

**FORT SAGE UNIFIED SCHOOL DISTRICT
COUNTY OF LASSEN
HERLONG, CALIFORNIA**

AUDIT REPORT

JUNE 30, 2022

Introductory Section

Fort Sage Unified School District
 Audit Report
 For The Year Ended June 30, 2022

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Financial Section

Independent Auditor's Report

To the Board of Trustees
Fort Sage Unified School District
Herlong, California 96113

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fort Sage Unified School District ("the District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Fort Sage Unified School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fort Sage Unified School District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fort Sage Unified School District's basic financial statements. The individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and is also not a required part of the basic financial statements. The individual nonmajor fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual nonmajor fund financial statements and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2022 on our consideration of Fort Sage Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fort Sage Unified School District's internal control over financial reporting and compliance.

Respectfully submitted,

SingletonAuman PC

Susanville, CA
December 7, 2022

PLACE HOLDER Sheet For

Management's Discussion & Analysis (MD&A)

Basic Financial Statements

FORT SAGE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities
ASSETS:	
Cash in County Treasury	\$ 6,549,689
Cash on Hand and in Banks	8,369
Cash in Revolving Fund	5,043
Accounts Receivable	655,550
Stores Inventories	1,457
Capital Assets:	
Land	101,961
Land Improvements, Net	325,827
Buildings, Net	497,185
Equipment, Net	132,360
Total Assets	<u>8,277,441</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - Pensions	888,912
Total Deferred Outflows of Resources	<u>888,912</u>
LIABILITIES:	
Accounts Payable	1,095,085
Unearned Revenue	472,009
Noncurrent Liabilities:	
Net Pension Liability	1,666,086
Due in more than one year	12,429
Total Liabilities	<u>3,245,609</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows of Resources - Pensions	1,271,431
Total Deferred Inflows of Resources	<u>1,271,431</u>
NET POSITION:	
Net Investment in Capital Assets	1,057,333
Restricted For:	
Federal and State Programs	338,787
Capital Projects	50,631
Other Purposes	8,072
Unrestricted	3,194,490
Total Net Position	<u>\$ 4,649,313</u>

The accompanying notes are an integral part of this statement.

FORT SAGE UNIFIED SCHOOL DISTRICTSTATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u> <u>Governmental Activities</u>
PRIMARY GOVERNMENT:			
Governmental Activities:			
Instruction	\$ 2,326,459	\$ 1,675,550	\$ (650,909)
Instruction-Related Services	496,409	340,834	(155,575)
Pupil Services	245,853	184,942	(60,911)
Ancillary Services	158,075	101,071	(57,004)
General Administration	251,032	172,053	(78,979)
Plant Services	461,038	267,491	(193,547)
Other Outgo	10,114	--	(10,114)
Total Governmental Activities	<u>3,948,980</u>	<u>2,741,941</u>	<u>(1,207,039)</u>
Total Primary Government	<u>\$ 3,948,980</u>	<u>\$ 2,741,941</u>	<u>(1,207,039)</u>
General Revenues:			
LCFF Sources			1,501,738
Federal Revenues			33,692
State Revenues			5,454
Local Revenues			<u>(62,036)</u>
Total General Revenues			<u>1,478,848</u>
Change in Net Position			271,809
Net Position - Beginning			<u>4,377,504</u>
Net Position - Ending			<u>\$ 4,649,313</u>

The accompanying notes are an integral part of this statement.

FORT SAGE UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2022

	General Fund	Charter School Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 3,531,621	\$ 2,979,879	\$ 38,189	\$ 6,549,689
Cash on Hand and in Banks	--	--	8,369	8,369
Cash in Revolving Fund	5,043	--	--	5,043
Accounts Receivable	217,760	404,880	32,910	655,550
Due from Other Funds	2,675	--	17,562	20,237
Stores Inventories	--	--	1,457	1,457
Total Assets	<u>3,757,099</u>	<u>3,384,759</u>	<u>98,487</u>	<u>7,240,345</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 448,024	\$ 636,075	\$ 10,986	\$ 1,095,085
Due to Other Funds	17,562	--	2,675	20,237
Unearned Revenue	446,297	25,712	--	472,009
Total Liabilities	<u>911,883</u>	<u>661,787</u>	<u>13,661</u>	<u>1,587,331</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	5,043	--	--	5,043
Stores Inventories	--	--	1,457	1,457
Restricted Fund Balances	379,338	--	79,401	458,739
Assigned Fund Balances	1,542,898	--	3,970	1,546,868
Unassigned:				
Other Unassigned	917,937	2,722,972	--	3,640,909
Unassigned, reported in nonmajor:				
Special Revenue Funds	--	--	(2)	(2)
Total Fund Balance	<u>2,845,216</u>	<u>2,722,972</u>	<u>84,826</u>	<u>5,653,014</u>
Total Liabilities and Fund Balances	<u>\$ 3,757,099</u>	<u>\$ 3,384,759</u>	<u>\$ 98,487</u>	<u>\$ 7,240,345</u>

The accompanying notes are an integral part of this statement.

FORT SAGE UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balances - governmental funds balance sheet	\$ 5,653,014
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	1,057,333
Payables for compensated absences which are not due in the current period are not reported in the funds.	(12,429)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,666,086)
Deferred Resource Inflows related to the pension plans are not reported in the funds.	(1,271,431)
Deferred Resource Outflows related to the pension plans are not reported in the funds.	<u>888,912</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 4,649,313</u>

The accompanying notes are an integral part of this statement.

FORT SAGE UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Charter School Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 987,460	\$ 512,857	\$ --	\$ 1,500,317
Education Protection Account Funds	951,953	576,708	--	1,528,661
Local Sources	119,198	109,871	--	229,069
Federal Revenue	212,280	--	88,482	300,762
Other State Revenue	551,454	116,141	56,421	724,016
Other Local Revenue	(13,700)	(53,546)	5,210	(62,036)
Total Revenues	<u>2,808,645</u>	<u>1,262,031</u>	<u>150,113</u>	<u>4,220,789</u>
Expenditures:				
Current:				
Instruction	1,513,056	963,990	51,671	2,528,717
Instruction - Related Services	356,699	160,861	--	517,560
Pupil Services	134,756	--	111,978	246,734
Ancillary Services	150,873	--	4,261	155,134
General Administration	241,659	14,939	2,675	259,273
Plant Services	309,996	94,167	--	404,163
Other Outgo	10,114	--	--	10,114
Capital Outlay	--	67,086	--	67,086
Total Expenditures	<u>2,717,153</u>	<u>1,301,043</u>	<u>170,585</u>	<u>4,188,781</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>91,492</u>	<u>(39,012)</u>	<u>(20,472)</u>	<u>32,008</u>
Other Financing Sources (Uses):				
Transfers In	12,211	--	17,562	29,773
Transfers Out	(17,562)	(12,211)	--	(29,773)
Total Other Financing Sources (Uses)	<u>(5,351)</u>	<u>(12,211)</u>	<u>17,562</u>	<u>--</u>
Net Change in Fund Balance	<u>86,141</u>	<u>(51,223)</u>	<u>(2,910)</u>	<u>32,008</u>
Fund Balance, July 1	<u>2,759,075</u>	<u>2,774,195</u>	<u>87,736</u>	<u>5,621,006</u>
Fund Balance, June 30	<u>\$ 2,845,216</u>	<u>\$ 2,722,972</u>	<u>\$ 84,826</u>	<u>\$ 5,653,014</u>

The accompanying notes are an integral part of this statement.

FORT SAGE UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds	\$	32,008
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		67,086
The depreciation of capital assets used in governmental activities is not reported in the funds.		(94,851)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		3,839
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.		(502,568)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		<u>766,295</u>
Change in net position of governmental activities - Statement of Activities	\$	<u><u>271,809</u></u>

The accompanying notes are an integral part of this statement.

FORT SAGE UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

A. Summary of Significant Accounting Policies

Fort Sage Unified School District (District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the 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, are presented as general revenues.

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

FORT SAGE UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Charter School Fund. This fund accounts for all financial resources of the Charter School.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

FORT SAGE UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

4. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the Lassen County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. Any investment losses are proportionately shared by all funds in the pool.

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

Information regarding the amount of dollars invested in derivatives with Lassen County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

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

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

FORT SAGE UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

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

f. Unearned Revenue

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

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the Government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Property Taxes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

FORT SAGE UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose 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.

5. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

6. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 14 (Deferred Maintenance Fund) and Fund 25 (Capital Facilities Fund) and Fund 40 (Special Reserve for Capital Outlay Projects Fund) are merged with the General Fund for purposes of presentation in the audit report.

7. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD) (STRS)	June 30, 2021
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

8. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

9. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs:	Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
Level 2 Inputs:	Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
Level 3 Inputs:	Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

10. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 87, Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain leases assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources 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.

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period

GASB No. 89 requires that interest costs incurred during a construction period be recognized as an expense for business-type activity. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

FORT SAGE UNIFIED SCHOOL DISTRICT
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GASB Statement No. 92, Omnibus 2020

Although the effective date for the majority of GASB Statement No. 92, Omnibus 2020 has been postponed by GASB Statement No. 95 for one year, the District has adopted paragraph 11 of Statement 92 with respect to reinsurance recoveries. Paragraph 11 states that "amounts that (a) are recoverable from reinsurers or excess insurers and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be. The District has also adopted paragraph 13 of Statement 92 in regards to changing all uses of the terms *derivative* and *derivatives* in existing standards to *derivative instrument* and *derivative instruments*, respectively. The provisions in paragraphs 11 and 13 were excluded from the scope of Statement 95 because paragraph 11 retains the reporting option, and thus only clarifies that an option exists, and paragraph 13 imposes no burden on the District. As such, this statement does not impact the District.

GASB Statement No. 93, Replacement of Interbank Offered Rates

Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Super session of GASB Statement No 32.

The District has adopted paragraphs 4 and 5 of GASB Statement No. 92. Paragraph 4 states that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. Paragraph 5 states that the financial burden criterion in paragraph 7 of Statement 84 is applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. The requirements in paragraphs 6 - 9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

FORT SAGE UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2022

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Excess of Expenditures Over Appropriations

As of June 30, 2022, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Employee Benefits	\$ 13,449
Other Outgo	10,114
Charter School Fund:	
Employee Benefits	13,263
Adult Education Fund:	
Employee Benefits	2,526
Cafeteria Fund:	
Classified salaries	3,017
Employee Benefits	974
Books and Supplies	26,456
Services and Other Operating Expenses	1,443

General Fund: The District incurred unanticipated expenditures for Other Outgo. An Audit Adjustment was made to record understated State on Behalf STRS Contributions.

Charter School Fund: An Audit Adjustment was made to record understated State on Behalf STRS Contributions.**

Adult Education Fund: An Audit Adjustment was made to record understated State on Behalf STRS Contributions.****

Cafeteria fund: The District incurred unanticipated expenditures for salaries, benefits, supplies and other operating expenses.

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

D. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Lassen County Treasury as part of the common investment pool (\$144,965,460 as of June 30, 2022). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$6,549,689. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$8,369 as of June 30, 2022) and in the revolving fund (\$5,043) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only 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. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

5. Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported in conformity with GASB Statement No. 77 unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

E. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 101,961	\$ --	\$ --	\$ 101,961
Work in progress	--	--	--	--
Capital assets being depreciated:				
Buildings	2,961,083	19,353	--	2,980,436
Improvements	583,811	--	--	583,811
Equipment	521,012	47,733	--	568,745
Total capital assets being depreciated	4,065,906	67,086	--	4,132,992
Less accumulated depreciation for:				
Buildings	(2,451,110)	(32,141)	--	(2,483,251)
Improvements	(234,908)	(23,076)	--	(257,984)
Equipment	(396,751)	(39,634)	--	(436,385)
Total accumulated depreciation	(3,082,769)	(94,851)	--	(3,177,620)
Total capital assets being depreciated, net	983,137	(27,765)	--	955,372
Governmental activities capital assets, net	\$ 1,085,098	\$ (27,765)	\$ --	\$ 1,057,333

FORT SAGE UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2022

Depreciation was charged to functions as follows:

Instruction	\$	25,086
Instruction-Related Services		2,311
Pupil Services		954
Ancillary Services		7,939
Plant Services		58,561
	\$	<u>94,851</u>

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2022, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Adult Education Fund *	\$ 2,675	Reimburse indirect costs.
Cafeteria Fund *	General Fund	17,562	Supplement other funds sources
	Total	<u>\$ 20,237</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2022, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Cafeteria Fund *	\$ 17,562	Supplement other funds sources
Charter School Fund	General Fund	12,211	21-22 Oversight fee (1%)
	Total	<u>\$ 29,773</u>	

* - Other Governmental Funds

FORT SAGE UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2022

G. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2022, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Compensated absences *	\$ 16,268	\$ --	\$ 3,839	\$ 12,429	12,429
Total governmental activities	<u>\$ 16,268</u>	<u>\$ --</u>	<u>\$ 3,839</u>	<u>\$ 12,429</u>	<u>\$ 12,429</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General Fund

2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2022, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 12,429	\$ --	\$ 12,429
Totals	<u>\$ 12,429</u>	<u>\$ --</u>	<u>\$ 12,429</u>

H. Joint Ventures (Joint Powers Agreements)

The District participates in six Joint Powers Agreements (JPA's). (1) The Northern California Schools Insurance Group, (2) The Schools Excess Liability Fund, (3) The Northern California Regional Excess Liability Fund for Workers Compensation Insurance (4) The North Valley Insurance Group for Workers Compensation, (5) the California Valued Trust for Dental, Vision and Life Insurance, (6) the Tri-County Schools Insurance Group for Medical Insurance.

An executive committee consisting of representatives from each member's District governs the JPA's. The governing boards control the operations of their JPA's, independent of any influence by the District beyond the District's representation on the governing boards.

The JPA's are independently accountable for their fiscal matters. The insurance groups maintain their own accounting records. The budget is not subject to any approval other than that of the executive committee. The relationship between the District and the JPA's is such that the JPA's are not component units of the District for financial reporting purposes.

FORT SAGE UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2022

I. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Paid

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The Plans' provisions and benefits in effect at June 30, 2022 are summarized as follows:

	<u>CalSTRS</u>	
	<u>Before</u>	<u>On or After</u>
	<u>Jan. 1, 2013</u>	<u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55-60	55-62
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2022)	10.250%	10.205%
Required Employer Contribution Rates (at June 30, 2022)	16.920%	16.920%
Required State Contribution Rates (at June 30, 2022)	10.828%	10.828%

*Amounts are limited to 120% of Social Security Wage Base.

**The contribution rate for CalSTRS 2% at 62 members is based , in part, on the normal cost of benefits and may increase or decrease in future years.

	<u>CalPERS</u>	
	<u>Before</u>	<u>On or After</u>
	<u>Jan. 1, 2013</u>	<u>Jan. 1, 2013</u>
Hire Date		
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2022)	7.000%	7.000%
Required Employer Contribution Rates (at June 30, 2022)	22.910%	22.910%

*Amounts are limited to 120% of Social Security Wage Base

FORT SAGE UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2022

c. Contributions

CalSTRS

For the fiscal year ended June 30, 2022 (measurement date June 30, 2021), California Education Code Section 22950 requires members to contribute monthly to the system 10.205% (if hired on or after January 1, 2013) or 10.25% (if hired before January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS Board have been established at 16.92% of creditable compensation for the fiscal year ended June 30, 2022. Beginning in the fiscal year June 30, 2022 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary. Those adjustments are limited to 1% annually, not to exceed 20.25% of creditable compensation. For 2021-22, the employer rate reflects a 2.18% reduction from the rate that was originally required in the funding plan.

CalPERS

California Public Employees' Retirement Law section 20814(c) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The Actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. For the fiscal year ended June 30, 2022 (measurement date June 30, 2021) the employee contribution rate was 7.00% and the employer contribution rate was 22.910% of covered payroll. For 2021-22, the employer rate reflects a 2.16% reduction from the rate originally adopted by the board on April 20, 2021, due to an amendment of Government Code 20825.2 (c).

On Behalf Payments

Consistent with California Education Code Section 22955.1, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the fiscal year ended June 30, 2022(measurement date (June 30, 2021) the State contributed 10.828% of salaries creditable to CalSTRS. Consistent with the requirements of generally accepted accounting principles, the District has recorded these contributions as revenue and expense in the fund financial statements (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). Contributions reported for on behalf payments are based on the District's proportionate share of the States contribution for the fiscal year. Contributions made by the state on behalf of the District and the State's pension expense associated with District employees for the past three fiscal years are as follows:

<u>CalSTRS</u>			
<u>Year Ended</u> <u>June 30,</u>	<u>On Behalf</u> <u>Contribution</u> <u>Rate</u>	<u>On Behalf</u> <u>Contribution</u> <u>Amount</u>	<u>On Behalf</u> <u>Pension</u> <u>Expense</u>
2020	10.328%	\$ 138,213	\$ 81,192
2021	10.328%	131,538	88,806
2022	10.828%	148,166	14,179

The State contributed an additional \$1.1 Billion to CalSTRS during the 2019-20 fiscal year and \$297 Million to CalSTRS during the 2020-21 fiscal year as a continuing settlement associated with SB90.

FORT SAGE UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2022

d. Contributions Recognized

For the fiscal year ended June 30, 2022 (measurement period June 30, 2021), the contributions recognized for each plan were:

	Fund Financial Statements (Current Financial Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 231,352	\$ 123,050	\$ 354,402
Contributions - State On Behalf Payments	14,179	--	14,179
Total Contributions	<u>\$ 245,531</u>	<u>\$ 123,050</u>	<u>\$ 368,581</u>

	Government-Wide Financial Statements (Economic Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 205,108	\$ 99,724	\$ 304,832
Contributions - State On Behalf Payments	148,166	--	148,166
Total Contributions	<u>\$ 353,274</u>	<u>\$ 99,724</u>	<u>\$ 452,998</u>

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2022 (measured June 30, 2021), the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 983,866
CalPERS	682,220
Total Net Pension Liability	<u>\$ 1,666,086</u>

The District's net pension liability for each Plan is measured as the proportionate share of the total net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2021. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to measurement date June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, as actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2021 and June 30, 2022 were as follows:

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share*	Total For District Employees	District's Proportionate Share
Proportion June 30, 2021	0.00200%	0.00130%	0.00330%	0.00290%
Proportion June 30, 2022	0.00220%	0.00160%	0.00380%	0.00340%
Change in Proportion	0.00020%	0.00030%	0.00050%	0.00050%

*Represents State's Proportionate Share on Behalf of District employees

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

a. Pension Expense

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	\$ (963,038)	\$ (215,873)	\$ (1,178,911)
State On Behalf Pension Expense	14,179	–	14,179
Employer Contributions to Pension Expense	231,352	123,050	354,402
Change in Contributions Subsequent to Measurement Date	(26,244)	(23,326)	(49,570)
Change in Other Outflows/Inflows of Resources	781,789	237,256	1,019,045
Total Pension Expense	\$ 38,038	\$ 121,107	\$ 159,145

b. Deferred Outflows and Inflows of Resources

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 231,352	\$ 123,050	\$ 354,402
Differences between actual and expected experience	1,886	15,337	17,223
Changes in assumptions	92,040	–	92,040
Change in employer's proportionate share	185,017	240,230	425,247
Total Deferred Outflows of Resources	\$ 510,295	\$ 378,617	\$ 888,912

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ 98,465	\$ 1,608	\$ 100,073
Change in employer's proportionate share	106,478	12,882	119,360
Net difference between projected and actual earnings	786,154	265,844	1,051,998
Total Deferred Inflows of Resources	\$ 991,097	\$ 280,334	\$ 1,271,431

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2023. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended June 30	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2023	\$ 369,957	\$ 205,377	\$ (271,816)	\$ (70,047)	\$ 233,471
2024	72,168	75,330	(253,921)	(64,119)	(170,542)
2025	32,607	71,646	(208,665)	(73,352)	(177,764)
2026	32,608	26,264	(233,119)	(72,816)	(247,063)
2027	2,955	–	(13,168)	–	(10,213)
Thereafter	–	–	(10,408)	–	(10,408)
Total	\$ 510,295	\$ 378,617	\$ (991,097)	\$ (280,334)	\$ (382,519)

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2022 were based on actuarial valuations were determined using the following actuarial assumptions:

	<u>CalSTRS</u>	<u>CalPERS</u>
Fiscal Year	June 30, 2022	June 30, 2022
Measurement Date	June 30, 2021	June 30, 2021
Valuation Date	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Experience Study Period	-3	-18
Actuarial Assumptions:		
Discount Rate	7.10%	7.15%
Inflation	2.75%	2.5%
Wage Growth	3.50%	(3)
Investment Rate of Return	7.10%	7.15%
Post Retirement Benefit Increase	(1)	(4)
Mortality	(2)	(5)

- (1) CalSTRS post retirement benefit increases assumed at 2% simple (annually) maintaining 85% purchasing power level.
- (2) CalSTRS base mortality tables are custom tables derived to best fit the patterns of mortality among CalSTRS members. The projection scale was set to equal 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.
- (3) Varies by entry age and service.
- (4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.
- (5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.10% CalSTRS AND 7.15% for CalPERS. The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies (where applicable) will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the discount bond rate calculation is not necessary for either plan. The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS respective websites.

The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts.

The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study.

FORT SAGE UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. CalSTRS completed their ALM November 2019 with new policies in effect on July 1, 2021. CalPERS completed their ALM in 2018 with new policies in effect on July 1, 2018. Both CalSTRS and CalPERS conduct new ALM's every 4 years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalSTRS and 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 the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

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

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

*20 year average

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

CalPERS			
Asset Class(1)	Assumed Asset Allocation	Real Return Years 1-10 (2,4)	Real Return Years 11+ (3,4)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	--	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	--	-0.92%

(1) In the Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities

(2) An expected inflation of 2.00% used for this period

(3) An expected inflation of 2.92% used for this period

(4) Figures are based on the previous ALM of 2017

e. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.10%	6.15%
Net Pension Liability	\$ 2,002,834	\$ 1,150,319
Current Discount Rate	7.10%	7.15%
Net Pension Liability	\$ 983,866	\$ 682,220
1% Increase	8.10%	8.15%
Net Pension Liability	\$ 138,173	\$ 293,598

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

3 Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS - Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2021 (Previously Reported)	\$ 11,530,725	\$ 8,281,365	\$ 3,249,360	\$ 1,302,458	\$ 1,946,902
Changes for the year:					
CalSTRS Auditor Adjustment	--	--	--	--	--
Change in Prop share	1,272,403	913,840	358,563	210,293	148,270
Service Cost	283,395	--	283,395	118,823	164,572
Interest	907,407	--	907,407	380,463	526,944
Differences between expected and actual experience	(125,428)	--	(125,428)	(52,590)	(72,838)
Contributions:					
Employer	--	214,378	(214,378)	(89,886)	(124,492)
Employee	--	139,334	(139,334)	(58,421)	(80,913)
State On Behalf Payments	--	138,901	(138,901)	(58,239)	(80,662)
Net Investment Income	--	2,495,848	(2,495,848)	(1,046,473)	(1,449,375)
Other Income	--	3,368	(3,368)	(1,412)	(1,956)
Benefit Payments, including refunds of employee contributions	(622,044)	(622,044)	--	--	--
Administrative expenses	--	(9,365)	9,365	3,927	5,438
Borrowing Costs	--	(3,336)	3,336	1,399	1,937
Other Expenses	--	(63)	63	27	36
Net Changes	1,715,733	3,270,860	(1,555,127)	(592,089)	(963,038)
Balance at June 30, 2022	\$ 13,246,458	\$ 11,552,225	\$ 1,694,233	\$ 710,369	\$ 983,864

(1)-Includes Refunds Of Employee Contributions

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2021 (Previously Reported)	\$ 2,994,019	\$ 2,095,925	\$ 898,094
Changes for the year:			
Change in Proportionate Share	437,800	306,476	131,324
Service Cost	78,755	--	78,755
Interest	242,121	--	242,121
Differences between expected and actual experience	(2,144)	--	(2,144)
Contributions:			
Employer	--	99,718	(99,718)
Employee	--	34,193	(34,193)
Net Investment Income	--	534,401	(534,401)
Benefit Payments, including refunds of employee contributions	(165,482)	(165,482)	--
Administrative expenses	--	(2,383)	2,383
Other expenses	--	--	--
Net Changes	<u>591,050</u>	<u>806,923</u>	<u>(215,873)</u>
Balance at June 30, 2022	<u>\$ 3,585,069</u>	<u>\$ 2,902,848</u>	<u>\$ 682,221</u>

(1) - Includes refunds of employee contributions

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports available on their respective websites.

J. Commitments and Contingencies

Litigation

The District is not involved in any litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

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

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

K. Deferred Resources

As of June 30, 2022 Deferred Outflows of Resources consisted of:

	Balance 07/01/2021	Increases	Decreases	Balance 06/30/2022
Governmental Activities				
Pension Related				
CalSTRS	\$ 474,429	\$ 379,623	\$ 343,757	\$ 510,295
CalPERS	321,466	254,374	197,223	378,617
Total Governmental Activities	<u>795,895</u>	<u>633,997</u>	<u>540,980</u>	<u>888,912</u>
Total Deferred Outflows of Resources	<u>\$ 795,895</u>	<u>\$ 633,997</u>	<u>\$ 540,980</u>	<u>\$ 888,912</u>

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Governmental Activities		
	CalSTRS	CalPERS	Total
2023	\$ 369,957	\$ 205,377	\$ 575,334
2024	72,168	75,330	147,498
2025	32,607	71,646	104,253
2026	32,608	26,264	58,872
2027	2,955		2,955
Thereafter			-
Total	<u>\$ 510,295</u>	<u>\$ 378,617</u>	<u>\$ 888,912</u>

As of June 30, 2022 Deferred Inflows of Resources consisted of:

	Balance 07/01/2021	Increases	Decreases	Balance 06/30/2022
Governmental Activities				
Pension Related				
CalSTRS	\$ 199,686	\$ 1,145,903	\$ 354,492	\$ 991,097
CalPERS	9,253	366,224	95,143	280,334
Total Governmental Activities	<u>208,939</u>	<u>1,512,127</u>	<u>449,635</u>	<u>1,271,431</u>
Total Deferred Outflows of Resources	<u>\$ 208,939</u>	<u>\$ 1,512,127</u>	<u>\$ 449,635</u>	<u>\$ 1,271,431</u>

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Governmental Activities		
	CalSTRS	CalPERS	Total
2023	\$ 271,816	\$ 70,047	\$ 341,863
2024	253,921	64,119	318,040
2025	208,665	73,352	282,017
2026	233,119	72,816	305,935
2027	13,168		13,168
Thereafter	10,408		10,408
Total	<u>\$ 991,097</u>	<u>\$ 280,334</u>	<u>\$ 1,271,431</u>

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

L. Subsequent Events

Subsequent events were evaluated through December 7, 2022, the date that the financial statements were available to be issued.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

FORT SAGE UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 482,636	\$ 987,460	\$ 987,460	\$ --
Education Protection Account Funds	1,483,923	951,953	951,953	--
Local Sources	135,107	119,198	119,198	--
Federal Revenue	1,219,791	800,082	212,280	(587,802)
Other State Revenue	432,601	412,743	551,454	138,711
Other Local Revenue	148,551	148,276	(13,700)	(161,976)
Total Revenues	<u>3,902,609</u>	<u>3,419,712</u>	<u>2,808,645</u>	<u>(611,067)</u>
Expenditures:				
Current:				
Certificated Salaries	880,756	932,077	904,955	27,122
Classified Salaries	458,980	494,854	442,414	52,440
Employee Benefits	604,324	658,547	671,996	(13,449)
Books And Supplies	759,545	498,099	173,181	324,918
Services And Other Operating Expenditures	920,532	791,577	517,168	274,409
Other Outgo	--	--	10,114	(10,114)
Direct Support/Indirect Costs	(6,362)	(3,687)	(2,675)	(1,012)
Capital Outlay	64,812	36,156	--	36,156
Total Expenditures	<u>3,682,587</u>	<u>3,407,623</u>	<u>2,717,153</u>	<u>690,470</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>220,022</u>	<u>12,089</u>	<u>91,492</u>	<u>79,403</u>
Other Financing Sources (Uses):				
Transfers In	10,941	12,211	12,211	--
Transfers Out	(25,000)	(25,000)	(17,562)	7,438
Total Other Financing Sources (Uses)	<u>(14,059)</u>	<u>(12,789)</u>	<u>(5,351)</u>	<u>7,438</u>
Net Change in Fund Balance	205,963	(700)	86,141	86,841
Fund Balance, July 1	--	--	2,759,075	2,759,075
Fund Balance, June 30	<u>\$ 205,963</u>	<u>\$ (700)</u>	<u>\$ 2,845,216</u>	<u>\$ 2,845,916</u>

FORT SAGE UNIFIED SCHOOL DISTRICT

EXHIBIT B-2

CHARTER SCHOOL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 70,049	\$ 512,857	\$ 512,857	\$ --
Education Protection Account Funds	857,643	576,708	576,708	--
Local Sources	104,864	108,425	109,871	1,446
Federal Revenue	71,382	35,691	--	(35,691)
Other State Revenue	59,827	107,615	116,141	8,526
Other Local Revenue	108,107	91,172	(53,546)	(144,718)
Total Revenues	<u>1,271,872</u>	<u>1,432,468</u>	<u>1,262,031</u>	<u>(170,437)</u>
Expenditures:				
Current:				
Certificated Salaries	592,589	540,134	535,722	4,412
Classified Salaries	114,985	123,998	121,486	2,512
Employee Benefits	280,930	303,882	317,145	(13,263)
Books And Supplies	268,264	183,472	124,037	59,435
Services And Other Operating Expenditures	183,709	192,080	135,567	56,513
Capital Outlay	135,470	67,735	67,086	649
Total Expenditures	<u>1,575,947</u>	<u>1,411,301</u>	<u>1,301,043</u>	<u>110,258</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(304,075)</u>	<u>21,167</u>	<u>(39,012)</u>	<u>(60,179)</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(13,481)</u>	<u>(13,481)</u>	<u>(12,211)</u>	<u>1,270</u>
Total Other Financing Sources (Uses)	<u>(13,481)</u>	<u>(13,481)</u>	<u>(12,211)</u>	<u>1,270</u>
Net Change in Fund Balance	(317,556)	7,686	(51,223)	(58,909)
Fund Balance, July 1	--	--	2,774,195	2,774,195
Fund Balance, June 30	<u>\$ (317,556)</u>	<u>\$ 7,686</u>	<u>\$ 2,722,972</u>	<u>\$ 2,715,286</u>

FORT SAGE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015		
District's proportion of the net pension liability (asset)	0.0022%	0.0020%	0.0020%	0.0020%	0.0019%	0.0022%	0.0025%	0.0024%		
States proportionate share of the net pension liability (asset)	0.0016%	0.0013%	0.0016%	0.0021%	0.0011%	0.0012%	0.0013%	0.0015%		
District's proportionate share of the net pension liability (asset)	\$ 983,866	\$ 1,946,906	\$ 1,827,125	\$ 2,106,508	\$ 1,787,643	\$ 1,765,637	\$ 1,672,326	\$ 1,391,965		
State's proportionate share of the net pension liability (asset) associated with the District	710,368	1,302,458	1,426,537	1,969,996	1,061,549	1,009,851	890,315	847,523		
Total	\$ 1,694,234	\$ 3,249,364	\$ 3,253,662	\$ 4,076,504	\$ 2,849,192	\$ 2,775,488	\$ 2,562,641	\$ 2,239,488		
District's covered-employee payroll	\$ 1,270,019	\$ 1,236,795	\$ 1,087,629	\$ 1,216,999	\$ 1,022,019	\$ 1,084,399	\$ 1,147,759	\$ 1,055,467		
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	77.47%	157.42%	167.99%	173.09%	174.91%	162.82%	145.70%	131.88%		
Plan fiduciary net position as a percentage of the total pension liability	87.21%	71.82%	72.56%	70.99%	69.46%	70.04%	74.02%	76.52%		

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

FORT SAGE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015		
Contractually required contribution	\$ 231,352	\$ 205,108	\$ 211,492	\$ 177,066	\$ 175,613	\$ 128,570	\$ 116,356	\$ 101,921		
Contributions in relation to the contractually required contribution	(231,352)	(205,108)	(211,492)	(177,066)	(175,613)	(128,570)	(116,356)	(101,921)		
Contribution deficiency (excess)	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---		
District's covered-employee payroll	\$ 1,367,329	\$ 1,270,019	\$ 1,236,795	\$ 1,087,629	\$ 1,216,999	\$ 1,022,019	\$ 1,084,399	\$ 1,147,759		
Contributions as a percentage of covered-employee payroll	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%		

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

FORT SAGE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015		
District's proportion of the net pension liability (asset)	0.0034%	0.0029%	0.0022%	0.0022%	0.0024%	0.0028%	0.0029%	0.0024%		
District's proportionate share of the net pension liability (asset)	\$ 682,220	\$ 898,094	\$ 627,767	\$ 585,523	\$ 566,259	\$ 559,394	\$ 433,528	\$ 277,794		
District's covered-employee payroll	\$ 481,758	\$ 425,338	\$ 301,451	\$ 292,763	\$ 304,666	\$ 342,990	\$ 327,075	\$ 257,263		
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	141.61%	211.15%	208.25%	200.00%	185.86%	163.09%	132.55%	107.98%		
Plan fiduciary net position as a percentage of the total pension liability	80.97%	70.00%	70.05%	70.85%	71.87%	73.90%	79.43%	83.38%		

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

FORT SAGE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 CALIFORNIA STATE PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015		
Contractually required contribution	\$ 123,050	\$ 99,724	\$ 83,881	\$ 54,448	\$ 45,469	\$ 42,312	\$ 40,634	\$ 38,500		
Contributions in relation to the contractually required contribution	(123,050)	(99,724)	(83,881)	(54,448)	(45,469)	(42,312)	(40,634)	(38,500)		
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --		
District's covered-employee payroll	\$ 537,102	\$ 481,758	\$ 425,338	\$ 301,451	\$ 292,763	\$ 304,666	\$ 342,990	\$ 327,075		
Contributions as a percentage of covered-employee payroll	22.91%	20.70%	19.72%	18.06%	15.53%	13.89%	11.85%	11.77%		

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

FORT SAGE UNIFIED SCHOOL DISTRICT

EXHIBIT D-1

ADULT EDUCATION FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Other State Revenue	\$ 56,181	\$ 50,306	\$ (5,875)
Total Revenues	<u>56,181</u>	<u>50,306</u>	<u>(5,875)</u>
Expenditures:			
Current:			
Certificated Salaries	25,000	25,000	--
Employee Benefits	5,681	8,207	(2,526)
Books And Supplies	15,325	11,600	3,725
Services And Other Operating Expenditures	7,500	6,864	636
Direct Support/Indirect Costs	2,675	2,675	--
Total Expenditures	<u>56,181</u>	<u>54,346</u>	<u>1,835</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>--</u>	<u>(4,040)</u>	<u>(4,040)</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	<u>--</u>	<u>(4,040)</u>	<u>(4,040)</u>
Fund Balance, July 1	<u>--</u>	<u>14,119</u>	<u>14,119</u>
Fund Balance, June 30	<u>\$ --</u>	<u>\$ 10,079</u>	<u>\$ 10,079</u>

FORT SAGE UNIFIED SCHOOL DISTRICT

EXHIBIT D-2

CAFETERIA FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Federal Revenue	\$ 56,000	\$ 88,482	\$ 32,482
Other State Revenue	--	6,115	6,115
Other Local Revenue	100	433	333
Total Revenues	<u>56,100</u>	<u>95,030</u>	<u>38,930</u>
Expenditures:			
Current:			
Classified Salaries	32,573	35,590	(3,017)
Employee Benefits	8,093	9,067	(974)
Books And Supplies	39,422	65,878	(26,456)
Services And Other Operating Expenditures	--	1,443	(1,443)
Direct Support/Indirect Costs	1,012	--	1,012
Total Expenditures	<u>81,100</u>	<u>111,978</u>	<u>(30,878)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(25,000)</u>	<u>(16,948)</u>	<u>8,052</u>
Other Financing Sources (Uses):			
Transfers In	25,000	17,562	(7,438)
Total Other Financing Sources (Uses)	<u>25,000</u>	<u>17,562</u>	<u>(7,438)</u>
Net Change in Fund Balance	--	614	614
Fund Balance, July 1	--	62,092	62,092
Fund Balance, June 30	<u>\$ --</u>	<u>\$ 62,706</u>	<u>\$ 62,706</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

FORT SAGE UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2022

The District was established in 1987 and its size is approximately 240 square miles located in Lassen County of Northern California. The boundaries of the District did not change during the fiscal year. The District consists of four schools: one elementary school, one intermediate school, one high school, and one charter school.

Governing Board

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Ryan Von Ins	President	4 Years Expiring on 12/07/22
Pam Auld	Vice President	4 Years Expiring on 12/07/24
Erinn Reed	Clerk	2 Years Expiring on 12/07/22
Constance Jenkins	Trustee Representative to County	4 Years Expiring on 12/07/22
Vacant	Member	2 Years Expiring on 12/07/22

Administration

Dr. Keith Tomes - Superintendent

Heather Von Ins - Business Manager

FORT SAGE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2022

TABLE E-1

Fort Sage Unified School District

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	35.33	35.33	34.71	34.02
TK/K-3 Totals	35.33	35.33	34.71	34.02
Grades 4-6:				
Regular ADA	18.65	18.65	18.58	18.69
Grades 4-6 Totals	18.65	18.65	18.58	18.69
Grades 7 and 8:				
Regular ADA	8.72	8.72	6.20	8.63
Grades 7 and 8 Totals	8.72	8.72	6.20	8.63
Grades 9-12:				
Regular ADA	31.54	31.54	31.34	31.57
Grades 9-12 Totals	31.54	31.54	31.34	31.57
ADA Totals	94.24	94.24	90.83	92.91

Mt Lassen Charter School

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA - Non-Classroom Based	25.29	25.29	26.74	26.74
TK/K-3 Totals	25.29	25.29	26.74	26.74
Grades 4-6:				
Regular ADA - Non-Classroom Based	27.15	27.15	27.89	27.89
Grades 4-6 Totals	27.15	27.15	27.89	27.89
Grades 7 and 8:				
Regular ADA - Non-Classroom Based	23.11	23.11	23.75	23.75
Grades 7 and 8 Totals	23.11	23.11	23.75	23.75
Grades 9-12:				
Regular ADA - Non-Classroom Based	46.14	46.14	44.62	44.62
	46.14	46.14	44.62	44.62
ADA Totals	171.95	171.95	174.64	174.64

N/A - There were no audit findings which resulted in necessary revisions to attendance.

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

FORT SAGE UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2022

TABLE E-2

<u>Grade Level</u>	<u>Ed Code 46207 Minutes Requirement</u>	<u>2021-22 Actual Minutes</u>	<u>Total Instructional Days Offered</u>	<u>Number of Days Multitrack Year</u>	<u>In Compliance with Instructional Days Provision</u>
Transitional Kindergarten	36,000	57,450	180	N/A	In Compliance
Kindergarten	36,000	57,450	180	N/A	In Compliance
Grade 1	50,400	54,610	180	N/A	In Compliance
Grade 2	50,400	54,610	180	N/A	In Compliance
Grade 3	50,400	54,610	180	N/A	In Compliance
Grade 4	54,000	54,610	180	N/A	In Compliance
Grade 5	54,000	54,610	180	N/A	In Compliance
Grade 6	54,000	54,610	180	N/A	In Compliance
Grade 7	54,000	54,610	180	N/A	In Compliance
Grade 8	54,000	54,610	180	N/A	In Compliance
Grade 9	64,800	65,210	180	N/A	In Compliance
Grade 10	64,800	65,210	180	N/A	In Compliance
Grade 11	64,800	65,210	180	N/A	In Compliance
Grade 12	64,800	65,210	180	N/A	In Compliance

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46200 through 46207. This schedule is required of all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

This schedule has been prepared based upon the original approval calendar and instructional time planned by the District for the 2021/2022 fiscal year, as well as approved J-13A days, as received by the District, which identified the number of closure days in 2021/2022.

FORT SAGE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2022

TABLE E-3

<u>General Fund</u>	<u>Budget 2023 (see note 1)</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues and other financial sources	\$ 2,816,442	\$ 2,820,856	\$ 2,808,267	\$ 2,624,686
Expenditures	3,276,496	2,717,153	2,613,161	2,610,051
Other uses and transfers out	900	17,562	--	--
Total outgo	3,277,396	2,734,715	2,613,161	2,610,051
Change in fund balance (deficit)	(460,954)	86,141	195,106	14,635
Ending fund balance	\$ 2,384,261	\$ 2,845,215	\$ 2,759,074	\$ 2,563,968
Available reserves (see note 2)	\$ 455,472	\$ 917,937	\$ 1,948,392	\$ 1,627,465
Available reserves as a percentage of total outgo	13.9%	33.6%	74.6%	62.4%
Total long-term debt	\$ 1,666,086	\$ 1,666,086	\$ 2,861,265	\$ 2,469,099
Average daily attendance at P-2	237	211	252	252

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.

The minimum recommended reserve for a district of this size is five percent of budgeted general fund expenditures, transfers out, and other uses (total outgo). The District has maintained this recommended reserve.

NOTES:

- 1 Budget 2023 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.

FORT SAGE UNIFIED SCHOOL DISTRICT
 RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
 REPORT WITH AUDITED FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2021

TABLE E-4

	<u>General Fund</u>	<u>Deferred Maintenance Fund</u>
June 30, 2022, annual financial and budget report fund balances	\$ 3,094,627	\$ 8,358
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Over accrued Property Tax	(123,489)	
Cash in County Treasury Fair Market Value Adjustment	(159,396)	
To adjust revolving fund balance to actual	(25,537)	
* Reclassification for financial statement presentation	59,011	(8,358)
Net adjustments and reclassifications	<u>(249,411)</u>	<u>(8,358)</u>
June 30, 2022, audited financial statement fund balances	<u>\$ 2,845,216</u>	<u>\$ --</u>
	<u>Capital Facilities Fund</u>	<u>Special Reserve for Capital Outlay Fund</u>
June 30, 2022, annual financial and budget report fund balance	\$ 50,649	\$ 4
Adjustments and reclassifications:		
Increase (decrease) in fund balance:		
* Reclassification for financial statement presentation	(50,649)	(4)
Net adjustments and reclassifications	<u>(50,649)</u>	<u>(4)</u>
June 30, 2022, audited financial statement fund balances	<u>\$ --</u>	<u>\$ --</u>
	<u>Student Body Fund</u>	<u>Charter School Fund</u>
June 30, 2022, annual financial and budget report fund balance	\$ 15,656	\$ 2,859,752
Adjustments and reclassifications:		
Increase (decrease) in fund balance:		
Prior Year Audit Adjustment not posted	(7,584)	
Cash in County Treasury Fair Market Value Adjustment		(136,780)
Net adjustments and reclassifications	<u>(7,584)</u>	<u>(136,780)</u>
June 30, 2022, audited financial statement fund balances	<u>\$ 8,072</u>	<u>\$ 2,722,972</u>

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

*This audit reclassification is made for financial statement purposes only; pursuant to GASB Statement 54 which, when applied, does not recongize these funds as special revenue fund types. Therefore, the fund balances are consolidated with the General Fund. However, the District is permitted under current State law to account for these funds as special revenue fund types for interim reporting and budgeting purposes.

FORT SAGE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
YEAR ENDED JUNE 30, 2022

TABLE E-5

The following charter schools are chartered by Fort Sage Unified School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>	<u>Charter School Number:</u>
Mt. Lassen Charter School	Yes	1185
Long Valley Charter School	No	2067

Other Independent Auditor's Reports

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With *Government Auditing Standards*

Board of Trustees
Fort Sage Unified School District
Herlong, California 96113

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Sage Unified School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Fort Sage Unified School District's basic financial statements and have issued our report thereon dated December 7, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fort Sage Unified School District's internal control over financial reporting (internal control) to determine the 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 Fort Sage Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fort Sage Unified School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fort Sage Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

Fort Sage Unified School District's Response to Findings

Fort Sage Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Fort Sage Unified School 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

SingletonAuman PC

Susanville, CA
December 7, 2022

Independent Auditor's Report on State Compliance

Board of Trustees
Fort Sage Unified School District
Herlong, California 96113

Members of the Board of Trustees:

Report on Compliance

Opinion

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

In our opinion, Fort Sage Unified School District complied, in all material respects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

* Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>2021-22 K-12 Audit Guide Procedures</u>	<u>Procedures Performed?</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
A. Attendance	Yes
B. Teacher Certification and Misassignments	Yes
C. Kindergarten Continuance	Yes
D. Independent Study	No, See Below
E. Continuation Education	No, See Below
F. Instructional Time	Yes
G. Instructional Materials.....	Yes
H. Ratio of Administrative Employees to Teachers	Yes
I. Classroom Teacher Salaries	Yes
J. Early Retirement Incentive	N/A
K. GANN Limit Calculation	Yes
L. School Accountability Report Card	Yes
M. Juvenile Court Schools	N/A
N. Middle or Early College High Schools	N/A
O. K-3 Grade Span Adjustment	Yes
P. Transportation Maintenance of Effort	Yes
Q. Apprenticeship: Related and Supplemental Instruction	N/A
R. Comprehensive School Safety Plan	Yes
S. District of Choice	N/A
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
T. California Clean Energy Jobs Act	N/A
U. After/Before School Education and Safety Program	Yes
V. Proper Expenditure of Education Protection Account Funds	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts	Yes
X. Local Control and Accountability Plan	Yes
Y. Independent Study-Course Based	No, See Below
Z. Immunizations	Yes
AZ. Educator Effectiveness	Yes
BZ. Expanded Learning Opportunities (ELO-G)	Yes
CZ. Career Technical Education Incentive Grant	Yes
DZ. In Person Instruction Grant	Yes
CHARTER SCHOOLS:	
AA. Attendance	Yes
BB. Mode of Instruction	Yes
CC. Nonclassroom-Based Instruction/Independent Study.....	Yes
DD. Determination of Funding for Nonclassroom-Based Instruction	Yes
EE. Annual Instructional Minutes - Classroom Based	N/A
FF. Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year of the program applies to a different type of local education agency.

We did not perform testing for Independent Study and Independent Study-Course Based. The procedure was not required to be performed due to the fact the ADA was below the testing threshold.

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

Report on Internal Control over Compliance

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the statutory requirements for programs noted above, which are required to be reported in accordance with the State's audit guide, *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations*, Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2022-004.

Fort Sage Unified School District's Response to Findings

Fort Sage Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Fort Sage Unified School 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 on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the 2021-22 Guide of Annual Audits of K-12 Local Education Agencies and State Compliance Reporting in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

SingletonAuman PC
Susanville, CA
December 7, 2022

Findings and Recommendations Section

FORT SAGE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
One or more material weaknesses identified?	<u> X </u> Yes	<u> </u> No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None Reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

2. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting?	<u> X </u> Yes	<u> </u> No
Type of auditor's report issued on compliance for state programs:	<u>Unmodified</u>	

FORT SAGE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

B. Yellow Book/Financial Statement Findings

Internal Control - Material Weakness

Finding 2022-001 Lack of Segregation of Duties (CDDC#30000)

Criteria upon which audit finding is based (Legal Citation)

AU-C Section 265, Communicating Internal Control Matters identified in an audit.

Finding (Condition)

An inadequate segregation of duties exists. This Finding is repeated from the prior year.

Amount of Questioned costs, How Computed and Prevalence

None.

Effect

The District has exposure to risk of financial statement misstatement and the potential risk of fraud.

Cause

Due to the number of personnel assigned to duties that involve access to the general ledger and other accounting records and who also have custody of and responsibility for handling cash and other assets, an inadequate segregation of duties exists.

Recommendation

We recommend that the District employees and Board maintain diligence for the potential risks of not having an adequate segregation of duties.

District's Response

The District concurs with this finding.

FORT SAGE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

B. Yellow Book/Financial Statement Findings (Continued)

Internal Control - Material Weakness

Finding 2022-002 Financial Reporting (CDDC#30000)

Criteria upon which audit finding is based (Legal Citation)

The Organization is responsible for preparing complete and accurate financial statements and footnote disclosures in accordance with Generally Accepted Accounting Principles (GAAP).

Finding (Condition)

Similar to many other small school districts, the District does not have policies and procedures in place to ensure that complete and accurate financial statements, MD&A and footnote disclosures are prepared in accordance with GAAP prior to the annual audit. Management relies upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP. This Finding is repeated from the prior year.

Amount of Questioned Costs, How Computed and Prevalence

None.

Effect

There is a risk that a material financial statement misstatement may exist and not be prevented or detected by the District's system of internal control.

Cause

This condition has always existed at the District, and is being reported in accordance with AU-C Section 265, Communicating Internal Control Related Matters identified in an audit.

Recommendation

We recommend that the District consider the cost benefit of hiring an accountant familiar with GAAP or contracting an independent CPA firm to compile financial statements in conformity with GAAP.

District's Response

The District has determined that the costs of correcting this control weakness outweigh the benefits to be received. The District will continue to rely on the independent auditor to prepare its annual financial statements.

FORT SAGE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

B. Yellow Book/Financial Statement Findings (Continued)

Internal Control - Significant Deficiency

Finding 2022-003 Internal Control of Student Body Funds (CDDC#30000)

Criteria upon which audit finding is based (Legal Citation)

AU-C Section 265, Communicating Internal Control Matters identified in an audit.

Finding (Condition)

In our testing of the School Student Body cash receipts and disbursements, we noted some significant deficiencies. This finding is repeated from the prior year.

Deposits did not appear to have been made in a timely manner, and cash receipts did not include adequate documentation reflecting sales and backup documentation supporting the deposit.

Cash disbursements were missing the required signatures for approval.

Bank reconciliations were not completed in a timely manner.

Amount of Questioned Costs, How Computed and Prevalence

Deficiencies noted in 5 of 7 transactions tested.

Effect

The District's student body fund is at risk of misappropriation of funds.

Cause

The student body personnel are not following appropriate policies and procedures as for Student body funds.

Recommendation

We recommend that the district work with the student body advisors to implement policies and procedures that follow student body guidelines for acceptable controls of the use of student body funds.

District's Response

District concurs with this finding.

FORT SAGE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

C. State Awards Findings and Questioned Costs (Continued)

State Compliance - Significant Deficiency

Finding 2022-004 Instructional Time (CDDC#40000)

Criteria upon which audit finding is based (Legal Citation)

California Education Code 48216

Finding (Condition)

In our testing of Immunization, we noted some significant deficiencies:

Students did not have proper vaccination.

There was not appropriate communication with parents regarding their child's vaccination status.

Adequate documentation was not obtained for students transferring from out of state schools before admission was approved.

Amount of Questioned Costs, How Computed and Prevalence

Ten of 35 students tested did not have adequate vaccinations.

<u>Grade</u>	<u>Disallowed ADA</u>
K-1	2.84
7-8	1.89
Total	4.73

Effect

The District must disallow the ADA for the students identified as non-compliant.

Cause

The District's registrar is not confirming vaccination status for students before enrollment, transition into 7th grade or for student transferring into the District.

Recommendation

We recommend that the District develop a procedure in which all student vaccination records are input, vaccination status is reviewed before entrance in the District is granted and timely communication is established with parents for students who are identified as non-compliant.

District's Response

The District concurs with this finding.

FORT SAGE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Finding 2021-001 Lack of Segregation of Duties	Not Implemented.	See current year finding 2022-001
Finding 2021-002 Incomplete Financial Reporting	Not Implemented.	See current year finding 2022-002
Finding 2021-003 Internal Control of Student Body Funds	Not Implemented	See current year finding 2022-003
Finding 2021-004 School Accountability Report Card	Implemented.	

FORT SAGE UNIFIED SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022

Person Monitoring Corrective Action Plan
District Business Manager, Heather Von Ins

Finding 2022-001 Lack of Segregation of Duties (CDDC#30000)

Finding (Condition)

An inadequate segregation of duties exists.

Corrective Action Planned

Due to the number of employees of the District it is not possible for the District to cost effectively mitigate this finding. The District cannot, with its current budget hire an adequate number of employees to insure that custody of assets and accountability for assets is separated.

A small district will always face the issue of inadequate segregation of duties. The current administrator continues to study the time needs of the District clerical and administrative staff. In addition, all office personnel are being cross trained to be able to perform all required jobs and therefore have the expertise to adequately either do the job or be the person to review the job done to ensure it is done accurately. Currently, when checks are issued for District incurred expenses, one person completes the documentation to request the checks and two others review the request to ensure accuracy and that the payments are for actual costs incurred by the District.

The District does, however, believe that being aware of this weakness will insure that existing employees and Board members will maintain diligence to potential risks of not having an adequate segregation of duties.

Expected Completion Date

Ongoing.

Finding 2022-002 Financial Reporting (CDDC#30000)

Finding (Condition)

Similar to many other small school districts, the District does not have policies and procedures in place to ensure that complete and accurate financial statements, MD&A and footnote disclosures are prepared in accordance with GAAP prior to the annual audit. Management relies upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Corrective Action Planned

The District has determined that the costs of correcting this control weakness outweigh the benefits to be received. The District will continue to rely on the independent auditor to prepare its annual financial statements.

Expected Completion Date

Ongoing.

Finding 2022-003 Internal Control of Student Body Funds (CDDC#30000)

Finding (Condition)

In our testing of the School Student Body cash receipts and disbursements, we noted 5 out of 7 transactions had significant deficiencies.

Deposits did not appear to have been made in a timely manner, and cash receipts did not include adequate documentation for the amount of the receipt. Cash disbursements were missing required signatures for approval and also did not clearly state what student body account expenditure was coded to. Additionally, bank reconciliation were not completed in a timely manner.

Corrective Action Planned

The District will work with the student body advisors to implement policies and procedures that follow student body guidelines for acceptable controls of the use of student body funds.

Expected Completion Date

Ongoing.

Finding 2022-004 Instructional Minutes(CDDC#40000)

Finding (Condition)

In our testing of Immunization, we noted some significant deficiencies:

Students did not have proper vaccination.

There was not appropriate communication with parents regarding their child's vaccination status.

Adequate documentation was not obtained for students transferring from out of state schools before admission was approved.

Corrective Action Planned

Expected Completion Date

Ongoing.