-004. Our opinion on state compliance is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is 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 the response.



January 26, 2022
Chico, California

FINDINGS AND QUESTIONED COSTS SECTION

Upper Lake Unified School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021

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. 21.019 COVID-19 – Coronavirus Relief Fund (CRF)	
Threshold for distinguishing types A and B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Compliance 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, 2021

(Continued)

SECTION II FINDINGS

FINANCIAL STATEMENTS AUDIT

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.

This is a repeat finding of item 2020-001 that was reported in the previous year and is listed in the Summary Schedule of Prior Audit Findings.

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.

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 2021-22 to comply with the recommendation.

Upper Lake Unified School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

(Continued)

SECTION III FINDINGS

FEDERAL AWARDS AUDIT

None.

Upper Lake Unified School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

(Continued)

SECTION IV FINDINGS

STATE AWARDS AUDIT

CLASSROOM TEACHER SALARIES

61000 (2021-002)

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.

This is a repeat finding of item 2020-002 that was reported in the previous year and is listed in the Summary Schedule of Prior Audit Findings.

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.

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.

Response The District applied for a waiver from the County Superintendent of Schools during the fiscal year 2021-22. The waiver was granted.

Upper Lake Unified School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

(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.

Although there was a finding regarding attendance accounting in the prior year, the issues noted in this finding are not related to the issues noted in item 2020-003 that was reported in the previous year and is listed in the Summary Schedule of Prior Audit Findings. Therefore, we do not consider this a repeat finding of item 2020-003.

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

Upper Lake Unified School District

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

(Continued)

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.

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. If the District offers independent study for the 2021-22 fiscal year, the District should review and amend the tiered reengagement plan to include all required elements needed for compliance with *California Education Code*, Section 51747(d).

Response The District's management will adopt procedures during the 2021-22 fiscal year to comply with the recommendation and return funding of \$1,425 to the California Department of Education.

Upper Lake Unified School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2021
(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.

This is a repeat finding of item 2020-004 that was reported in the previous year and is listed in the Summary Schedule of Prior Audit Findings.

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.

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

Response The District's administration will implement procedures during the 2021-22 school year to comply with the requirements of *California Education Code*, Section 33126(b).

Upper Lake Unified School District

CORRECTIVE ACTION PLAN

June 30, 2021

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

Upper Lake Unified School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2021

INTERNAL CONTROL (Student Body)
30000 (2020-001)

Significant Deficiency

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

Upper Lake Elementary School:

1. Two of eight cash receipts tested were not deposited timely, or a determination of timeliness could not be made based on the support provided.
2. Six of eight cash receipts tested were for fundraisers or entry fees that did not have a cash count sheet, tally sheet, or other support to substantiate the amount of collections/sales related to the fundraiser/event at the time of collection.
3. Six of eight cash disbursements tested were not preapproved or preapproval could not be determined based on the support provided.
4. One of eight cash disbursements did not have a supporting invoice on file to substantiate the disbursement.

Upper Lake Middle School:

1. Two of eight cash receipts tested were not deposited timely, or a determination of timeliness could not be made based on the support provided.
2. Four of eight cash receipts tested were for fundraisers or entry fees that did not have a cash count sheet, tally sheet, or other support to substantiate the amount of collections/sales related to the fundraiser/event at the time of collection.
3. Five of eight cash disbursements tested were not preapproved or preapproval could not be determined based on the support provided.
4. One of 32 student groups held a negative cash account balance as of June 30, 2020.
5. Student groups operated without budgets in place.

Upper Lake Unified School District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2021

(Continued)

Upper Lake High School:

1. Two of nine cash receipts tested were for fundraisers or entry fees that did not have a cash count sheet, tally sheet, or other support to substantiate the amount of collections/sales related to the fundraiser/event at the time of collection.
2. Three of nine cash receipts tested were not deposited timely, or a determination of timeliness could not be made based on the support provided.
3. Nine of nine cash disbursements tested were not preapproved or preapproval could not be determined based on the support provided.
4. One of nine cash disbursements were for an unallowable expense. The student body paid for a parking citation for a field trip chaperone.
5. One of eight cash disbursements was for a student scholarship. Although approvals were obtained, there was no award letter or other support on file.
6. Four of 37 student groups held negative cash account balances as of June 30, 2020.
7. Student groups operated without budgets in place.

This is a repeat finding of item 2019-001 that was reported in the 2018-19 Schedule of Findings and Questioned Costs.

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 received from events is counted by at least two individuals prior to leaving the event to ensure accuracy and provide accountability. Cash collected from events should include a reconciliation of the amounts received such as by using tally sheets or prenumbered tickets.
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.
4. Supporting documentation for all cash receipts and disbursements is maintained.
5. Disbursements are only made for allowable student body purchases. Student body funds should be expended to promote the students' general welfare, morale, and educational experiences.
6. Student body groups are not allowed to deficit spend.
7. Budgets are required for each student group in organized student body programs.

Upper Lake Unified School District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2021

(Continued)

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.

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 2021-001).

Upper Lake Unified School District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2021

(Continued)

CLASSROOM TEACHER SALARIES

61000 (2020-002)

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 50.90% for the fiscal year ended June 30, 2020.

This is a repeat finding of item 2019-002 that was reported in the 2018-19 Schedule of Findings and Questioned Costs.

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 \$10,081,489, and classroom teachers' compensation was \$5,131,062, resulting in a deficiency of \$413,341.

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.

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 2019-20 fiscal year's deficiency.

Current Status See current-year finding in the schedule of findings and questioned costs (item 2021-002).

Upper Lake Unified School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2021
(Continued)

ATTENDANCE (Internal Control)

10000 (2020-003)

State Compliance

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.

Upper Lake Unified School District

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2021

(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 Senate Bill 98 significantly changed attendance accounting and reporting, the status of this finding will be updated for the 2021-22 fiscal year audit.

Upper Lake Unified School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2021
(Continued)

SCHOOL ACCOUNTABILITY REPORT CARD
72000 (2020-004)

State Compliance

Condition Information on safety, cleanliness, and adequacy of school facilities was not included in the 2019-20 School Accountability Report Card (SARC) for the Clover Valley High School. Although school facilities information was reported on the Upper Lake Elementary School, Upper Lake Middle School, and Upper Lake High School SARCs, the school facility inspection tool used to report this information was not retained or was incomplete.

This is a repeat finding of item 2019-004 that was reported in the 2018-19 Schedule of Findings and Questioned Costs.

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 Related to Clover Valley High School, the school facility inspection tool was not completed and was not considered in completing the SARC. The school facility inspection tools for the remaining sites were misplaced.

Recommendation We recommend that the District management review each SARC to verify that all required elements are included before it is publicized, and that the school facility inspection tools are retained.

Current Status See current-year finding in the schedule of findings and questioned costs (item 2021-004).

Upper Lake Unified School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2021
(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).

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

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.

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 Since Senate Bill 98 provided that LEAs are not required to adopt a Local Control and Accountability Plan for the 2020-21 school year, the status of this finding will be updated for the 2021-22 fiscal year audit.

Upper Lake Unified School District
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2021
(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.

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 Since Senate Bill 98 significantly changed attendance accounting and reporting, the status of this finding will be updated for the 2021-22 fiscal year audit.