

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

AUDIT REPORT

JUNE 30, 2023

Fort Sage Unified School District
 Audit Report
 For The Year Ended June 30, 2023

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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 accompanying 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, 2023, 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 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, 2023, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2023, Fort Sage Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2023, Fort Sage Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Susanville:

1740 Main Street, Suite A, Susanville, CA 96130
530.257.1040 Fax: 530.257.8876

sa@sa-cpas.com
www.sa-cpas.com

Chester:

PO Box 795, Chester, CA 96020
530.258.2272 Fax: 530.258.2282

As described in Note A to the financial statements, in 2023, Fort Sage Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 99, *Omnibus 2022*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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, 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 Fort Sage Unified School District's basic financial statements. The accompanying individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part 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, *2022-23 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 and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2023 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 Fort Sage Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fort Sage Unified School District's internal control over financial reporting and compliance.

Respectfully submitted,



SingletonAuman PC

Susanville, CA
December 10, 2023

FORT SAGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2023

INTRODUCTION

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

FINANCIAL HIGHLIGHTS

- Total net position was \$6,491,916 at June 30, 2023. This was an increase of \$1,842,603 over the prior year.
- Overall revenues were \$6,651,362 which was greater than expenses of \$4,808,760 by \$1,842,603.
- The general fund reported a fund balance this year of \$4,140,292 which is an increase of \$1,294,185 from last year.
- The total cost of the District's programs increased by \$859,780 over last year, due to higher instruction and pupil services costs.

OVERVIEW OF FINANCIAL STATEMENTS

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

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of the District operations in more detail. The fund financial statements comprise the remaining statements.
 - **Governmental funds** statements tell how general government services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements. A comparison of the district's budget for the year is included.

Government-Wide Statements

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

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the assets and liabilities, are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in enrollment, changes in the property tax base, changes in program funding by the Federal and State governments, and condition of facilities.

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues. The District has one type of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statements that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$6,491,916 at June 30, 2023. See Table 1.

The significant changes in Table 1 line items for fiscal 2023 vs. 2022 are:

- Cash increased from the prior year due to careful budgeting and additional one-time funding.
- Unearned revenue decreased due to spending of COVID funds.
- Net pension liability, deferred inflows and deferred outflows changed significantly as a result of the most recent actuarial valuation.

**Table 1:
Net Position**

	Governmental Activities		Total Percentage Change
	2023	2022	2023-2022
Assets			
Cash in County Treasury	\$ 7,204,101	\$ 6,549,689	9.99%
Cash on Hand and in Banks	8,369	8,369	0.00%
Cash in Revolving Fund	13,007	5,043	157.92%
Accounts Receivable	669,650	655,550	2.15%
Other Current Assets	1,457	1,457	0.00%
Capital Assets, Net of Accumulated Depreciation	1,029,188	1,057,333	-2.66%
TOTAL ASSETS	\$ 8,925,772	\$ 8,277,441	
Deferred Outflow of Resources			
Deferred Pension Expenses	\$ 958,301	\$ 888,912	7.81%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 958,301	\$ 888,912	
Liabilities			
Accounts Payable	\$ 202,546	\$ 1,095,085	-81.50%
Unearned Revenue	216,069	472,009	-54.22%
Net Pension Liability	2,678,594	1,666,086	60.77%
Compensated Absenses	8,313	12,429	-33.12%
TOTAL LIABILITIES	\$ 3,105,522	\$ 3,245,609	
Deferred Inflows of Resources			
Deferred Pension Revenues	\$ 286,635	\$ 1,271,431	-77.46%
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 286,635	\$ 1,271,431	
Net Position			
Net Investment in Capital Assets	\$ 1,029,188	\$ 1,057,333	-2.66%
Restricted for Federal and State Programs	1,160,368	338,787	242.51%
Restricted for Capital Projects	51,584	50,631	1.88%
Restricted for Other Purposes	8,071	8,072	-0.01%
Unrestricted	4,242,705	3,194,490	32.81%
TOTAL NET POSITION	\$ 6,491,916	\$ 4,649,313	

Changes in Net Position

The District's total revenues were \$6,651,363. A majority of the revenue comes from LCFF Sources 49.8%. Operating Grants & Contributions, Federal, State and local revenues comprise the remainder.

The total cost of all programs and services was \$4,808,760. The District's expenses are predominately related to educating and caring for students (81%). Administrative activities accounted for 7.1% of total costs. The remaining expenses were for plant services (maintenance and operations), ancillary services and other outgo.

**Table 2:
Changes in Net Position**

	Governmental Activities		Total Percentage Change
	2023	2022	2023-2022
Revenues			
Program Revenues:			
Operating Grants & Contributions	\$ 2,074,711	\$ 2,741,941	-24.33%
General Revenues			
LCFF Sources	3,309,306	1,501,738	120.37%
Federal Revenues	58,133	33,692	72.54%
State Revenues	513,702	5,454	9318.81%
Local Revenues	695,511	(62,036)	-1221.14%
TOTAL REVENUES	6,651,363	4,220,789	
Program Expenses			
Instruction	3,125,238	2,326,459	34.33%
Instruction-Related Services	468,330	496,409	-5.66%
Pupil Services	303,875	245,853	23.60%
Ancillary Services	152,606	158,075	-3.46%
General Administration	339,258	251,032	35.15%
Plant Services	419,453	461,038	-9.02%
Other Outgo	-	10,114	100.00%
TOTAL EXPENSES	4,808,760	3,948,980	
CHANGE IN NET POSITION	\$ 1,842,603	\$ 271,809	

Governmental Activities

Table 3 presents the cost of each of the District's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

The cost of all government activities this year was \$4,808,760.

Some of the costs were funded by operating grants and contributions \$2,074,711.

**Table 3
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Instruction	\$ 3,125,238	\$ 2,326,459	\$ 1,812,026	\$ 650,909
Instruction-Related Service	468,330	496,409	307,779	155,575
Pupil Services	303,875	245,853	129,940	60,911
Ancillary Services	152,606	158,075	76,900	57,004
General Administration	339,258	251,032	168,164	78,979
Plant Services	419,453	461,038	239,240	193,547
Other Outgo	-	10,114	-	10,114
TOTAL	\$ 4,808,760	\$ 3,948,980	\$ 2,734,049	\$ 1,207,039

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The overall financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$7,477,969 which is more than last year's ending fund balance of \$5,653,014 by \$1,824,955.

General Fund Budgetary Highlights

Over the course of the year, the District revised its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved on September 15, 2023. A schedule of the District's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the District had invested \$1,029,187 in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles. See Table 4. During the year the District invested in a Jeep Cherokee, VR welder, cutting machine and dishwasher. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table 4
Capital Assets

	Governmental Activities		Total Percentage
	2023	2022	Change 2023-2022
Land	\$ 101,961	\$ 101,961	0.00%
Buildings	2,980,436	2,980,436	0.00%
Improvements	583,811	583,811	0.00%
Machinery and Equipment	638,494	568,744	12.26%
Totals at Historical Cost	4,304,702	4,234,952	1.65%
Total Accumulated Depreciation	(3,275,515)	(3,177,620)	3.08%
NET CAPITAL ASSETS	\$ 1,029,187	\$ 1,057,332	

For the 2023-2024 fiscal year, the District anticipates spending \$166,777 for new fleet vehicles, \$138,000 on flooring \$144,816 for asbestos abatement, and \$115,000 on replacement heaters and coolers.

Pension Liabilities

Table 5
Net Pension Liability

	Proportionate Share of Net Pension Liability		Total Percentage
	2023	2022	Change 2023-2022
CalSTRS	\$ 1,488,384	\$ 983,866	51.28%
CalPERS	1,190,210	682,220	74.46%
TOTAL NET PENSION LIABILITY	\$ 2,678,594	\$ 1,666,086	

Other Long-Term Debt

At year end, the District had \$8,313 in Other Long-Term Debt, consisting of Compensated Absences, as shown in Table 6.

**Table 6
Other Long-Term Debt**

	<u>Governmental Activities</u>		<u>Total Percentage</u>
	<u>2023</u>	<u>2022</u>	<u>Change</u>
			<u>2023-2022</u>
Compensated Absences	8,313	12,429	-33.12%
TOTAL OTHER LONG-TERM DEBT	\$ 8,313	\$ 12,429	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- ❑ The continuing increases to all aspects of running the District including salaries, benefits, facilities and transportation, could have a significant effect on the future financial health of the District.
- ❑ Ongoing decreases in Enrollment and ADA will have a significant impact on the District's finances.
- ❑ The inevitable increases in pension contributions which will be needed to pay the unfunded Net Pension Liability will require careful planning and budgeting.
- ❑ Maintaining leadership at the management level in the District poses serious challenges.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Heather Von Ins, Business Manager
Fort Sage Unified School District
PO Box 35
Herlong, CA 96113
530-827-2129

Basic Financial Statements

FORT SAGE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

EXHIBIT A-1

	<u>Governmental Activities</u>
ASSETS:	
Cash in County Treasury	\$ 7,204,101
Cash on Hand and in Banks	8,369
Cash in Revolving Fund	13,007
Accounts Receivable	669,650
Stores Inventories	1,457
Capital Assets:	
Land	101,961
Land Improvements, Net	302,751
Buildings, Net	467,361
Equipment, Net	157,115
Total Assets	<u>8,925,772</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Outflows of Resources - Pensions	958,301
Total Deferred Outflows of Resources	<u>958,301</u>
LIABILITIES:	
Accounts Payable	202,546
Unearned Revenue	216,069
Noncurrent Liabilities:	
Net Pension Liability	2,678,594
Due in more than one year	8,313
Total Liabilities	<u>3,105,522</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred Inflows of Resources - Pensions	286,635
Total Deferred Inflows of Resources	<u>286,635</u>
NET POSITION:	
Net Investment in Capital Assets	1,029,188
Restricted For:	
Federal and State Programs	1,160,368
Capital Projects	51,584
Other Purposes	8,071
Unrestricted	4,242,705
Total Net Position	<u>\$ 6,491,916</u>

The accompanying notes are an integral part of this statement.

FORT SAGE UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

<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	\$ 3,125,238	\$ 1,313,212	\$ (1,812,026)
Instruction-Related Services	468,330	160,551	(307,779)
Pupil Services	303,875	173,935	(129,940)
Ancillary Services	152,606	75,706	(76,900)
General Administration	339,258	171,094	(168,164)
Plant Services	419,453	180,213	(239,240)
Total Governmental Activities	<u>4,808,760</u>	<u>2,074,711</u>	<u>(2,734,049)</u>
Total Primary Government	<u>\$ 4,808,760</u>	<u>\$ 2,074,711</u>	<u>(2,734,049)</u>
General Revenues:			
			3,309,306
LCFF Sources			58,133
Federal Revenues			513,702
State Revenues			695,511
Local Revenues			<u>4,576,652</u>
Total General Revenues			1,842,603
Change in Net Position			<u>4,649,313</u>
Net Position - Beginning			<u>\$ 6,491,916</u>
Net Position - Ending			

The accompanying notes are an integral part of this statement.

FORT SAGE UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2023

	General Fund	Charter School Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	\$ 3,951,962	\$ 3,227,274	\$ 24,865	\$ 7,204,101
Cash on Hand and in Banks	--	--	8,369	8,369
Cash in Revolving Fund	13,007	--	--	13,007
Accounts Receivable	508,251	128,554	32,845	669,650
Stores Inventories	--	--	1,457	1,457
Total Assets	<u>4,473,220</u>	<u>3,355,828</u>	<u>67,536</u>	<u>7,896,584</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	\$ 168,712	\$ 22,875	\$ 10,959	\$ 202,546
Unearned Revenue	164,216	51,853	--	216,069
Total Liabilities	<u>332,928</u>	<u>74,728</u>	<u>10,959</u>	<u>418,615</u>
Fund Balance:				
Nonspendable Fund Balances:				
Revolving Cash	13,007	--	--	13,007
Stores Inventories	--	--	1,457	1,457
Restricted Fund Balances	764,902	404,046	51,075	1,220,023
Assigned Fund Balances	316,868	2,877,055	4,045	3,197,968
Unassigned:				
Other Unassigned	3,045,515	(1)	--	3,045,514
Total Fund Balance	<u>4,140,292</u>	<u>3,281,100</u>	<u>56,577</u>	<u>7,477,969</u>
Total Liabilities and Fund Balances	<u>\$ 4,473,220</u>	<u>\$ 3,355,828</u>	<u>\$ 67,536</u>	<u>\$ 7,896,584</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, 2023

Total fund balances - governmental funds balance sheet	\$ 7,477,969
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.	1,029,188
Payables for compensated absences which are not due in the current period are not reported in the funds.	(8,313)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,678,594)
Deferred Resource Inflows related to the pension plans are not reported in the funds.	(286,635)
Deferred Resource Outflows related to the pension plans are not reported in the funds.	<u>958,301</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 6,491,916</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, 2023

	General Fund	Charter School Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 1,779,608	\$ 1,273,393	\$ --	\$ 3,053,001
Education Protection Account Funds	170,338	119,769	--	290,107
Local Sources	121,267	135,037	--	256,304
Federal Revenue	1,169,944	22,683	65,828	1,258,455
Other State Revenue	688,586	329,525	79,873	1,097,984
Other Local Revenue	579,798	111,164	4,549	695,511
Total Revenues	<u>4,509,541</u>	<u>1,991,571</u>	<u>150,250</u>	<u>6,651,362</u>
Expenditures:				
Current:				
Instruction	1,994,774	1,133,713	42,176	3,170,663
Instruction - Related Services	219,961	234,855	--	454,816
Pupil Services	157,158	340	135,838	293,336
Ancillary Services	142,463	--	3,505	145,968
General Administration	313,843	16,601	1,509	331,953
Plant Services	327,483	32,437	--	359,920
Capital Outlay	60,171	--	9,580	69,751
Total Expenditures	<u>3,215,853</u>	<u>1,417,946</u>	<u>192,608</u>	<u>4,826,407</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,293,688</u>	<u>573,625</u>	<u>(42,358)</u>	<u>1,824,955</u>
Other Financing Sources (Uses):				
Transfers In	15,497	--	15,000	30,497
Transfers Out	(15,000)	(15,497)	--	(30,497)
Total Other Financing Sources (Uses)	<u>497</u>	<u>(15,497)</u>	<u>15,000</u>	<u>--</u>
Net Change in Fund Balance	1,294,185	558,128	(27,358)	1,824,955
Fund Balance, July 1	2,846,107	2,722,972	83,935	5,653,014
Fund Balance, June 30	<u>\$ 4,140,292</u>	<u>\$ 3,281,100</u>	<u>\$ 56,577</u>	<u>\$ 7,477,969</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, 2023

Net change in fund balances - total governmental funds	\$ 1,824,955
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	69,750
The depreciation of capital assets used in governmental activities is not reported in the funds.	(97,896)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	4,116
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	(516,645)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>558,322</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,842,603</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, 2023

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. 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, 2023

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 the financial resources of the Charter School.

b. Measurement Focus, Basis of Accounting

Government-wide 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. The District does not consider revenues collected after its year-end to be available in the current period. 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 lease contracts and subscription-based information technology arrangements 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.

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.

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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>
Buildings	50
Building Improvements	20
Vehicles	3-15
Furniture and Equipment	5-10
Computer Equipment	3-15
Lease Assets	5
Subscription Assets	5

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.

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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.

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.

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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.

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
Valuation Date (VD) (PERS)	June 30, 2021
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

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.

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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. 94, Public-Private and Public-Private Partnerships and Availability Payment Arrangements

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-private partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in the Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in the Statement, an APA is an arrangement in which a government compensates an operator services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's)

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 99, Omnibus 2022

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments that do not meet the definition of either an investment or a hedge
- Guidance clarification for short-term leases when there is a modification of terms
- Considerations for public-private partnerships (PPP) terminology as well as recognizing installment payments and transferring underlying PPP assets
- Clarifications of subscription-based information technology arrangement (SBITA) terms, and liability measurement and recognition
- Disclosures related to nonmonetary transactions
- Certain provisions of GASB Statement No. 34
- Pledges of future revenues when resources are not received by the pledging government
- Terminology updates related to deferred inflows and outflows of resources and net position
- Resource flows statements terminology related to GASB Statement No. 53
- Accounting for SNAP distributions
- Requirements related to the extension of the use of LIBOR

The requirements of GASB Statement No. 99 that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for nonmonetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement 34, and terminology updates took effect upon issuance.

The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In the current fiscal year, the District did not implement any new standards from the Governmental Accounting Standards Board (GASB).

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

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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, 2023, expenditures exceeded appropriations in individual funds as follows:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund:	
Certificated Salaries	\$ 302,698
Classified Salaries	44,962
Employee Benefits	148,709
Charter School Fund:	
Certificated Salaries	40,180
Employee Benefits	108,663
Adult Education Fund:	
Employee Benefits	2,038
Books and Supplies	7,953
Services and other Operating Expenditures	6,225
Direct Support/Indirect Cost	1,166
Cafeteria Fund:	
Classified salaries	9,677
Employee Benefits	4,952
Books and Supplies	2,680

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

General fund: The District incurred unanticipated expenditures for certificated and classified salaries in addition to employee benefits.

Charter School fund: The District incurred unanticipated expenditures for certificated salaries in addition to employee benefits.

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

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

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 (\$193,282,761 as of June 30, 2023). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$7,204,101. 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, 2023) and in the revolving fund (\$13,007) 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.

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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.

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.

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

E. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 101,961	\$ --	\$ --	\$ 101,961
Capital assets being depreciated:				
Buildings	2,980,436		--	2,980,436
Improvements	583,811	--	--	583,811
Equipment	568,744	69,750	--	638,494
Total capital assets being depreciated	4,132,991	69,750	--	4,202,741
Less accumulated depreciation for:				
Buildings	(2,483,251)	(29,824)	--	(2,513,075)
Improvements	(257,984)	(23,076)	--	(281,060)
Equipment	(436,385)	(44,995)	--	(481,380)
Total accumulated depreciation	(3,177,620)	(97,895)	--	(3,275,515)
Total capital assets being depreciated, net	955,371	(28,145)	--	927,226
Governmental activities capital assets, net	\$ 1,057,332	\$ (28,145)	\$ --	\$ 1,029,187

Depreciation was charged to functions as follows:

Instruction	\$ 31,427
Instruction-Related Services	2,311
Pupil Services	2,302
Ancillary Services	8,501
Plant Services	53,354
	\$ 97,895

F. Interfund Balances and Activities

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2023, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Cafeteria Fund *	\$ 15,000	Supplement other funds sources 22-23 Oversight fee (1%)
Charter School Fund	General Fund	15,497	
	Total	\$ 30,497	

* - Other Governmental Funds

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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, 2023, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Compensated absences *	\$ 12,428	\$ --	\$ 4,115	\$ 8,313	\$ 8,313
Total governmental activities	\$ 12,428	\$ --	\$ 4,115	\$ 8,313	\$ 8,313

* 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, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 12,429	\$ --	\$ 12,429
Totals	\$ 12,429	\$ --	\$ 12,429

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, 2023

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.

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

The Plans' provisions and benefits in effect at June 30, 2023 are summarized as follows:

	CalSTRS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
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, 2023)	10.250%	10.205%
Required Employer Contribution Rates (at June 30, 2023)	19.100%	19.100%
Required State Contribution Rates (at June 30, 2023)	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.

	CalPERS	
	Before Jan. 1, 2013	On or After Jan. 1, 2013
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, 2023)	7.000%	8.000%
Required Employer Contribution Rates (at June 30, 2023)	25.370%	25.370%

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

c. Contributions

CalSTRS

For the fiscal year ended June 30, 2023 (measurement date June 30, 2022), 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 19.1% of creditable compensation for the fiscal year ended June 30, 2023. 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 0.5% annually, not to exceed 20.25% of creditable compensation.

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.

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

For the fiscal year ended June 30, 2023 (measurement date June 30, 2022) the employee contribution rate was 8.00% and the employer contribution rate was 25.370% of covered payroll.

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, 2023 (measurement date June 30, 2022) 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:

CalSTRS			
Year Ended June 30,	On Behalf Contribution Rate	On Behalf Contribution Amount	On Behalf Pension Expense
2021	10.328%	\$ 132,895	\$ 91,023
2022	10.828%	145,038	22,413
2023	10.800%	131,378	439,458

The State contributed an additional \$1.1 Billion to CalSTRS during the 2019-20 fiscal year and \$297 Million to CalSTRS during the 2021-22 fiscal year as a continuing settlement associated with SB90.

d. Contributions Recognized

For the fiscal year ended June 30, 2023 (measurement period June 30, 2022), the contributions recognized for each plan were:

	Fund Financial Statements (Current Financial Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
	Contributions - Employer	\$ 212,649	\$ 172,619
Contributions - State On Behalf Payments	131,378	--	131,378
Total Contributions	\$ 344,027	\$ 172,619	\$ 516,646

	Government-Wide Financial Statements (Economic Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
	Contributions - Employer	\$ 231,352	\$ 123,050
Contributions - State On Behalf Payments	145,038	--	145,038
Total Contributions	\$ 376,390	\$ 123,050	\$ 499,440

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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

As of June 30, 2023 (measured June 30, 2022), 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	\$ 1,488,384
CalPERS	1,190,210
Total Net Pension Liability	<u>\$ 2,678,594</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, 2022. The total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to measurement date June 30, 2022 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, 2022 and June 30, 2023 were as follows:

	CalSTRS			CalPERS
	District's Proportionate Share	State's Proportionate Share*	Total For District Employees	District's Proportionate Share
Proportion June 30, 2022	0.002162%	0.001400%	0.003562%	0.003355%
Proportion June 30, 2023	0.002142%	0.001306%	0.003448%	0.003459%
Change in Proportion	-0.000020%	-0.000094%	-0.000114%	0.000104%

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

a. Pension Expense

	CalSTRS	CalPERS	Total
State On Behalf Pension Expense	\$ 439,458	\$ --	\$ 439,458
Employer Contributions to Pension Expense	212,649	172,619	385,268
Change In:			
Net Pension Liability	504,518	507,990	1,012,508
Deferred Outflows of Resources	112,361	(473,838)	(361,477)
Deferred Inflows of Resources	(736,281)	17,329	(718,952)
Total Pension Expense - Governmental	<u>\$ 532,705</u>	<u>\$ 224,100</u>	<u>\$ 61,301,183</u>

b. Deferred Outflows and Inflows of Resources

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	\$ 231,352	\$ 172,619	\$ 403,971
Differences between actual and expected experience	925	4,332	5,257
Changes in assumptions	50,450	88,045	138,495
Change in employer's proportionate share	88,963	185,826	274,789
Net difference between projected and actual earnings	--	135,789	135,789
Total Deferred Outflows of Resources	<u>\$ 371,690</u>	<u>\$ 586,611</u>	<u>\$ 958,301</u>

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	\$ 110,387	\$ 29,580	\$ 139,967
Changes in assumptions	--	--	--
Change in employer's proportionate share	61,784	2,239	64,023
Net difference between projected and actual earnings	82,645	--	82,645
Total Deferred Inflows of Resources	\$ 254,816	\$ 31,819	\$ 286,635

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, 2024. 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	
2024	\$ 303,521	\$ 306,887	\$ (135,244)	\$ (12,605)	\$ 462,559
2025	32,608	119,110	(89,988)	(10,366)	51,364
2026	32,609	70,694	(114,442)	(8,848)	(19,987)
2027	2,952	89,920	105,506	--	198,378
2028	--	--	(15,526)	--	(15,526)
Thereafter	--	--	(5,122)	--	(5,122)
Total	\$ 371,690	\$ 586,611	\$ (254,816)	\$ (31,819)	\$ 671,666

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2023 were based on actuarial valuations were determined using the following actuarial assumptions:

Fiscal Year	CalSTRS	CalPERS
	June 30, 2023	June 30, 2023
Measurement Date	June 30, 2022	June 30, 2022
Valuation Date	June 30, 2021	June 30, 2021
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Experience Study Period	-3	-18
Actuarial Assumptions:		
Discount Rate	7.10%	6.90%
Inflation	2.75%	2.5%
Wage Growth	3.50%	(3)
Investment Rate of Return	7.00%	6.90%
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.

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

(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 6.90% 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.

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.

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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.

<u>CalSTRS</u>		
<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Public Equity	42.00%	4.75%
Private Equity	13.00%	6.25%
Real Estate	15.00%	3.55%
Inflation Sensitive	6.00%	3.25%
Fixed Income	12.00%	1.25%
Risk Mitigating Strategies	10.00%	1.75%
Cash/Liquidity	2.00%	-0.35%

* Real return is net of assumed 2.75% inflation

<u>CalPERS</u>			
<u>Asset Class(1)</u>	<u>Assumed Asset Allocation</u>	<u>Long Term Expected Real Rate of Return</u>	<u>1,2</u>
Global Equity - cap weighted	30.00%	4.54%	
Global Equity - non-cap weighted	12.00%	3.84%	
Private Equity	13.00%	7.28%	
Treasury	5.00%	0.27%	
Mortgage-backed Securities	5.00%	0.50%	
Investment Grade Corporates	10.00%	1.56%	
High Yield	5.00%	2.27%	
Emerging Market Debt	5.00%	2.48%	
Private Debt	5.00%	3.57%	
Real Assets	15.00%	3.21%	
Leverage	-5.00%	-0.59%	

(1) An expected inflation of 2.30% used for this period

(2) Figures are based on the 2021-22 Asset Liability Management study

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:

	<u>CalSTRS</u>	<u>CalPERS</u>
1% Decrease	6.10%	5.90%
Net Pension Liability	\$ 2,527,838	\$ 1,719,319
Current Discount Rate	7.10%	6.90%
Net Pension Liability	\$ 1,488,384	\$ 1,190,210
1% Increase	8.10%	7.90%
Net Pension Liability	\$ 625,335	\$ 752,921

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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, 2022 (Previously Reported)	\$ 12,673,620	\$ 11,052,653	\$ 1,620,967	\$ 637,101	\$ 983,866
Changes for the year:					
CalSTRS Auditor Adjustment	--	--	--	--	--
Change in Prop share	(405,613)	(353,735)	(51,878)	(42,777)	(9,101)
Service Cost	264,634	--	264,634	100,236	164,398
Interest	868,758	--	868,758	329,060	539,698
Differences between expected and actual experience	(57,685)	--	(57,685)	(21,849)	(35,836)
Change in assumptions	--	--	--	--	--
Change in benefits	2,414	--	2,414	914	1,500
Contributions:					
Employer	--	224,856	(224,856)	(85,169)	(139,687)
Employee	--	140,248	(140,248)	(53,122)	(87,126)
State On Behalf Payments	--	147,573	(147,573)	(55,896)	(91,677)
Net Investment Income	--	(254,817)	254,817	96,517	158,300
Other Income	--	4,489	(4,489)	(1,700)	(2,789)
Benefit Payments, including refunds of employee contributions	(604,320)	(604,320)	(0)	--	(0)
Administrative expenses	--	(6,590)	6,590	2,496	4,094
Borrowing Costs	--	(4,234)	4,234	1,604	2,630
Other Expenses	--	(184)	184	70	114
Net Changes	68,188	(706,713)	774,901	270,384	504,517
Balance at June 30, 2023	\$ 12,741,808	\$ 10,345,940	\$ 2,395,868	\$ 907,485	\$ 1,488,383

(1)-INCLUDES REFUNDS OF EMPLOYEE CONTRIBUTIONS

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

CalPERS - Governmental Activities

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2022 (Previously Reported)	\$ 3,585,069	\$ 2,902,849	\$ 682,220
Changes for the year:			
Change in Proportionate Share	111,132	89,984	21,148
Service Cost	85,967	--	85,967
Interest	257,205	--	257,205
Differences between expected and actual experience	(38,339)	--	(38,339)
Change in Assumptions	118,405	--	118,405
Contributions:			
Employer	--	123,040	(123,040)
Employee	--	38,196	(38,196)
Net Investment Income	--	(222,982)	222,982
Plan to Plan Resource Movement	--	--	--
Benefit Payments, including refunds of employee contributions	(183,284)	(183,284)	--
Administrative expenses	--	(1,857)	1,857
Other expenses	--	--	--
Net Changes	<u>351,086</u>	<u>(156,903)</u>	<u>507,989</u>
Balance at June 30, 2023	<u>\$ 3,936,155</u>	<u>\$ 2,745,946</u>	<u>\$ 1,190,209</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, 2023

K. Deferred Resources

As of June 30, 2023 Deferred Outflows of Resources consisted of:

	Balance 07/01/2022	Increases	Decreases	Balance 06/30/2023
Governmental Activities				
Pension Related				
CalSTRS	\$ 484,051	\$ 231,352	\$ 343,713	\$ 371,690
CalPERS	112,773	740,628	266,790	586,611
Total Governmental Activities	<u>596,824</u>	<u>971,980</u>	<u>610,503</u>	<u>958,301</u>
Total Deferred Outflows of Resources	<u>\$ 596,824</u>	<u>\$ 971,980</u>	<u>\$ 610,503</u>	<u>\$ 958,301</u>

Deferred Inflows of Resources

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

	Balance 07/01/2022	Increases	Decreases	Balance 06/30/2023
Governmental Activities				
Pension Related				
CalSTRS	\$ 991,097	\$ (583,140)	\$ 153,141	\$ 254,816
CalPERS	14,490	38,339	21,010	31,819
Total Governmental Activities	<u>1,005,587</u>	<u>(544,801)</u>	<u>174,151</u>	<u>286,635</u>
Total Deferred Inflows of Resources	<u>\$ 1,005,587</u>	<u>\$ (544,801)</u>	<u>\$ 174,151</u>	<u>\$ 286,635</u>

L. Subsequent Events

Subsequent events were evaluated through December 10, 2023, 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, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 1,191,289	\$ 1,202,650	\$ 1,779,608	\$ 576,958
Education Protection Account Funds	351,060	262,181	170,338	(91,843)
Local Sources	218,325	234,481	121,267	(113,214)
Federal Revenue	1,163,884	1,667,908	1,169,944	(497,964)
Other State Revenue	744,440	1,189,891	688,586	(501,305)
Other Local Revenue	175,277	267,261	579,798	312,537
Total Revenues	<u>3,844,275</u>	<u>4,824,372</u>	<u>4,509,541</u>	<u>(314,831)</u>
Expenditures:				
Current:				
Certificated Salaries	705,558	415,603	718,301	(302,698)
Classified Salaries	438,181	456,073	501,035	(44,962)
Employee Benefits	622,634	435,012	583,721	(148,709)
Books And Supplies	824,944	1,274,674	554,724	719,950
Services And Other Operating Expenditures	876,024	1,074,149	799,410	274,739
Direct Support/Indirect Costs	31,443	64,661	(1,509)	66,170
Capital Outlay	<u>53,005</u>	<u>106,010</u>	<u>60,171</u>	<u>45,839</u>
Total Expenditures	<u>3,551,789</u>	<u>3,826,182</u>	<u>3,215,853</u>	<u>610,329</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>292,486</u>	<u>998,190</u>	<u>1,293,688</u>	<u>295,498</u>
Other Financing Sources (Uses):				
Transfers In	15,497	21,241	15,497	(5,744)
Transfers Out	--	--	(15,000)	(15,000)
Other Sources	(138,138)	(276,276)	--	276,276
Total Other Financing Sources (Uses)	<u>(122,641)</u>	<u>(255,035)</u>	<u>497</u>	<u>255,532</u>
Net Change in Fund Balance	<u>169,845</u>	<u>743,155</u>	<u>1,294,185</u>	<u>551,030</u>
Fund Balance, July 1	<u>2,846,107</u>	<u>2,846,107</u>	<u>2,846,107</u>	<u>2,846,107</u>
Fund Balance, June 30	<u>\$ 3,015,952</u>	<u>\$ 3,589,262</u>	<u>\$ 4,140,292</u>	<u>\$ 3,397,137</u>

FORT SAGE UNIFIED SCHOOL DISTRICT

EXHIBIT B-2

CHARTER SCHOOL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	\$ 730,851	\$ 486,421	\$ 1,273,393	\$ 786,972
Education Protection Account Funds	390,427	400,432	119,769	(280,663)
Local Sources	121,423	132,050	135,037	2,987
Federal Revenue	35,691	35,691	22,683	(13,008)
Other State Revenue	262,261	398,216	329,525	(68,691)
Other Local Revenue	23,545	37,090	111,164	74,074
Total Revenues	<u>1,564,198</u>	<u>1,489,900</u>	<u>1,991,571</u>	<u>501,671</u>
Expenditures:				
Current:				
Certificated Salaries	549,369	514,714	554,894	(40,180)
Classified Salaries	195,449	213,557	199,310	14,247
Employee Benefits	354,534	290,529	399,192	(108,663)
Books And Supplies	198,124	269,907	76,121	193,786
Services And Other Operating Expenditures	325,549	405,817	188,429	217,388
Capital Outlay	40,000	50,000	--	50,000
Total Expenditures	<u>1,663,025</u>	<u>1,744,524</u>	<u>1,417,946</u>	<u>326,578</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(98,827)</u>	<u>(254,624)</u>	<u>573,625</u>	<u>828,249</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(12,100)</u>	<u>(14,447)</u>	<u>(15,497)</u>	<u>(1,050)</u>
Total Other Financing Sources (Uses)	<u>(12,100)</u>	<u>(14,447)</u>	<u>(15,497)</u>	<u>(1,050)</u>
Net Change in Fund Balance	(110,927)	(269,071)	558,128	827,199
Fund Balance, July 1	<u>2,722,972</u>	<u>2,722,972</u>	<u>2,722,972</u>	<u>2,722,972</u>
Fund Balance, June 30	<u>\$ 2,612,045</u>	<u>\$ 2,453,901</u>	<u>\$ 3,281,100</u>	<u>\$ 3,550,171</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 *

	Measurement Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
District's proportion of the net pension liability (asset)	0.0021%	0.0022%	0.0020%	0.0020%	0.0020%	0.0019%	0.0022%	0.0025%	0.0024%	
State's proportionate share of the net pension liability (asset)	0.0013%	0.0016%	0.0013%	0.0016%	0.0021%	0.0011%	0.0012%	0.0013%	0.0015%	
District Proportion of the net pension liability (asset)	\$ 1,488,384	\$ 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	907,483	710,368	1,302,458	1,426,537	1,969,996	1,061,549	1,009,851	890,315	847,523	
Total	\$ 2,395,867	\$ 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	\$ 1,367,329	\$ 1,270,019	\$ 1,236,795	\$ 1,087,629	\$ 1,216,999	\$ 1,022,019	\$ 1,084,399	\$ 1,147,759	\$ 1,055,467	
Plan fiduciary net position as a percentage of the total pension liability	108.85%	77.47%	157.42%	167.99%	173.09%	174.91%	162.82%	145.70%	131.88%	

* 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 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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Contractually required contribution	\$ 212,649	\$ 231,352	\$ 205,108	\$ 211,492	\$ 177,066	\$ 175,613	\$ 128,570	\$ 116,356	\$ 101,921	
Contributions in relation to the contractually required contribution	(212,649)	(231,352)	(205,108)	(211,492)	(177,066)	(175,613)	(128,570)	(116,356)	(101,921)	
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	
District's covered-employee payroll	\$ 1,113,346	\$ 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	19.10%	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 *

	Measurement Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
District's proportion of the net pension liability (asset)	0.0035%	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)	\$ 1,190,210	\$ 682,220	\$ 898,094	\$ 627,767	\$ 585,523	\$ 566,259	\$ 559,394	\$ 433,528	\$ 277,794	
District's covered-employee payroll	\$ 537,102	\$ 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	221.60%	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	69.76%	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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Contractually required contribution	\$ 172,619	\$ 123,050	\$ 99,724	\$ 83,881	\$ 54,448	\$ 45,469	\$ 42,312	\$ 40,634	\$ 38,500	
Contributions in relation to the contractually required contribution	(172,619)	(123,050)	(99,724)	(83,881)	(54,448)	(45,469)	(42,312)	(40,634)	(38,500)	
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	
District's covered-employee payroll	\$ 680,406	\$ 537,102	\$ 481,758	\$ 425,338	\$ 301,451	\$ 292,763	\$ 304,666	\$ 342,990	\$ 327,075	
Contributions as a percentage of covered-employee payroll	25.37%	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

ADULT EDUCATION FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2023

EXHIBIT D-1

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Other State Revenue	\$ 29,053	\$ 47,701	\$ 18,648
Total Revenues	<u>29,053</u>	<u>47,701</u>	<u>18,648</u>
Expenditures:			
Current:			
Certificated Salaries	25,000	25,000	--
Employee Benefits	6,337	8,375	(2,038)
Books And Supplies	(427)	7,526	(7,953)
Services And Other Operating Expenditures	(4,950)	1,275	(6,225)
Direct Support/Indirect Costs	343	1,509	(1,166)
Capital Outlay	19,160	9,580	9,580
Total Expenditures	<u>45,463</u>	<u>53,265</u>	<u>(7,802)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(16,410)</u>	<u>(5,564)</u>	<u>10,846</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balance	(16,410)	(5,564)	10,846
Fund Balance, July 1	10,080	10,080	10,080
Fund Balance, June 30	<u>\$ (6,330)</u>	<u>\$ 4,516</u>	<u>\$ 20,926</u>

FORT SAGE UNIFIED SCHOOL DISTRICT

CAFETERIA FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2023

EXHIBIT D-2

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal Revenue	\$ 90,000	\$ 65,828	\$ (24,172)
Other State Revenue	36,000	32,172	(3,828)
Other Local Revenue	--	77	77
Total Revenues	<u>126,000</u>	<u>98,077</u>	<u>(27,923)</u>
Expenditures:			
Current:			
Classified Salaries	42,313	51,990	(9,677)
Employee Benefits	12,189	17,141	(4,952)
Books And Supplies	55,200	57,880	(2,680)
Services And Other Operating Expenditures	19,250	8,827	10,423
Total Expenditures	<u>128,952</u>	<u>135,838</u>	<u>(6,886)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,952)</u>	<u>(37,761)</u>	<u>(34,809)</u>
Other Financing Sources (Uses):			
Transfers In	65,004	15,000	(50,004)
Total Other Financing Sources (Uses)	<u>65,004</u>	<u>15,000</u>	<u>(50,004)</u>
Net Change in Fund Balance	62,052	(22,761)	(84,813)
Fund Balance, July 1	62,706	62,706	62,706
Fund Balance, June 30	<u>\$ 654</u>	<u>\$ 39,945</u>	<u>\$ (22,107)</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.

FORT SAGE UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2023

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, Trustee Rep to CO.	4 Years Expiring on 12/07/24
Pam Auld	Vice President	4 Years Expiring on 12/07/24
Becky Hulsy	Clerk	2 Years Expiring on 12/07/24
Vacant	Member	2 Years Expiring on 12/07/24
Vacant	Member	2 Years Expiring on 12/07/24

Administration

Bryan Young - Superintendent

Heather Von Ins - Business Manager

FORT SAGE UNIFIED SCHOOL DISTRICT

TABLE E-1

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2023

Fort Sage Unified School District

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	22.10	22.10	22.26	22.26
TK/K-3 Totals	22.10	22.10	22.26	22.26
Grades 4-6:				
Regular ADA	15.83	15.83	14.99	14.99
Grades 4-6 Totals	15.83	15.83	14.99	14.99
Grades 7 and 8:				
Regular ADA	11.76	11.76	11.41	11.41
Grades 7 and 8 Totals	11.76	11.76	11.41	11.41
Grades 9-12:				
Regular ADA	32.23	32.23	30.45	30.45
Grades 9-12 Totals	32.23	32.23	30.45	30.45
ADA Totals	81.92	81.92	79.11	79.11

Mt Lassen Charter School

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA - Non-Classroom Based	35.19	35.19	34.67	34.67
TK/K-3 Totals	35.19	35.19	34.67	34.67
Grades 4-6:				
Regular ADA - Non-Classroom Based	28.23	28.23	29.09	29.09
Grades 4-6 Totals	28.23	28.23	29.09	29.09
Grades 7 and 8:				
Regular ADA - Non-Classroom Based	28.75	28.75	29.01	29.01
Grades 7 and 8 Totals	28.75	28.75	29.01	29.01
Grades 9-12:				
Regular ADA - Non-Classroom Based	43.46	43.46	44.89	44.89
	43.46	43.46	44.89	44.89
ADA Totals	135.63	135.63	137.66	137.66

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, 2023

TABLE E-2

Grade Level	Ed Code 46207 Minutes Requirement	2022-23 Actual Minutes	Traditional Calendar				Total Minutes Offered	Number of Actual Days	Number of Days Credited Form J-13A	Total Days Offered	Multitrack Calendar Days Offered	In Compliance with Instructional Days Provision
			Number of Minuted Credited Form J-13A	Number of Days Credited Form J-13A	Total Days Offered	Multitrack Calendar Days Offered						
Transitional Kindergarten	36,000	55,500	--	--	180	55,500	180	--	180	N/A	In Compliance	
Kindergarten	36,000	55,500	--	--	180	55,500	180	--	180	N/A	In Compliance	
Grade 1	50,400	55,500	--	--	180	55,500	180	--	180	N/A	In Compliance	
Grade 2	50,400	55,500	--	--	180	55,500	180	--	180	N/A	In Compliance	
Grade 3	50,400	55,500	--	--	180	55,500	180	--	180	N/A	In Compliance	
Grade 4	54,000	55,500	--	--	180	55,500	180	--	180	N/A	In Compliance	
Grade 5	54,000	55,500	--	--	180	55,500	180	--	180	N/A	In Compliance	
Grade 6	54,000	55,500	--	--	180	55,500	180	--	180	N/A	In Compliance	
Grade 7	54,000	54,500	--	--	180	54,500	180	--	180	N/A	In Compliance	
Grade 8	54,000	54,500	--	--	180	54,500	180	--	180	N/A	In Compliance	
Grade 9	64,800	65,234	--	--	180	65,234	180	--	180	N/A	In Compliance	
Grade 10	64,800	65,234	--	--	180	65,234	180	--	180	N/A	In Compliance	
Grade 11	64,800	65,234	--	--	180	65,234	180	--	180	N/A	In Compliance	
Grade 12	64,800	65,234	--	--	180	65,234	180	--	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 2022/2023 fiscal year, as well as approved J-13A days, as received by the District, which identified the number of closure days in 2022/2023.

FORT SAGE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2023

TABLE E-3

General Fund	Budget 2024 (see note 1)	2023	2022	2022
Revenues and other financial sources	\$ 3,509,382	\$ 4,509,541	\$ 2,820,856	\$ 2,808,267
Expenditures	3,523,011	3,215,853	2,717,153	2,613,161
Other uses and transfers out	(4,353)	(497)	17,562	--
Total outgo	<u>3,518,658</u>	<u>3,215,356</u>	<u>2,734,715</u>	<u>2,613,161</u>
Change in fund balance (deficit)	<u>(9,276)</u>	<u>1,294,185</u>	<u>86,141</u>	<u>195,106</u>
Ending fund balance	<u>\$ 4,131,016</u>	<u>\$ 4,140,292</u>	<u>\$ 2,846,107</u>	<u>\$ 2,759,074</u>
Available reserves (see note 2)	<u>\$ 3,042,692</u>	<u>\$ 3,045,514</u>	<u>\$ 917,937</u>	<u>\$ 1,948,392</u>
Available reserves as a percentage of total outgo	<u>86.5%</u>	<u>94.7%</u>	<u>33.6%</u>	<u>74.6%</u>
Total long-term debt	<u>\$ 2,686,907</u>	<u>\$ 2,686,907</u>	<u>\$ 1,666,086</u>	<u>\$ 2,861,265</u>
Average daily attendance at P-2	<u>85</u>	<u>122</u>	<u>211</u>	<u>252</u>

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 2024 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, 2023

TABLE E-4

	<u>General Fund</u>	<u>Deferred Maintenance Fund</u>
June 30, 2023, annual financial and budget report fund balances	\$ 4,044,955	\$ 8,515
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
To Accrue Revenue	239,539	
Cash in County Treasury Fair Market Value Adjustment	(186,752)	
To adjust revolving fund balance to actual	(17,573)	
* Reclassification for financial statement presentation	60,123	(8,515)
Net adjustments and reclassifications	<u>95,337</u>	<u>(8,515)</u>
June 30, 2023, audited financial statement fund balances	<u>\$ 4,140,292</u>	<u>\$ --</u>
	<u>Capital Facilities Fund</u>	<u>Special Reserve for Capital Outlay Fund</u>
June 30, 2023, annual financial and budget report fund balance	\$ 51,604	\$ 4
Adjustments and reclassifications:		
Increase (decrease) in fund balance:		
* Reclassification for financial statement presentation	(51,604)	(4)
Net adjustments and reclassifications	<u>(51,604)</u>	<u>(4)</u>
June 30, 2023, audited financial statement fund balances	<u>\$ --</u>	<u>\$ --</u>
	<u>Student Body Fund</u>	<u>Charter School Fund</u>
June 30, 2023, annual financial and budget report fund balance	\$ 25,052	\$ 2,859,752
Adjustments and reclassifications:		
Increase (decrease) in fund balance:		
Prior Year Audit Adjustment not posted	(16,981)	
Cash in County Treasury Fair Market Value Adjustment		(154,874)
Net adjustments and reclassifications	<u>(16,981)</u>	<u>(154,874)</u>
June 30, 2023, audited financial statement fund balances	<u>\$ 8,071</u>	<u>\$ 2,704,878</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, 2023

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

FORT SAGE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

TABLE E-6
Page 1 of 2

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U.S. Department of Agriculture</u>				
Passed Through State Department of Education:				
National School Lunch Program	10.555	13,391	\$ --	\$ 58,133
National School Lunch Program	10.555	15,665	--	7,695
Total Passed Through State Department of Education			--	65,828
Total U.S. Department of Agriculture			--	65,828
Total Child Nutrition Cluster			--	65,828
FISH AND WILDLIFE CLUSTER:				
<u>Department of the Interior</u>				
Direct Program:				
Wildlife Restoration and Basic Hunter Education	15.611	--	--	4,539
Total Department of the Interior			--	4,539
Total Fish and Wildlife Cluster			--	4,539
FOREST SERVICE SCHOOLS AND ROADS CLUSTER:				
<u>U.S. Department of Agriculture</u>				
Passed Through Modoc and Siskiyou Counties:				
School and Roads	10.665	--	--	23,216
Total U.S. Department of Agriculture			--	23,216
Total Forest Service Schools and Roads Cluster			--	23,216
OTHER PROGRAMS:				
<u>U.S. Department of Education</u>				
Passed Through State Department of Education:				
Title 1 Grants to Local Educational Agencies	84.010	14,329	--	92,904
Title 1 Grants to Local Educational Agencies	84.010	15,438	--	827,778
Career and Technical Education	84.048	14,894	--	3,102
Supporting Effective Instruction State Grant	84.367	14,341	--	13,772
Grant for State Assessments and Related Activities	84.369	14,501	--	19,379
Student Support and Academic Enrichment Program	84.424	15,396	--	2,500
Total Passed Through State Department of Education			--	959,435
Total U.S. Department of Education			--	959,435

FORT SAGE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal ALN Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
ESSER III	84.425	15,559	--	92,525
GEER: Learning Loss Mitigation	84.425C	15,517	--	5,999
Expanded Learning Opportunities Grant: GEER II	84.425C	15,619	--	7,445
ESSER II State Reserve	84.425D	15,618	--	28,028
ESSER III: Learning Loss	84.425U	10,155	--	49,701
ESSER III State Reserve, Emergency Needs	84.425U	15,620	--	21,146
ESSER III State Reserve, Learning Loss	84.425U	15,621	--	593
Total Passed Through State Department of Education			--	205,437
Total U. S. Department of Education			--	205,437
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 1,258,455

The accompanying notes are an integral part of this schedule.

FORT SAGE UNIFIED SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Fort Sage Unified School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Fort Sage Unified School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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, 2023, 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 10, 2023.

Report on 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) basis for designing 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 item 2023-001 and 2023-002 to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2023-003 to be significant deficiency.

Susanville:

1740 Main Street, Suite A, Susanville, CA 96130
530.257.1040 Fax: 530.257.8876

sa@sa-cpas.com
www.sa-cpas.com

Chester:

PO Box 795, Chester, CA 96020
530.258.2272 Fax: 530.258.2282

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. See Finding 2023-004.

Fort Sage Unified School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express an opinion on the response.

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 10, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Fort Sage Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Singleton Auman PC", with a stylized flourish at the end.

SingletonAuman PC

Susanville, CA
December 10, 2023

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 (District) compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, as prescribed in Title 5, California Code of Regulations, section 19810, issued by the Education Audit Appeals Panel, applicable to the District's state program requirements identified below for the year ended June 30, 2023.

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, 2023.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the Education Audit Appeals Panel, 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 *2022-23 Guide for Annual*

Susanville:

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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 *2022-23 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 *2022-23 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:

**LOCAL EDUCATION AGENCIES
OTHER THAN CHARTER SCHOOLS:**

A. Attendance	Yes
B. Teacher Certification and Misassignments	Yes
C. Kindergarten Continuance	Yes
D. Independent Study	Yes
E. Continuation Education	N/A
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
TT. Home to School Transportation Reimbursement	N/A
UU. Independent Study Certification for ADA Loss Mitigation	Yes

**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	N/A
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	Yes
Z. Immunizations	Yes
AZ. Educator Effectiveness	Yes
BZ. Expanded Learning Opportunities Grant (ELO-G)	Yes
CZ. Career Technical Education Incentive Grant	Yes
EZ. Transitional Kindergarten	Yes

CHARTER SCHOOLS:

AA. Attendance	Yes
BB. Mode of Instruction	N/A
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

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, 2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting prescribed in the Title 5, California Code of Regulations, Section 19810 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-004.

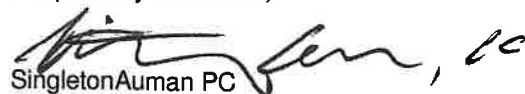
Fort Sage Unified School District's Response to Findings

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 2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, as prescribed in Title 5, California Code of Regulations Section 19810. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,


SingletonAuman PC

Susanville, CA
December 10, 2023

Findings and Recommendations Section

FORT SAGE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

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? X Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Version of compliance supplement used in audit: May 2023

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I: ESSA School Improvement Funding for LEA's

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

FORT SAGE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

3. 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? X Yes No

Type of auditor's report issued on compliance for state programs: Unmodified

FORT SAGE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

B. Yellow Book/Financial Statement Findings

Internal Control - Material Weakness

Finding 2023-001 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, 2023

B. Yellow Book/Financial Statement Findings (Continued)

Internal Control - Material Weakness

Finding 2023-002 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, 2023

B. Yellow Book/Financial Statement Findings (Continued)

Internal Control - Significant Deficiency

Finding 2023-003 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 did not have a signature for receipt of goods or services.

Amount of Questioned Costs, How Computed and Prevalence

Deficiencies noted in 7 of 10 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, 2023

C. State Awards Findings and Questioned Costs (Continued)

State Compliance - Significant Deficiency

Finding 2023-004 Immunization-Attendance (CDDC#10000)

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 vaccinations.

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

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

Amount of Questioned Costs, How Computed and Prevalence

Eight of 16 students tested did not have adequate vaccinations. Two of these students were reported under Program B and no associated ADA.

<u>Grade</u>	<u>Disallowed ADA</u>	<u>Derived Value of ADA by Grade:</u>
K-1	0.26	\$3,196
7-8	1.09	12,683
Total	1.35	\$15,879

This amount of questions cost of \$15,879 was computed using the CDE Derived Value of ADA by Grade Span for School District.

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, 2023

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<u>Finding 2022-001</u> Lack of Segregation of Duties	Not Implemented.	See current year finding 2023-001
<u>Finding 2022-002</u> Incomplete Financial Reporting	Not Implemented.	See current year finding 2023-002
<u>Finding 2022-003</u> Internal Control of Student Body Funds	Not Implemented	See current year finding 2023-003
<u>Finding 2022-004</u> Immunization-Attendance	Not Implemented	See current year finding 2023-004

FORT SAGE UNIFIED SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2023

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

Finding 2023-001 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 2023-002 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.

FORT SAGE UNIFIED SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2023

Finding 2023-003 Internal Control of Student Body Funds (CDDC#30000)

Finding (Condition)

In our testing of the School Student Body cash receipts and disbursements, we noted some significant deficiencies. This finding is repeated from 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 did not have a signature for receipt of goods or services.

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 2023-004 Immunization-Attendance(CDDC#10000)

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

The District will be implementing procedures to ensure it meets the immunization requirements.

Expected Completion Date

Ongoing.