

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**COUNTY OF HUMBOLDT  
EUREKA, CALIFORNIA**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

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# CUTTEN ELEMENTARY SCHOOL DISTRICT

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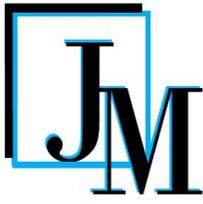
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**James Marta & Company LLP**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting and Tax*

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Cutten Elementary School District  
Eureka, California

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

#### ***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cutten Elementary School District (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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

## ***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 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.

### ***Other Matters***

#### ***Change in Accounting Principle***

As described in Note 1Y to the financial statements, the District adopted GASB Statement No. 101, Compensated Absences which required a restatement of net position as of July 1, 2024. Our opinion is not modified with respect to this matter.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual - General Fund, Schedule of Changes in District's Net OPEB Liability and Related Ratios, Schedule of Proportionate Share of Net Pension Liability and Schedule of Pension Contributions, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the

methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The *supplementary information as listed in the table of contents* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *supplementary information* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *supplementary information* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

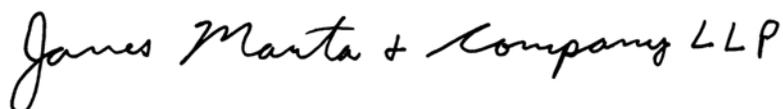
### ***Other Information***

Management is responsible for the other information included in the financial statements. The other information comprises the Organization page but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2025, on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering District's internal control over financial reporting and compliance.



James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
December 12, 2025

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2025**

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**Introduction**

The Management Discussion and Analysis section is management's view of the district's financial condition and provides an opportunity to discuss important fiscal issues with the Governing Board and the public.

**The Cutten School District**

The District serves the residents of the Cutten community in Humboldt County, just outside the southern boundary of the City of Eureka. District enrollment 551 students for the 2024-2025 school year. Two schools serve the Cutten School District. Kindergarten through second grade students attend Ridgewood Elementary School. Third grade through sixth grade students attend Cutten Elementary School.

**The District Mission Statement**

The Cutten School District, in partnership with our community, provides students with the academic and social skills necessary to become contributing members of a global community. We do this by creating a joyful, student-centered, and orderly learning environment rich in the arts and sciences, where everyone knows they are respected members of the “Cutten-Ridgewood Family”.

**Overview of the Financial Statements**

The audit report consists of multiple parts: the Independent Auditor's Report on Financial Statements, the Management Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, Supplemental Information, Other Independent Auditor Reports, and Audit Findings and Questioned Costs. The Basic Financial Statements section provides overall financial information about District operations through several detailed reports. The Government-wide statements reflect the District's overall financial status. The Governmental Funds statements tell how basic services, like regular and special education, were financed as well as what remains for future spending.

The Required Supplementary Information section contains comparison schedules and statements for General and Special Reserve Funds.

The Other Independent Auditor Reports section includes data regarding internal controls and state compliance.

The Findings and Questioned Costs section details the specific areas that resulted in audit findings needing corrective action for all financial statements and all applicable state/federal programs for the current year as well as the prior year.

**Financial Reports**

Two financial reports, the Statement of Net position and Statement of Activities, reflect district-wide financial condition and activities. In contrast, the individual fund statements focus on reporting the district's operations in more detail. The fund financial statements look at the District's major funds with all other non-major funds presented in total in one column. The major funds for the District are:

- General Fund
- Building Fund

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2025**

**Statement of Net position**

Displayed below is the value of all assets, including buildings, land, and equipment. Depreciation is included. Land is accounted for at purchase value, not market value, and is not depreciated. The valuation of school buildings is based on historical costs. The table below summarizes the value of district assets. This chart reflects accounting entries showing the district's proportionate share of CalSTRS' and CalPERS' net pension liability which is reported and adjusted annually based on actuarial computations (noncurrent obligations). It also shows the amount paid in the year ended June 30, 2024 and 2025 for the employer portion of the STRS and PERS contributions (deferred outflow) and the pension-related net difference between projected and actual earnings on pension plan investments amortized over five years (deferred inflow).

**Condensed Statement of Net Position**

	June 30, 2025	June 30, 2024	Change	Percentage Change
<b>Assets</b>				
Current assets	\$ 13,255,925	\$ 10,424,829	\$ 2,831,096	27.16%
Right of Use - Lease Assets	11,018	19,831	(8,813)	-44.44%
Capital assets	6,465,138	6,392,920	72,218	1.13%
Total assets	<u>19,732,081</u>	<u>16,837,580</u>	<u>2,894,501</u>	<u>17.19%</u>
<b>Deferred Outflows of Resources</b>				
	<u>4,629,786</u>	<u>3,236,384</u>	<u>1,393,402</u>	<u>43.05%</u>
<b>Deferred Inflows of Resources</b>				
	<u>2,746,540</u>	<u>2,220,500</u>	<u>526,040</u>	<u>23.69%</u>
<b>Net Position</b>				
Invested in capital assets	52,293	2,637,654	(2,585,361)	-98.02%
Restricted	3,913,684	2,520,025	1,393,659	55.30%
Unrestricted	2,760,003	513,798	2,246,205	437.18%
Total net position	<u>\$ 6,725,980</u>	<u>\$ 5,671,477</u>	<u>\$ 1,054,503</u>	<u>18.59%</u>

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2025**

**Statement of Activities**

Net position is the difference between all our assets (buildings, equipment, etc.) less liabilities (depreciation, loans). Total revenues exceeded total expenditures for the year which increased net position by \$1,054,503. This was due mainly to increased revenues compared to last year. The Program Revenue increased due to the addition of one-time funds in ELOP, Educator Effectiveness, and ELA, Math, Arts grant. The following table summarizes the changes to net position for the 2024-2025 and the 2023-2024 fiscal years.

**Condensed Statement of Activities for the Fiscal Years Ended June 30**

	2025	2024	Change	Percentage Change
<b>Revenues</b>				
Charges for services	\$ 55,284	\$ 662	\$ 54,622	8251.1%
Operating grants and contributions	2,264,890	3,390,865	(1,125,975)	-33.2%
Capital grants and contributions	49	91	(42)	100.0%
Taxes levied for general purposes	1,340,298	1,310,324	29,974	2.3%
Taxes levied for debt services	147,224	149,874	(2,650)	-1.8%
Federal and state aid not restricted for specific purposes	5,230,785	5,503,905	(273,120)	-5.0%
Interest and investment earnings	337,216	378,553	(41,337)	-10.9%
Miscellaneous	165,810	159,260	6,550	4.1%
Interagency revenues	2,877	-	2,877	N/A
Total revenues	<u>9,544,433</u>	<u>10,893,534</u>	<u>(1,349,101)</u>	<u>-12.4%</u>
<b>Expenses</b>				
Instruction	4,671,896	5,320,129	(648,233)	-12.2%
Instruction related services	687,630	748,313	(60,683)	-8.1%
Pupil services	944,082	762,665	181,417	23.8%
General administration	442,859	478,506	(35,647)	-7.4%
Plant services	803,141	805,330	(2,189)	-0.3%
Ancillary services	480	315	165	52.4%
Community services	124,411	117,008	7,403	6.3%
Interest on long-term debt	335,664	259,329	76,335	29.4%
Other outgo	479,767	380,880	98,887	26.0%
Total expenses	<u>8,489,930</u>	<u>8,872,475</u>	<u>(382,545)</u>	<u>-4.3%</u>
Change in net position	<u>\$ 1,054,503</u>	<u>\$ 2,021,059</u>	<u>\$ (966,556)</u>	<u>-47.8%</u>

**Cutten School District Revenue 2024-25**

District revenues were received from four major sources as follows: Federal & State Aid Unrestricted 50.5%, Property Taxes 13.4%, and Program Revenues 31%.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**JUNE 30, 2025**

**Cutten School District Expenses 2024-2025**

The total cost of programs and services was \$8,489,930. The District expenses are predominately related to the instruction of students 55%. Administrative activities of the District accounted for 5% of total costs. The balance of expenses is made up as follows: Pupil Services 11%, Plant Services 9.5%, Community Services 1% and Debt Service 4%.

**Financial Highlights**

The State requires 4% of total General Fund expenditures, Transfers Out and Uses as a reserve. Cutten School District will have a reserve balance of \$6,381,722 or 71.4% for the beginning of the 2024-2025 school year.

**General Fund Budgetary Highlights**

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revised its annual operating budget at various times to reflect the most current financial information available. The major changes included:

- Budget revisions to the adopted budget required after approval of the State budget.
- Budget revisions to reflect changes in staffing.
- Budget revisions to adjust program revenues and expenditures to final awards.

Summarized budget and actual information for the general fund is as follows:

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable Unfavorable</u>
Revenues	\$ 8,202,810	\$ 8,347,735	\$ 8,886,053	\$ 538,318
Expenditures	9,129,019	9,981,039	8,935,021	(1,046,018)
Net change in fund balance	(926,209)	(1,633,304)	(48,968)	1,584,336
Fund balances, July 1, 2024	9,382,545	9,382,545	9,382,545	-
Fund balances, June 30, 2025	<u>\$ 8,456,336</u>	<u>\$ 7,749,241</u>	<u>\$ 9,333,577</u>	<u>\$ 1,584,336</u>

**Economic Factors Impacting the District's Future**

The latest forecast for the 2024-2025 State Budget is moderately optimistic. District Average Daily Attendance (ADA) increased slightly for the 2024-2025 school year. The current state educational funding and the economic outlook will certainly impact the District General Fund; however, the extent of the impact is unknown at this time. For 2024-2025, the health & welfare cap remained at \$18,000 with a pro-rated amount being paid to covered employees. Also, employees continue to progress on the salary schedules and higher pension contributions are being required, resulting in increased demand on revenues. The District may need to be prepared to adjust staffing and future spending.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2025**

**Financial Condition of General Fund**

Despite the uncertain economic situation for the State, the District continues to maintain a solid financial condition. District reserves remain above required levels. New Building funds have been secured for new additional buildings at Ridgewood. This strong financial condition is a result of effective district policies and procedures, good fiscal management by staff, and decision making based on long-term impact.

Summarized individual fund information is as follows:

	<u>2025</u>	<u>2024</u>	Increase (Decrease)
General Fund	\$ 9,333,577	\$ 9,382,545	\$ (48,968)
Building Fund	2,379,579	176,080	2,203,499
Non-Major Funds	531,519	406,547	124,972
Total	<u>\$ 12,244,675</u>	<u>\$ 9,965,172</u>	<u>\$ 2,279,503</u>

**District Indebtedness**

As of June 30, 2025, the District has incurred \$13,783,701 of noncurrent obligations as shown in the table below. This is an increase from June 30, 2024, due to scheduled payments and an increase in the District's portion of the State-wide pension liability.

	<u>2025</u>	<u>2024</u>	Percent
General Obligation Bond	\$ 6,298,286	\$ 3,803,286	66%
CA Energy Commission Loan	113,295	125,221	-10%
Lease Liability	12,282	21,967	-44%
Net OPEB Liability	912,646	932,631	-2%
Net Pension Liability	5,509,698	5,979,620	-8%
Compensated Absences Payable	937,494	798,003	17%
Total	<u>\$ 13,783,701</u>	<u>\$ 11,660,728</u>	<u>18%</u>

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2025**

**District Capital Assets**

As of June 30, 2025, the District had net capital assets of \$6,465,138 as shown in the table below. This is an increase from June 30, 2024, due to the purchase of equipment and real estate, and the modernization building projects on both campuses.

Capital Assets:	<u>2025</u>	<u>2024</u>	<u>Percent</u>
Land	\$ 47,000	\$ 47,000	0%
Work-In-Progress	5,272,258	5,156,912	2%
Buildings	2,853,164	2,793,553	2%
Improvement of sites	337,383	337,383	0%
Equipment	787,603	780,000	1%
Subtotals	9,297,408	9,114,848	2%
Less: Accumulated Depreciation	<u>(2,832,270)</u>	<u>(2,721,928)</u>	4%
Capital Assets, net	<u>\$ 6,465,138</u>	<u>\$ 6,392,920</u>	<u>1%</u>
Lease Assets:	<u>2025</u>	<u>2024</u>	<u>Percent</u>
Equipments	\$ 44,067	\$ 44,067	0%
Less: Accumulated Amortization	<u>(33,049)</u>	<u>(24,236)</u>	36%
Lease Assets, net	<u>\$ 11,018</u>	<u>\$ 19,831</u>	<u>36%</u>

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and to show District accountability for the money it receives.

If you have questions regarding this report or need additional financial information, contact the Superintendent, Becky MacQuarrie, or the Business Manager, Vanesa Carillo-Salas, Cutten School District, 4182 Walnut Drive, Eureka, California 95503.

## **BASIC FINANCIAL STATEMENTS**

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**JUNE 30, 2025**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents (Note 2)	\$ 12,624,360
Receivables	626,114
Stores inventory	5,451
Right of Use - Lease Assets, net of accumulated amortization (Note 4)	11,018
Capital assets, net of accumulated depreciation (Note 4)	6,465,138
Total Assets	19,732,081
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows on pensions (Note 6)	4,577,483
Deferred outflows on OPEB (Note 7)	52,303
Total Deferred Outflows	4,629,786
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	1,013,914
Unearned revenue	91,732
Long-term liabilities (Note 5):	
Due within one year	36,678
Due in more than one year	13,747,023
Total Liabilities	14,889,347
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred bond premium revenue	388,363
Deferred inflows on pensions (Note 6)	1,951,482
Deferred inflows on OPEB (Note 7)	406,695
Total Deferred Inflows	2,746,540
<b>NET POSITION</b>	
Net investment in capital assets	52,293
Restricted	3,913,684
Unrestricted	2,760,003
Total Net Position	\$ 6,725,980

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

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental Activities					
Instruction	\$ 4,671,896	\$ 34,847	\$ 1,271,158	\$ 49	\$ (3,365,842)
Instruction-related services:					
Instructional supervision and administration	200,988	4,624	19,981	-	(176,383)
Instructional library, media and technology	115,742	-	-	-	(115,742)
School site administration	370,900	-	22,302	-	(348,598)
Pupil Services:					
Home-to-school transportation	127,074	-	240	-	(126,834)
Food services	434,013	758	462,171	-	28,916
All other pupil services	382,995	-	87,987	-	(295,008)
General administration:					
Centralized data processing	16,982	-	-	-	(16,982)
All other general administration	425,877	-	14,302	-	(411,575)
Plant services	803,141	15,055	62,730	-	(725,356)
Ancillary services	480	-	-	-	(480)
Community services	124,411	-	166,999	-	42,588
Interest on long-term debt	335,664	-	-	-	(335,664)
Other outgo	479,767	-	157,020	-	(322,747)
Total governmental activities	<u>\$ 8,489,930</u>	<u>\$ 55,284</u>	<u>\$ 2,264,890</u>	<u>\$ 49</u>	<u>(6,169,707)</u>
General Revenues					
Taxes and subventions:					
Taxes levied for general purposes					1,340,298
Taxes levied for debt service					147,224
Federal and state aid not restricted to specific purposes					5,230,785
Interest and investment earnings					337,216
Interagency revenues					2,877
Miscellaneous					165,810
Total General Revenues					<u>7,224,210</u>
					Change in Net Position 1,054,503
					Net Position, July 1, 2024, as originally stated 6,447,501
					Change in accounting principle (Note 1Y) (776,024)
					Net Position, July 1, 2024 - as restated 5,671,477
					Net Position, June 30, 2025 \$ 6,725,980

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2025**

	<b>General Fund</b>	<b>Building Fund</b>	<b>All Non-Major Funds</b>	<b>Totals</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,834,206	\$ 2,361,783	\$ 428,371	\$ 12,624,360
Accounts receivable	500,719	17,796	107,599	626,114
Stores inventory	-	-	5,451	5,451
Total Assets	<u>\$ 10,334,925</u>	<u>\$ 2,379,579</u>	<u>\$ 541,421</u>	<u>\$ 13,255,925</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 909,616	\$ -	\$ 9,902	\$ 919,518
Unearned revenue	91,732	-	-	91,732
Total Liabilities	<u>1,001,348</u>	<u>-</u>	<u>9,902</u>	<u>1,011,250</u>
Fund balances				
Nonspendable	2,500	-	5,451	7,951
Restricted	1,277,701	2,379,579	256,404	3,913,684
Committed	-	-	182,848	182,848
Assigned	1,654,730	-	86,816	1,741,546
Unassigned	6,398,646	-	-	6,398,646
Total Fund Balances	<u>9,333,577</u>	<u>2,379,579</u>	<u>531,519</u>	<u>12,244,675</u>
Total liabilities and fund balances	<u>\$ 10,334,925</u>	<u>\$ 2,379,579</u>	<u>\$ 541,421</u>	<u>\$ 13,255,925</u>

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2025**

Total fund balances - governmental funds \$ 12,244,675

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

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

Capital assets at historical cost	\$ 9,297,408	
Accumulated depreciation	(2,832,270)	
Lease assets relating to governmental activities, at historical costs:	44,067	
Accumulated amortization:	<u>(33,049)</u>	
Net		6,476,156

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. (94,396)

Unamortized premiums and discounts: In governmental funds, bond premiums are recognized as revenues in the period they are received while bond discounts are recognized as expenditures in the period they are incurred. In the government-wide statements, premiums and discounts are amortized over the life of the debt.

(388,363)

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

Net pension liabilities	\$ 5,509,698	
General obligation bonds	6,298,286	
Leases payable	12,282	
California Clean Energy Commission Loan	113,295	
Net OPEB liability	912,646	
Compensated absences payable	<u>937,494</u>	
		(13,783,701)

Deferred outflows and inflows of resources relating to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.

Deferred outflows of resources relating to OPEB	52,303
Deferred inflows of resources relating to OPEB	(406,695)

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

Deferred outflows of resources relating to pensions	4,577,483
Deferred inflows of resources relating to pensions	<u>(1,951,482)</u>

Total net position - governmental activities \$ 6,725,980

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2025**

	<b>General Fund</b>	<b>Building Fund</b>	<b>All Non-Major Funds</b>	<b>Totals</b>
<b>REVENUES</b>				
LCFF sources	\$ 6,419,452	\$ -	\$ -	\$ 6,419,452
Federal revenue	319,227	-	199,313	518,540
Other state revenues	1,216,792	-	227,951	1,444,743
Other local revenues	930,582	25,654	205,462	1,161,698
Total revenues	<u>8,886,053</u>	<u>25,654</u>	<u>632,726</u>	<u>9,544,433</u>
<b>EXPENDITURES</b>				
Certificated salaries	3,431,292	-	-	3,431,292
Classified salaries	1,353,167	-	111,075	1,464,242
Employee benefits	2,387,504	-	71,515	2,459,019
Books and supplies	337,404	-	243,680	581,084
Services and other operating expenditures	830,260	308,866	2,219	1,141,345
Capital outlay	103,701	13,289	-	116,990
Other outgo	479,767	-	(1,991)	477,776
Debt service expenditures				
Principal	11,926	-	5,000	16,926
Interest	-	-	148,994	148,994
Total expenditures	<u>8,935,021</u>	<u>322,155</u>	<u>580,492</u>	<u>9,837,668</u>
Excess (deficiency) of revenues over expenditures	<u>(48,968)</u>	<u>(296,501)</u>	<u>52,234</u>	<u>(293,235)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bond proceeds	-	2,500,000	-	2,500,000
Other sources	-	-	118,376	118,376
Other uses	-	-	(45,638)	(45,638)
Total other financing sources (uses)	<u>-</u>	<u>2,500,000</u>	<u>72,738</u>	<u>2,572,738</u>
Net change in fund balances	<u>(48,968)</u>	<u>2,203,499</u>	<u>124,972</u>	<u>2,279,503</u>
Fund balances, July 1, 2024	<u>9,382,545</u>	<u>176,080</u>	<u>406,547</u>	<u>9,965,172</u>
Fund balances, June 30, 2025	<u><u>\$ 9,333,577</u></u>	<u><u>\$ 2,379,579</u></u>	<u><u>\$ 531,519</u></u>	<u><u>\$ 12,244,675</u></u>

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES**

**JUNE 30, 2025**

Total net change in fund balances - governmental funds \$ 2,279,503

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

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

Expenditures for capital outlay	\$ 182,560	
Depreciation expense	(110,342)	
Amortization expense	<u>(8,813)</u>	63,405

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 26,111

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were: (2,500,000)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: (182,804)

Other postemployment benefits (OPEB): In governmental funds, OPEB expenses are recognized when employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: (46,716)

Pensions: In government funds, pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: 1,510,350

Compensated absences in governmental funds are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: (106,365)

Amortization of debt issue premium or discount: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. 11,019

Total change in net position - governmental activities \$ 1,054,503

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. ACCOUNTING POLICIES**

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to 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).

**B. REPORTING ENTITY**

The District has no oversight responsibility over any other governmental unit and is not included in any other governmental "reporting entity" as defined in Governmental Accounting Standards Board pronouncements, since the Board of Trustees of the District is elected by the public and has decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. There are no component units included within the reporting entity.

**C. BASIS OF PRESENTATION**

Government-wide Financial Statements

The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the District and its component units. The effect of interfund activity, within the governmental activities, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities.

Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are displayed in separate columns. Fiduciary funds are reported by fund type.

## CUTTEN ELEMENTARY SCHOOL DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2025

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#### D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

##### Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

##### Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

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**E. FUND ACCOUNTING**

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, non-major, and fiduciary funds as shown below:

Governmental Funds

Major Funds

The **General Fund** is the chief operating fund for all LEAs. It is used to account for the ordinary operations of an LEA. All transactions except those accounted for in another fund are accounted for in this fund. The General Fund as reported includes the Special Reserve Fund for Other than Capital Outlay Projects and Special Reserve Fund for Postemployment Benefits.

The **Special Reserve Fund for Other Than Capital Outlay Projects** is used to provide for the accumulation of general fund moneys for general operating purposes other than for capital outlay. This fund is included within the General Fund for reporting purposes.

The **Special Reserve Fund for Postemployment Benefits** is used to account for future cost of postemployment benefits. This fund is included within the General Fund for reporting purposes.

The **Building Fund** is used to account for proceeds from the sale of bonds and may not be used for any purpose other than those for which the bonds were issued.

Non-Major Funds

The **Student Activity Fund** accounts for student body activities (ASB) to account for the raising and expending of money to promote the general welfare, morale and educational experience of the student body.

The **Cafeteria Fund** is used to account separately for federal, state, and local resources to operate the food service program.

The **County School Facilities Fund** is used primarily to account for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070.10 et seq.).

The **Bond Interest and Redemption Fund** is used to account for the accumulation of resources for, and the repayment of District bonds, interest, and related costs.

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

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

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**F. FUND ACCOUNTING (CONTINUED)**

*Fiduciary Funds*

Fiduciary funds are used to account for assets held in a trustee or custodial capacity for others that cannot be used to support the LEA's own programs. The key distinction between trust and custodial funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held. The District does not have any fiduciary funds at this time.

**G. BUDGETS AND BUDGETARY ACCOUNTING**

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

These budgets are revised by the District's Governing Board and Superintendent during the year to give consideration to unanticipated income and expenditures.

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

**H. 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 at June 30.

**I. DEPOSITS AND INVESTMENTS**

The District is authorized to maintain cash in banks and revolving funds that are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Humboldt 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. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The Humboldt County Treasury has no investments in derivatives.

The District does not have a specific policy which relates to interest rate risk.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

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**I. DEPOSITS AND INVESTMENTS (CONTINUED)**

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

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

**J. INVENTORY**

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. 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 expenditures when incurred.

**K. CAPITAL ASSETS**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives as follows:

<u>Assets</u>	<u>Years</u>
Infrastructure	30
Buildings	50
Building improvements	25
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

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**L. INTERFUND BALANCES**

Interfund activity is reported as either loans, services provided, reimbursements or transfers. 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/expenses. Reimbursements are when one fund incurs at cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**M. UNEARNED REVENUE**

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

**N. COMPENSATED ABSENCES**

All vacation pay is accrued when incurred in the government-wide financial statements. Accumulated sick leave benefits are also recognized as liabilities of the District.

**O. LONG-TERM OBLIGATIONS**

The District reports long-term debt of governmental funds at face value in the government-wide statements. In the governmental fund financial statements, bond premiums, discounts, and issuance costs are recognized in the period incurred.

**P. RESTRICTED NET POSITION**

Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then, unrestricted resources as they are needed.

**Q. USE OF ESTIMATES**

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

## CUTTEN ELEMENTARY SCHOOL DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2025

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#### **R. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

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

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

#### **S. PENSIONS**

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

#### **T. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan (OPEB Plan) and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

#### **U. FINANCING LEASES**

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The long-term liability and corresponding asset for financial leases are recorded in the financial statements to the extent that the District's lease capitalization threshold is met, \$300,000. Amortization of related assets using the straight-line method over the life of the contract. The District implemented a lease capitalization policy in the fiscal year end June 30, 2023, effective retroactively to July 1, 2021. Prior to the implementation of lease capitalization policy, the District had accounted for one financing leases as of June 30, 2022. Subsequent to the implementation of the lease capitalization policy, as of June 30, 2025, the District did not have any new financing leases that met the threshold.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

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**V. FUND BALANCE**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", the District is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

*Nonspendable Fund Balance* reflects assets not in spendable form, either because they will never convert to cash (e.g. prepaid expense) or must remain intact pursuant to legal or contractual requirements.

*Restricted Fund Balance* reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

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

*Assigned Fund Balance* reflects amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Trustees is authorized to assign amounts for specific purposes.

*Unassigned Fund Balance* represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. This includes:

Reserve for Economic Uncertainties

The District will maintain an economic uncertainty reserve of at least 4% of total General Fund operating expenditures (including other financing). The primary purpose of this reserve is to avoid the need for service level reductions in the event of an economic downturn causing revenues to come in lower than budget. This reserve may be increased from time to time in order to address specific anticipated revenue shortfalls (state actions, etc.)

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

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**W. LOCAL CONTROL FUNDING FORMULA/PROPERTY TAXES**

The District's local control funding formula is received from a combination of local property taxes, state apportionments, and other local sources.

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

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula (LCFF) sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the state apportionment.

**X. SUBSCRIPTION BASED INFORMATION TECHNOLOGY AGREEMENTS (SBITA)**

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) 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 long-term liability and corresponding asset for SBITAs are recorded in the financial statements to the extent that the District's capitalization threshold is met, \$300,000. Amortization of related assets using the straight-line method over the life of the contract. As of June 30, 2025, the District did not have any subscription based information technology agreements that met the threshold.

**Y. CHANGE IN ACCOUNTING PRINCIPLE – GASB 101, COMPENSATED ABSENCES**

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

CUTTEN ELEMENTARY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2025

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**Y. CHANGE IN ACCOUNTING PRINCIPLE – GASB 101, COMPENSATED ABSENCES  
(CONTINUED)**

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. As a result, the sick leave will be reported as a governmental activity within the compensated absences in the basic financial statements causing the June 30, 2024 balance to be restated as follows:

Net position, previously reported, June 30, 2024	\$6,447,501
Change in accounting principle (Note 1Y)	<u>(776,024)</u>
Net position, as restated, June 30, 2024	<u>\$5,671,477</u>

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**2. CASH AND INVESTMENTS**

Cash and investments as of June 30, 2025 consist of the following:

	Governmental Funds
Cash in County Treasury	\$ 12,608,094
Cash on hand and in banks	13,766
Cash in revolving fund	2,500
Totals	\$ 12,624,360

**A. Cash on Hand and in Banks**

Cash on hand and in banks consists of all cash held by the District and all cash maintained in commercial bank accounts owned by the District. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation.

**B. Cash in Revolving Fund**

Cash in revolving fund consists of all cash maintained in commercial bank accounts that are used as revolving funds.

**C. Interest Rate Risk**

California Government Code Section 53601 limits the District's investments to maturities of five years. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**D. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All of the District's investments are held in the county treasury.

**E. Cash in County Treasury**

County pool investments consist of District cash held by the Humboldt County Treasury that is invested in the county investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts that are based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The weighted average maturity of the pool is 626 days. The pool is rated AAA by Standard and Poor's.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

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**3. INTERFUND TRANSACTIONS**

Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year-end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables

There were no interfund receivable and payable balances at June 30, 2025.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. There were no interfund transfers for the year ended June 30, 2025.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions and Transfers	Deductions and Transfers	Balance June 30, 2025
Non-depreciable assets:				
Land	\$ 47,000	\$ -	\$ -	\$ 47,000
Work in progress	5,156,912	115,346	-	5,272,258
	<u>5,203,912</u>	<u>115,346</u>	<u>-</u>	<u>5,319,258</u>
Depreciable assets:				
Site improvements	337,383	-	-	337,383
Building	2,793,553	59,611	-	2,853,164
Equipment	780,000	7,603	-	787,603
	<u>3,910,936</u>	<u>67,214</u>	<u>-</u>	<u>3,978,150</u>
Totals, at cost	<u>9,114,848</u>	<u>182,560</u>	<u>-</u>	<u>9,297,408</u>
Accumulated depreciation:				
Site improvements	(283,187)	-	-	(283,187)
Building	(1,875,969)	(60,332)	-	(1,936,301)
Equipment	(562,772)	(50,010)	-	(612,782)
	<u>(2,721,928)</u>	<u>(110,342)</u>	<u>-</u>	<u>(2,832,270)</u>
Depreciable assets, net	<u>1,189,008</u>	<u>(43,128)</u>	<u>-</u>	<u>1,145,880</u>
Capital assets, net	<u>\$ 6,392,920</u>	<u>\$ 72,218</u>	<u>\$ -</u>	<u>\$ 6,465,138</u>
<b>Lease Assets:</b>				
Equipments	\$ 44,067	\$ -	\$ -	\$ 44,067
Total lease assets being amortized	<u>44,067</u>	<u>-</u>	<u>-</u>	<u>44,067</u>
Accumulated amortization for				
Equipments	(24,236)	(8,813)	-	(33,049)
Total accumulated amortization	<u>(24,236)</u>	<u>(8,813)</u>	<u>-</u>	<u>(33,049)</u>
Total lease assets being amortized, net	<u>19,831</u>	<u>(8,813)</u>	<u>-</u>	<u>11,018</u>
Governmental activities capital assets, net	<u>\$ 6,412,751</u>	<u>\$ 63,405</u>	<u>\$ -</u>	<u>\$ 6,476,156</u>

Depreciation and amortization were allocated to governmental activity functions as follows:

Instruction	\$ 7,633
Instructional Supervision and Administration	2,941
Instructional Library, Media and Technology	35,543
Food Services	1,950
All Other Pupil Services	819
Community Services	6,062
All Other General Administration	12,451
Plant Services	42,943
	<u>\$ 110,342</u>

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**5. LONG-TERM LIABILITIES**

**General Obligation Bonds**

In November 2018, the voters of the District approved a general obligation bond in the amount of up to \$4,000,000 to modernize and improve the classrooms and school facilities of the District. The District issued the first series, Series A, of these bonds in January 2019 in the amount of \$2,000,000 with interest rates from 2.0 percent to 5.0 percent. The bond included a premium of \$132,326.

The District issued the second and final series, Series B, of these bonds in January 2020 in the amount of \$1,998,286 with interest rates from 2.68 percent to 4.0 percent. The bond included a premium of \$198,340.

In November 2024, the voters within the District approved Measure K, a ballot measure authorizing the District to issue up to \$5,000,000 in general obligation bonds. The bond proceeds are designated for modernizing school facilities. On April 10, 2025, the District issued the first series, Series A, of these bonds in the amount of \$2,500,000 with interest rates from 4.00 percent to 5.25 percent. The bond included a premium of \$118,376.

The outstanding general obligation bonded debt of the District as of June 30, 2025 is:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2024</u>	<u>Issued/ Accretion</u>	<u>Redeemed</u>	<u>Balance June 30, 2025</u>
1/29/2019	08/01/48	2.00% - 5.00%	\$ 2,000,000	\$ 1,860,000	\$ -	\$ 5,000	\$ 1,855,000
2/6/2020	08/01/50	2.68% - 4.00%	1,998,286	1,943,286	-	-	1,943,286
4/10/2025	08/01/54	4.00% - 5.25%	2,500,000	-	2,500,000	-	2,500,000
	Total		<u>\$ 6,498,286</u>	<u>\$ 3,803,286</u>	<u>\$ 2,500,000</u>	<u>\$ 5,000</u>	<u>\$ 6,298,286</u>

The annual requirements to amortize the 2018 Series A, 2018 Series B, and 2024 Series A general obligation bonds payable, outstanding as of June 30, 2025, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2026	\$ 15,000	\$ 250,473	\$ 265,473
2027	110,000	271,894	381,894
2028	95,000	267,069	362,069
2029	35,000	263,969	298,969
2030	40,000	262,294	302,294
2031-2035	342,835	1,310,099	1,652,934
2036-2040	669,559	1,316,159	1,985,718
2041-2045	1,310,892	1,068,395	2,379,287
2046-2050	2,580,000	623,675	3,203,675
2051-2055	1,100,000	154,875	1,254,875
Total	<u>\$ 6,298,286</u>	<u>\$ 5,788,902</u>	<u>\$ 12,087,188</u>

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**5. LONG-TERM LIABILITIES (CONTINUED)**

**California Energy Commission Loan**

The District entered into a zero-interest loan from the California Energy Commission to fund a solar energy project at Ridgewood School in 2020/21. The total loan proceeds were \$160,999. The loan is payable in semi-annual installments of \$5,963, with a projected maturity date of June 2035. The annual requirements to amortize the loan outstanding as of June 30, 2025, are as follows:

Year Ended June 30,	Total
2026	\$ 11,926
2027	11,926
2028	11,926
2029	11,926
2030	11,926
2031-2035	53,665
Total Outstanding	<u>\$ 113,295</u>

**Leases**

For the year ended June 30, 2025 the District had the following lease obligations:

The District entered into a five-year lease agreement in 2021/22 for computer and printer equipment. This lease is not renewable and the District will not acquire the equipment at the end of the five years. At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The District has used an estimated interest rate for borrowing of 6.0%, which was used to discount the annual lease payments to recognize the intangible right to use of this asset and the lease liability as of the inception of the lease. Per the agreement, monthly lease payments may be adjusted based on usage of the equipment in excess of originally contracted amounts. Rent expense for this lease was \$10,223 for the year ended June 30, 2025.

Annual requirements to amortize lease obligations and related interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 9,752	\$ 472	\$ 10,224
2027	2,530	25	2,555
Total	<u>\$ 12,282</u>	<u>\$ 497</u>	<u>\$ 12,779</u>

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**5. LONG-TERM LIABILITIES (CONTINUED)**

**Schedule of Changes in Long-Term Liabilities**

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2025, is shown below:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025	Amounts Due Within One Year
General Obligation Bond	\$ 3,803,286	\$ 2,500,000	\$ 5,000	\$ 6,298,286	\$ 15,000
CA Energy Commission Loan	125,221	-	11,926	113,295	11,926
Lease Liability	21,467	-	9,185	12,282	9,752
Net OPEB Liability	932,631	-	19,985	912,646	-
Net Pension Liability	5,979,620	-	469,922	5,509,698	-
Compensated Absences Payable*	798,003	139,491	-	937,494	-
Total long term obligation	<u>\$ 11,660,228</u>	<u>\$ 2,639,491</u>	<u>\$ 516,018</u>	<u>\$ 13,783,701</u>	<u>\$ 36,678</u>

\* - Prior period restated balance of \$776,024 due to change in accounting principle, see Note 1Y.

The accrued vacation and sick leave (compensated absences), pension, and other postemployment benefits will be paid by the fund for which the employee works. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Lease Liability and California Clean Energy Commission Loan are made from the General Fund.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**6. EMPLOYEE RETIREMENT SYSTEMS**

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 State Teachers' Retirement System (STRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

**Plan Description**

**California Public Employees' Retirement System (CalPERS)**

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

**State Teachers' Retirement System (STRS)**

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Headquarters, 100 Waterfront Place, West Sacramento, California 95605.

The Plans' provisions and benefits in effect at June 30, 2025, are summarized as follows:

	CalPERS		CalSTRS	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	60	62
Monthly benefits, as a % of eligible compensation	2.0%	2.0%	2.0%	2.0%
Required employee contribution rates	7%	8%	10.25%	10.21%
Required employer contribution rates	27.05%	27.05%	19.10%	19.10%

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

Contributions

**CalPERS**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**STRS**

Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2025, the contributions reported as deferred outflows of resources related to pensions recognized as part of pension expense for each Plan were as follows:

	<b>CalPERS</b>	<b>STRS</b>	<b>Total</b>
Contributions - employer	\$ 386,170	\$ 617,919	\$ 1,004,089
On behalf contributions - state	-	289,054	289,054
Total	\$ 386,170	\$ 906,973	\$ 1,293,143

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

As of June 30, 2025, the District's reported net pension liabilities for its proportionate share of the net pension liability of the Plans' of:

	<b>Proportionate Share of Net Pension Liability</b>
CalPERS	\$ 2,389,710
STRS	3,119,988
Total Net Pension Liability	\$ 5,509,698

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2024, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2023 and 2024 was as follows:

<b>Measurement</b>			
<b>Dates</b>	<b>Fiscal Year</b>	<b>CalPERS</b>	<b>STRS</b>
June 30, 2023	2023-24	0.00605%	0.00498%
June 30, 2024	2024-25	0.00669%	0.00465%
Change - Increase (Decrease)		<u>0.00064%</u>	<u>-0.00033%</u>

For the year ended June 30, 2025, the District recognized pension expense of \$1,510,350. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>CalPERS</b>		<b>STRS</b>		<b>Total</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to measurement date	\$ 386,170	\$ -	\$ 906,973	\$ -	\$ 1,293,143	\$ -
Difference between proportionate share of aggregate employer contributions and actual contributions for 2023-24	50,228	335,924	39,590	356,330	89,818	692,254
Changes of Assumptions	52,821	-	13,657	213,084	66,478	213,084
Differences between Expected and Actual Experience	200,342	17,103	352,911	136,436	553,253	153,539
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	861,112	98,120	1,620,853	781,896	2,481,965	880,016
Net differences between projected and actual investment earnings on pension plan investments	92,826	-	-	12,589	92,826	12,589
<b>Total</b>	<u>\$ 1,643,499</u>	<u>\$ 451,147</u>	<u>\$ 2,933,984</u>	<u>\$ 1,500,335</u>	<u>\$ 4,577,483</u>	<u>\$ 1,951,482</u>

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

<b>Year Ended June 30</b>	<b>CalPERS</b>	<b>STRS</b>	<b>Total Deferred Outflows/ (Inflows) of Resources</b>
2026	\$ 201,477	\$ 74,520	\$ 275,997
2027	201,477	74,520	275,997
2028	201,477	74,520	275,997
2029	183,186	74,520	257,706
2030	18,565	74,520	93,085
Thereafter	-	154,076	154,076
<b>Total</b>	<b>\$ 806,182</b>	<b>\$ 526,676</b>	<b>\$ 1,332,858</b>

Actuarial Assumptions

The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

	<b>CalPERS</b>	<b>STRS</b>
Valuation Date	June 30, 2023	June 30, 2023
Measurement Date	June 30, 2024	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	6.90%	7.10%
Inflation	2.30%	2.75%
Payroll Growth Rate	2.80%	3.25%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return <sup>(1)</sup>	6.80%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

<sup>(1)</sup> Net of pension plan investment expenses, including inflation.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

STRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

**Discount Rate**

**CalPERS**

The discount rate used to measure the total pension liability for the Plan was 6.90%. These discount rates are equal to the long-term expected rate of return of the respective plan assets and are net of investment expense but not reduced for administrative expenses.

In determining the long-term expected rate of return, CalPERS took into account 20-year market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The expected real rates of return by asset class are on the following table:

Asset Class	CalPERS	
	Assumed Asset Allocation	Real Return <sup>(a)(b)</sup>
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
	100.0%	

<sup>(a)</sup> An expected inflation of 2.30% used for this period.

<sup>(b)</sup> Figures are based on the 2021-22 Asset Liability Management study.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

Discount Rate

**STRS**

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases actuarially determined. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expenses occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class/strategy. Expected real rates of return are net of our 2.75% inflation assumption and are derived from best-estimate ranges of 20- to 30-year geometrically linked expected returns. These best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the board in January 2024 in conjunction with the most recent experience study. For each current and future valuation, STRS’ independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. The assumed asset allocation and best estimates of the expected rates of return for each major asset class/strategy as of June 30, 2024, are summarized in the following table:

Asset Class	STRS	
	Assumed Asset Allocation	Long-Term Expected Real Rate of Return <sup>(a)(b)</sup>
Public Equity	38.0%	5.25%
Real Estate	15.0%	4.05%
Private Equity	14.0%	6.75%
Fixed Income	14.0%	2.45%
Risk Mitigating Strategies	10.0%	2.25%
Inflation Sensitive	7.0%	3.65%
Cash/Liquidity	2.0%	0.05%
Total	100%	

<sup>(a)</sup> 20- to 30-year geometric average.

<sup>(b)</sup> Real rates of return are net of assumed 2.75%

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

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

The following presents the District's proportionate share of the net pension liability 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:

	<b>CalPERS</b>		
	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Plan's Net Pension Liability/(Asset)	\$ 3,549,934	\$ 2,389,710	\$ 1,431,272
	<b>STRS</b>		
	Discount Rate - 1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate + 1% (8.10%)
Plan's Net Pension Liability/(Asset)	\$ 5,549,437	\$ 3,119,988	\$ 1,091,297

**Pension Plan Fiduciary Net Position**

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

**Payable to the Pension Plan**

As of June 30, 2025, the District had no outstanding required contributions to the pension plans.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**General Information about the OPEB Plan**

*Plan description:* The District has established the Cutten School District Retiree Healthcare Plan (HC Plan), a single-employer plan. The HC Plan provides medical healthcare benefits up to age 65 to certificated and classified employees and their dependents who retire directly from the District, at a minimum age of 60, with a minimum of 15 years of service. The benefit amount is subject to the District's active cap on employee healthcare benefits, except there is no cap for employees hired before June 30, 1998. The HC Plan has not established or accumulated any assets in a trust. A separate financial report is not prepared for the HC Plan.

*Benefits Provided:* The Plan provides medical benefits to eligible retirees as follows:

	Certificated	Classified
Benefit types provided	Medical only	Medical only
Duration of Benefits	To age 65	To age 65
Required Service	15 years	15 years
Minimum Age	60	60
Dependent Coverage	Yes	Yes
District Contribution %	100%	100%
District Cap	Active cap*	Active cap*

\*Those hired prior to June 10, 1998 will not be subject to a cap.

The Plan has no assets and does not issue financial statements.

*Employees covered by benefit terms.* As of the June 30, 2024 valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	40
Total	41

*Contributions:* The HC Plan and its contribution requirements are established by agreements with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the current insurance premiums due for the participating retirees. For the fiscal year ended June 30, 2025, the District's cash contributions were \$17,748, and there was no estimated implied subsidy, resulting in total payments of \$17,748. No trust has been created for the purpose of prefunding obligations for past services.

For the fiscal year 2024-25, the District contributed \$17,748 to the Plan, all of which was used for current premiums.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**Net OPEB Liability**

The District's net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024.

*Actuarial assumptions.* The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	2.75% per year
Investment rate of return	5.20% per year net of expenses based on the Bond Buyer 20 Bond Index
Inflation	2.50% per year
Healthcare cost trend rates	4.00% per year
Mortality	
Certificated	2020 CalSTRS Mortality
Classified	2021 CalPERS Mortality for Miscellaneous and Schools Employees

The mortality assumptions are based on the 2020 CalSTRS Mortality table for certificated employees and the 2021 CalPERS Active and Retiree Mortality for Miscellaneous Employees for classified employees. The retirement assumptions are based on the 2020 CalSTRS Retirement Rates table created by CalSTRS and the 2021 CalPERS Retirement Rates for School Employees tables created by CalPERS.

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) - (b)</b>
Balances at June 30, 2024 Measurement Date	\$ 932,631	\$ -	\$ 932,631
Changes for the year:			
Service cost	61,530	-	61,530
Interest	37,513	-	37,513
Contributions - employer	-	17,748	(17,748)
Changes of assumptions	(101,280)	-	(101,280)
Benefit payments	(17,748)	(17,748)	-
Net changes	(19,985)	-	(19,985)
Balances at June 30, 2025 Measurement Date	<u>\$ 912,646</u>	<u>\$ -</u>	<u>\$ 912,646</u>

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

*Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.* The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20 percent) or 1-percentage-point higher (6.20 percent) than the current discount rate:

	<b>1% Decrease (4.20%)</b>	<b>Discount Rate (5.20%)</b>	<b>1% Increase (6.20%)</b>
Net OPEB liability (asset)	\$ 993,392	\$ 912,646	\$ 850,308

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.0 percent) or 1-percentage-point higher (5.0 percent) than the current healthcare cost trend rates:

	<b>1% Decrease</b>	<b>Trend Rate</b>	<b>1% Increase</b>
Net OPEB liability (asset)	\$ 798,327	\$ 912,646	\$ 1,037,349

*OPEB plan fiduciary net position.* The plan has no assets.

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

For the year ended June 30, 2025, the District recognized OPEB expense of (\$46,716). At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 36,058	\$ 177,144
Changes of assumptions	16,245	229,551
Total	\$ 52,303	\$ 406,695

The District will recognize contributions made subsequent to the measurement date in the next fiscal year.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Below is the schedule of the total deferred outflows and inflows amortized.

<b>Year Ended June 30</b>	<b>Total Deferred Outflows of Resources</b>	<b>Total Deferred Inflows of Resources</b>
2026	\$ 5,656	\$ 40,235
2027	5,656	40,235
2028	5,656	40,235
2029	5,656	40,235
2030	5,656	40,235
Thereafter	24,023	205,520
Total	<u>\$ 52,303</u>	<u>\$ 406,695</u>

**Payable to the OPEB Plan**

At June 30, 2025, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2025.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**8. FUND BALANCES**

The District reports fund balances in accordance with Governmental Accounting Standards Board Statement No. 54. All fund balance categories are reported in the aggregate on the face of the balance sheet. All components of those fund balances and specific purposes are identified as follows:

	<b>General Fund</b>	<b>Building Fund</b>	<b>All Non-Major Funds</b>	<b>Totals</b>
<b>Nonspendable:</b>				
Revolving cash	\$ 2,500	\$ -	\$ -	\$ 2,500
Stores Inventory	-	-	5,451	5,451
Total Nonspendable	<u>2,500</u>	<u>-</u>	<u>5,451</u>	<u>7,951</u>
<b>Restricted for:</b>				
Expanded Learning Opportunities Program	432,879	-	-	432,879
Educator Effectiveness	79,943	-	-	79,943
Lottery: Instructional Materials	304,797	-	-	304,797
Arts, Music, and Instructional Materials Discretionary Block Grant	321,553	-	-	321,553
Child Nutrition: Kitchen Infrastructure and Training Funds - 2022 KIT Funds	27,826	-	-	27,826
Special Ed: Learning Recovery Support Accountability Act (Prop 28)	187	-	-	187
Classified School Employee Professional Development Block Grant	91,141	-	-	91,141
State School Facilities Projects	3,094	-	-	3,094
Student Activity Funds	-	-	1,677	1,677
Child Nutrition: School Programs	-	-	13,766	13,766
Child Nutrition: School Food Best Practices Apportionment	-	-	231,283	231,283
Other Restricted State	-	-	9,678	9,678
Other Restricted Local	4,805	-	-	4,805
Total Restricted	<u>11,476</u>	<u>2,379,579</u>	<u>-</u>	<u>2,391,055</u>
	<u>1,277,701</u>	<u>2,379,579</u>	<u>256,404</u>	<u>3,913,684</u>
<b>Committed:</b>				
Other Commitments	-	-	182,848	182,848
Total Committed	<u>-</u>	<u>-</u>	<u>182,848</u>	<u>182,848</u>
<b>Assigned to:</b>				
Other Assignments	1,654,730	-	86,816	1,741,546
Total Assigned	<u>1,654,730</u>	<u>-</u>	<u>86,816</u>	<u>1,741,546</u>
<b>Unassigned:</b>				
Reserve for Economic Uncertainties	4,469,032	-	-	4,469,032
Unassigned/Unappropriated	1,929,614	-	-	1,929,614
Total Unassigned	<u>6,398,646</u>	<u>-</u>	<u>-</u>	<u>6,398,646</u>
Total Fund Balances	<u>\$ 9,333,577</u>	<u>\$ 2,379,579</u>	<u>\$ 531,519</u>	<u>\$ 12,244,675</u>

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2025**

**9. JOINT VENTURES**

The District is exposed to various risks of loss related to torts, theft or destruction of assets, errors and omissions, and natural disasters. The District manages those risks of loss through participation in public entity risk pools. There have been no significant reductions in insurance coverage from the prior year. For each of the past three years settlements did not exceed insurance coverage.

The District participates in two joint ventures under a Joint Powers' Agreement (JPA) with the North Coast Schools Insurance Group and North Coast Schools Medical Insurance Group. Each member district pays a premium commensurate with the level of coverage requested. The District is covered under workers' compensation, liability, medical, vision, and dental insurance.

The relationship between District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The most recently available audited, condensed financial information for the JPAs is as follows:

	NCSIG 6/30/2024*	NCSMIG 6/30/2024*
Total assets	\$ 6,159,671	\$ 14,064,485
Total liabilities	1,423,008	4,129,958
Net position	<u>\$ 4,736,663</u>	<u>\$ 9,934,527</u>
Total revenues	\$ 9,410,751	\$ 39,059,326
Total expenses	9,718,341	37,763,300
Change in net position	<u>\$ (307,590)</u>	<u>\$ 1,296,026</u>

\* Most recent information available

Audited financial statements for the JPAs are prepared annually and can be obtained from management of the individual JPAs.

**10. COMMITMENTS AND CONTINGENCIES**

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

**11. SUBSEQUENT EVENTS**

The District's management evaluated its June 30, 2025 financial statements for subsequent events through December 12, 2025, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

**GENERAL FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Favorable
				(Unfavorable)
<b>REVENUES</b>				
LCFF sources	\$ 6,399,651	\$ 6,440,181	\$ 6,419,452	\$ (20,729)
Federal revenue	321,462	321,625	319,227	(2,398)
Other state revenues	1,109,508	1,175,608	1,216,792	41,184
Other local revenues	372,189	410,321	930,582	520,261
Total revenues	8,202,810	8,347,735	8,886,053	538,318
<b>EXPENDITURES</b>				
Certificated salaries	3,539,407	3,478,576	3,431,292	47,284
Classified salaries	1,326,490	1,397,256	1,353,167	44,089
Employee benefits	2,414,894	2,447,852	2,387,504	60,348
Books and supplies	449,258	489,041	337,404	151,637
Services and other operating expenditures	763,939	981,737	830,260	151,477
Capital outlay	134,296	685,064	103,701	581,363
Other outgo	488,809	489,587	479,767	9,820
Debt service	11,926	11,926	11,926	-
Total expenditures	9,129,019	9,981,039	8,935,021	1,046,018
Excess (deficiency) of revenues over expenditures	(926,209)	(1,633,304)	(48,968)	1,584,336
Net change in fund balances	(926,209)	(1,633,304)	(48,968)	1,584,336
Fund balances, July 1, 2024	9,382,545	9,382,545	9,382,545	-
Fund balances, June 30, 2025	\$ 8,456,336	\$ 7,749,241	\$ 9,333,577	\$ 1,584,336

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN THE DISTRICT'S  
NET OPEB LIABILITY AND RELATED RATIOS**

**JUNE 30, 2025**

<b>Fiscal Year Ending June 30 ,</b>	<b>2025*</b>	<b>2024*</b>	<b>2023*</b>	<b>2022*</b>	<b>2021*</b>	<b>2020*</b>	<b>2019*</b>	<b>2018*</b>
<i>Measurement Date</i>	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2018	6/30/2017
<b>Total OPEB liability</b>								
Service cost	\$ 61,530	\$ 58,183	\$ 57,650	\$ 75,274	\$ 72,808	\$ 79,892	\$ 73,989	\$ 72,009
Interest	37,513	31,785	29,728	21,382	21,496	43,034	41,276	44,373
Experience (Gains)/Losses	-	41,970	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	(76,349)	-	(206,215)	-	-
Changes of assumptions	(101,280)	(24,936)	(7,827)	(88,087)	3,136	(75,546)	31,585	-
Benefit payments	(17,748)	(32,207)	(65,310)	(81,769)	(89,971)	(90,177)	(108,895)	(104,707)
<b>Net change in total OPEB liability</b>	<b>(19,985)</b>	<b>74,795</b>	<b>14,241</b>	<b>(149,549)</b>	<b>7,469</b>	<b>(249,012)</b>	<b>37,955</b>	<b>11,675</b>
<b>Total OPEB liability - beginning</b>	<b>932,631</b>	<b>857,836</b>	<b>843,595</b>	<b>993,144</b>	<b>985,675</b>	<b>1,234,687</b>	<b>1,196,732</b>	<b>1,185,057</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 912,646</b>	<b>\$ 932,631</b>	<b>\$ 857,836</b>	<b>\$ 843,595</b>	<b>\$ 993,144</b>	<b>\$ 985,675</b>	<b>\$ 1,234,687</b>	<b>\$ 1,196,732</b>
<b>Plan fiduciary net position</b>								
Contributions - employer	\$ 17,748	\$ 32,207	\$ 65,310	\$ 81,769	\$ 89,971	\$ 90,177	\$ 108,895	\$ 104,707
Net investment income	-	-	-	-	-	-	-	-
Benefit payments	(17,748)	(32,207)	(65,310)	(81,769)	(89,971)	(90,177)	(108,895)	(104,707)
Administrative expense	-	-	-	-	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>-</b>	<b>-</b>						
<b>Plan fiduciary net position - beginning</b>	<b>-</b>	<b>-</b>						
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ -</b>	<b>\$ -</b>						
<b>District's net OPEB liability - ending (a) - (b)</b>	<b>\$ 912,646</b>	<b>\$ 932,631</b>	<b>\$ 857,836</b>	<b>\$ 843,595</b>	<b>\$ 993,144</b>	<b>\$ 985,675</b>	<b>\$ 1,234,687</b>	<b>\$ 1,196,732</b>
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 4,545,092	\$ 4,423,447	\$ 4,113,912	\$ 2,904,216	\$ 3,342,083	\$ 3,350,509	\$ 3,029,726	\$ 2,985,121
District's net OPEB liability as a percentage of covered-employee payroll	20.1%	21.1%	20.9%	29.0%	29.7%	29.4%	40.8%	40.1%

\* Only eight years are presented as GASB 75 was implemented in 2017-18.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	<b>June 30, 2015<sup>(1)</sup></b>	<b>June 30, 2016<sup>(1)</sup></b>	<b>June 30, 2017<sup>(1)</sup></b>	<b>June 30, 2018<sup>(1)</sup></b>	<b>June 30, 2019<sup>(1)</sup></b>	<b>June 30, 2020<sup>(1)</sup></b>	<b>June 30, 2021<sup>(1)</sup></b>	<b>June 30, 2022<sup>(1)</sup></b>	<b>June 30, 2023<sup>(1)</sup></b>	<b>June 30, 2024<sup>(1)</sup></b>
<b>CalPERS</b>										
Proportion of the net pension liability (asset)	0.00461%	0.00462%	0.00494%	0.00524%	0.00521%	0.00523%	0.00490%	0.00580%	0.00605%	0.00605%
Proportionate share of the net pension liability (asset)	\$ 679,001	\$ 912,529	\$ 1,178,768	\$ 1,397,877	\$ 1,519,077	\$ 1,604,068	\$ 996,530	\$ 1,996,936	\$ 2,188,792	\$ 2,389,710
Covered payroll <sup>(2)</sup>	\$ 506,711	\$ 472,847	\$ 563,048	\$ 594,613	\$ 661,219	\$ 945,744	\$ 635,273	\$ 803,236	\$ 995,345	\$ 1,300,810
Proportionate Share of the net pension liability (asset) as a percentage of covered payroll	134.00%	192.99%	209.35%	235.09%	229.74%	169.61%	156.87%	248.61%	219.90%	183.71%
Plan fiduciary net position as a percentage of the total pension liability (asset)	79.43%	73.90%	71.87%	70.85%	70.05%	70.00%	80.97%	69.76%	69.96%	72.29%
Proportionate share of aggregate employer contributions <sup>(3)</sup>	\$ 60,030	\$ 65,669	\$ 87,447	\$ 107,399	\$ 130,399	\$ 195,769	\$ 145,541	\$ 203,781	\$ 265,558	\$ 351,869
<b>STRS</b>										
Proportion of the net pension liability (asset)	0.00485%	0.00440%	0.00431%	0.00420%	0.00436%	0.00475%	0.00487%	0.00504%	0.00498%	0.00498%
Proportionate share of the net pension liability (asset)	\$ 3,266,443	\$ 3,554,782	\$ 3,983,080	\$ 3,856,381	\$ 3,936,731	\$ 4,603,831	\$ 2,216,866	\$ 3,505,137	\$ 3,790,828	\$ 3,119,988
Covered payroll <sup>(2)</sup>	\$ 1,863,691	\$ 1,868,267	\$ 1,990,014	\$ 1,979,754	\$ 2,230,556	\$ 2,879,604	\$ 2,953,505	\$ 2,925,513	\$ 2,992,613	\$ 3,051,503
Proportionate Share of the net pension liability (asset) as a percentage of covered payroll	175.27%	190.27%	200.15%	194.79%	176.49%	159.88%	75.06%	119.81%	126.67%	102.24%
Plan fiduciary net position as a percentage of the total pension liability (asset)	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%	87.21%	81.20%	80.62%	83.55%
Proportionate share of aggregate employer contributions <sup>(3)</sup>	\$ 199,974	\$ 235,028	\$ 287,159	\$ 322,304	\$ 381,425	\$ 465,056	\$ 499,733	\$ 558,773	\$ 571,589	\$ 582,837

<sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable. This is the measurement date of the actuary report.

<sup>(2)</sup> Covered payroll is the payroll on which contributions to a pension plan are based.

<sup>(3)</sup> The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan's proportionate share of aggregate contributions is based on the Plan's proportion of fiduciary net position as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF PENSION CONTRIBUTIONS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

<b>CalPERS</b>	<b>Fiscal Year 2015-16 <sup>(1)</sup></b>	<b>Fiscal Year 2016-17 <sup>(1)</sup></b>	<b>Fiscal Year 2017-18 <sup>(1)</sup></b>	<b>Fiscal Year 2018-19 <sup>(1)</sup></b>	<b>Fiscal Year 2019-20 <sup>(1)</sup></b>	<b>Fiscal Year 2020-21 <sup>(1)</sup></b>	<b>Fiscal Year 2021-22 <sup>(1)</sup></b>	<b>Fiscal Year 2022-23 <sup>(1)</sup></b>	<b>Fiscal Year 2023-24 <sup>(1)</sup></b>	<b>Fiscal Year 2024-25 <sup>(1)</sup></b>
Contractually required contribution <sup>(2)</sup>	\$ 60,030	\$ 65,669	\$ 87,447	\$ 107,399	\$ 130,399	\$ 195,769	\$ 145,541	\$ 203,781	\$ 265,558	\$ 351,869
Contributions in relation to the contractually required contribution <sup>(2)</sup>	(65,669)	(87,447)	(107,500)	(130,399)	(148,509)	(145,541)	(203,781)	(265,863)	(351,544)	(386,170)
Contribution deficiency (excess)	\$ (5,639)	\$ (21,778)	\$ (20,053)	\$ (23,000)	\$ (18,110)	\$ 50,228	\$ (58,240)	\$ (62,082)	\$ (85,986)	\$ (34,301)
Covered payroll <sup>(3)</sup>	\$ 506,711	\$ 472,847	\$ 563,048	\$ 594,613	\$ 661,219	\$ 945,744	\$ 635,273	\$ 803,236	\$ 995,345	\$ 1,300,810
Contributions as a percentage of covered payroll <sup>(3)</sup>	11.847%	13.888%	15.531%	18.062%	19.721%	20.700%	22.910%	25.370%	26.680%	27.050%
<b>STRS</b>	<b>Fiscal Year 2015-16 <sup>(1)</sup></b>	<b>Fiscal Year 2016-17 <sup>(1)</sup></b>	<b>Fiscal Year 2017-18 <sup>(1)</sup></b>	<b>Fiscal Year 2018-19 <sup>(1)</sup></b>	<b>Fiscal Year 2019-20 <sup>(1)</sup></b>	<b>Fiscal Year 2020-21 <sup>(1)</sup></b>	<b>Fiscal Year 2021-22 <sup>(1)</sup></b>	<b>Fiscal Year 2022-23 <sup>(1)</sup></b>	<b>Fiscal Year 2023-24 <sup>(1)</sup></b>	<b>Fiscal Year 2024-25 <sup>(1)</sup></b>
Contractually required contribution <sup>(2)</sup>	\$ 199,974	\$ 235,028	\$ 287,159	\$ 322,304	\$ 381,425	\$ 465,056	\$ 499,733	\$ 558,773	\$ 571,589	\$ 582,837
Contributions in relation to the contractually required contribution <sup>(2)</sup>	(239,121)	(288,017)	(330,862)	(377,362)	(442,200)	(426,196)	(499,003)	(581,618)	(592,572)	(617,919)
Contribution deficiency (excess)	\$ (39,147)	\$ (52,989)	\$ (43,703)	\$ (55,058)	\$ (60,775)	\$ 38,860	\$ 730	\$ (22,845)	\$ (20,983)	\$ (35,082)
Covered payroll <sup>(3)</sup>	\$ 1,863,691	\$ 1,868,267	\$ 1,990,014	\$ 1,979,754	\$ 2,230,556	\$ 2,879,604	\$ 2,953,505	\$ 2,925,513	\$ 2,992,613	\$ 3,051,503
Contributions as a percentage of covered payroll <sup>(3)</sup>	10.730%	12.580%	14.430%	16.280%	17.100%	16.150%	16.920%	19.100%	19.100%	19.100%

<sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>(2)</sup> Employers are assumed to make contributions equal to the contractually required contributions. However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the contractually required contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

<sup>(3)</sup> Covered payroll is the payroll on which contributions to a pension plan are based.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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**PURPOSE OF SCHEDULES**

- A - Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (Non-GAAP) and Actual – General Fund

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

- B - Schedule of Changes in the District’s Net OPEB Liability and Related Ratios

Changes in Benefit Terms

There were no change to the benefit terms.

Changes in Assumptions

The discount rate increased from 3.93% to 5.20%.

Fiscal year 2018 was the first year of implementation, therefore only eight years are shown.

Actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year ended June 30, 2025 were from the June 30, 2024 valuation.

Actuarial cost method	Entry Age Normal Cost
Amortization method	Level percent of pay
Amortization period	14.2 years
Asset valuation method	Market value of assets (\$0; plan is not yet funded)
Inflation	2.50% per year
Healthcare cost trend rates	4.00% per year
Salary increases	2.75% per year
Discount Rates	5.20% as of June 30, 2025 3.93% as of June 30, 2024
Mortality	
Certificated	2020 CalSTRS Mortality
Classified	2021 CalPERS Mortality for Miscellaneous and Schools Employees

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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**PURPOSE OF SCHEDULES (CONTINUED)**

C - Schedule of Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Assumptions

There were no changes in assumptions for CalPERS and CalSTRS.

Changes in Benefit Terms

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

D - Schedule of Pension Contributions

If an employer's contributions to the plans are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plans (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll. In the future, as data becomes available, ten years of information will be presented.

	<u>CalPERS</u>	<u>STRS</u>
Valuation Date	June 30, 2023	June 30, 2023
Measurement Date	June 30, 2024	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	6.90%	7.10%
Inflation	2.30%	2.75%
Payroll Growth Rate	2.80%	3.25%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return <sup>(1)</sup>	6.80%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

<sup>(1)</sup> Net of pension plan investment expenses, including inflation.

## **SUPPLEMENTARY INFORMATION**

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**ALL NON-MAJOR FUNDS**

**JUNE 30, 2025**

	<b>Student Activity Fund</b>	<b>Cafeteria Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Bond Interest and Redemption Fund</b>	<b>Totals</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 13,766	\$ 143,926	\$ 1,677	\$ 86,154	\$ 182,848	\$ 428,371
Accounts receivable	-	106,937	-	662	-	107,599
Stores inventory	-	5,451	-	-	-	5,451
Total Assets	<u>\$ 13,766</u>	<u>\$ 256,314</u>	<u>\$ 1,677</u>	<u>\$ 86,816</u>	<u>\$ 182,848</u>	<u>\$ 541,421</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ -	\$ 9,902	\$ -	\$ -	\$ -	\$ 9,902
Total Liabilities	<u>-</u>	<u>9,902</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,902</u>
Fund balances						
Nonspendable	-	5,451	-	-	-	5,451
Restricted	13,766	240,961	1,677	-	-	256,404
Committed	-	-	-	-	182,848	182,848
Assigned	-	-	-	86,816	-	86,816
Total Fund Balances	<u>13,766</u>	<u>246,412</u>	<u>1,677</u>	<u>86,816</u>	<u>182,848</u>	<u>531,519</u>
Total liabilities and fund balances	<u>\$ 13,766</u>	<u>\$ 256,314</u>	<u>\$ 1,677</u>	<u>\$ 86,816</u>	<u>\$ 182,848</u>	<u>\$ 541,421</u>

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**ALL NON-MAJOR FUNDS**

**JUNE 30, 2025**

	<b>Student Activity Fund</b>	<b>Cafeteria Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Bond Interest and Redemption Fund</b>	<b>Totals</b>
<b>REVENUES</b>						
Federal revenue	\$ -	\$ 199,313	\$ -	\$ -	\$ -	\$ 199,313
Other state revenues	-	227,951	-	-	-	227,951
Other local revenues	-	11,107	84	42,371	151,900	205,462
Total revenues	-	438,371	84	42,371	151,900	632,726
<b>EXPENDITURES</b>						
Classified salaries	-	111,075	-	-	-	111,075
Employee benefits	-	71,515	-	-	-	71,515
Books and supplies	-	243,680	-	-	-	243,680
Services and other operating expenditures	-	2,219	-	-	-	2,219
Other outgo	-	-	-	-	(1,991)	(1,991)
Debt service expenditures						
Principal	-	-	-	-	5,000	5,000
Interest	-	-	-	-	148,994	148,994
Total expenditures	-	428,489	-	-	152,003	580,492
Excess (deficiency) of revenues over expenditures	-	9,882	84	42,371	(103)	52,234
<b>OTHER FINANCING SOURCES (USES)</b>						
Other sources	-	-	-	-	118,376	118,376
Other uses	-	-	-	-	(45,638)	(45,638)
Total other financing sources (uses)	-	-	-	-	72,738	72,738
Net change in fund balances	-	9,882	84	42,371	72,635	124,972
Fund balances, July 1, 2024	13,766	236,530	1,593	44,445	110,213	406,547
Fund balances, June 30, 2025	\$ 13,766	\$ 246,412	\$ 1,677	\$ 86,816	\$ 182,848	\$ 531,519

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**JUNE 30, 2025**

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	<b>Second Period Report</b>	<b>Annual Report</b>
Elementary		
TK through Third	319.48	320.23
Fourth through Sixth	208.18	207.60
Special Education		
TK through Third	0.14	0.30
Fourth through Sixth	0.16	-
Total	<u>527.96</u>	<u>528.13</u>

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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<b>Grade Level</b>	<b>Standard Minutes Requirement</b>	<b>2024-25 Actual Minutes</b>	<b>2024-25 Instructional Days</b>	<b>Status</b>
Kindergarten	36,000	51,360	180	In compliance
Grade 1	50,400	51,360	180	In compliance
Grade 2	50,400	51,360	180	In compliance
Grade 3	50,400	55,340	180	In compliance
Grade 4	54,000	55,340	180	In compliance
Grade 5	54,000	55,340	180	In compliance
Grade 6	54,000	55,340	180	In compliance

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF CHARTER SCHOOLS**

**FOR FISCAL YEAR ENDED JUNE 30, 2025**

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<u>Charter School ID Number</u>	<u>Charter Schools Chartered by the District</u>	<u>Included in the District Financial Statements, or Separate Report</u>
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There are currently no charter schools chartered by the District.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT**  
**WITH AUDITED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	<b>General Fund</b>	<b>Cafeteria Fund</b>	<b>Building Fund</b>	<b>County Schools Facility Fund</b>	<b>Special Reserve Fund For Capital Outlay Projects Fund</b>
FUND BALANCE					
Ending balance, June 30, 2025, Unaudited Actuals	\$ 9,120,567	\$ 242,177	\$ 2,373,807	\$ 1,642	\$ 85,878
Increase in:					
Fair Value Adjustment to Cash in County Treasury	213,010	4,235	5,772	35	938
Accounts Receivable	-	-	-	-	-
Ending balance, June 30, 2025, Audited Financial Statements	<u>\$ 9,333,577</u>	<u>\$ 246,412</u>	<u>\$ 2,379,579</u>	<u>\$ 1,677</u>	<u>\$ 86,816</u>

There were no other adjustments made to any other funds of the District.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

<b>Assistance Listing Number</b>	<b>Grantor and Program Title</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<u>U.S. Department of Education</u>			
<i>Passed through California Department of Education</i>			
<u>Special Education Cluster (IDEA)</u>			
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	13379	\$ 110,705
84.027A	Special Ed: IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	15197	<u>6,679</u>
	Subtotal Special Education Cluster (IDEA)		<u>117,384</u>
<u>Education Stabilization Fund (ESF) Cluster</u>			
84.425	Elementary and Secondary School Emergency Relief III (ESSER III) Fund	15559	20,260
84.425	American Rescue Plan - Homeless Children and Youth II (ARP HYC II)	15566	<u>280</u>
	Subtotal Education Stabilization Fund (ESF) Cluster		<u>20,540</u>
84.010	ESSA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	154,438
84.367	ESEA (ESSA): Title II, Part A, Supporting Effective Instruction Local Grants	14341	11,859
84.424	ESSA: Title IV, Part A, Student Support and Academic Enrichment Grants	15396	<u>15,006</u>
	Total U.S. Department of Education		<u>319,227</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed through California Department of Education</i>			
<u>Child Nutrition Cluster</u>			
10.555	Child Nutrition: School Programs (NSL Sec 11)	13524	190,489
10.555	Local Food for Schools	15708	<u>8,824</u>
	Subtotal Child Nutrition Cluster		199,313
	Total U.S. Department of Agriculture		<u>199,313</u>
	Total Federal Programs		<u>\$ 518,540</u>

\* Tested as major program.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	<b>Adopted Budget 2025/2026</b>	<b>Actuals 2024/2025</b>	<b>Actuals 2023/2024</b>	<b>Actuals 2022/2023</b>
<b><u>General Fund</u></b>				
Revenues and Other Financial Sources	\$ 8,376,085	\$ 8,886,053	10,252,388	\$ 10,080,925
Expenditures	9,885,023	8,935,021	8,895,489	7,700,509
Other Uses and Transfers Out	41,132	-	-	2,754
Total Outgo	9,926,155	8,935,021	8,895,489	7,703,263
Change in Fund Balance	(1,550,070)	(48,968)	1,356,899	2,377,662
Ending Fund Balance	\$ 7,783,507	\$ 9,333,577	\$ 9,382,545	\$ 8,025,646
Available Reserves	\$ 4,839,071	\$ 6,398,646	\$ 5,956,957	\$ 4,622,398
Designated for Economic Uncertainties	\$ 4,839,071	\$ 4,469,032	\$ 5,956,957	\$ 4,622,398
Undesignated Fund Balance	\$ -	\$ 1,929,614	\$ -	\$ -
Available Reserves as a Percentage of Total Outgo	48.8%	71.6%	67.0%	60.0%
<b><u>All Funds</u></b>				
Total Long-Term Debt	\$ 13,747,023	\$ 13,783,701	\$ 11,660,228 *	\$ 10,348,330
Actual Daily Attendance at P-2	532	528	528	524

\* includes prior period adjustment for GASB 101 implementation.

The general fund balance has increased by \$3,685,593 over the past three years. The fiscal year 2025-26 budget projects a decrease of \$1,550,070. For a District this size, the State of California recommends available reserves of at least 4 percent of total general fund expenditures, transfers out, and other uses (total outgo). The District met this requirement.

The District has incurred an operating surplus in two of the past three fiscal years and anticipates a deficit in 2025-26.

Total long-term liabilities have increased by \$3,435,371 over the past two years due to increases in the net pension liability and the net OPEB liability and issuances of new general obligation bonds.

Average Daily Attendance (ADA) has increased by 4 over the past two years and attendance is budgeted to increase in fiscal year 2025-26.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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**1. Schedule Of Average Daily Attendance**

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

**2. Schedule of Instructional Time**

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206. Districts must maintain their instructional minutes in accordance with the State's standard requirement as required by Education Code Section 46201(b).

**3. Schedule of Charter Schools**

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

**4. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides information necessary to reconcile the Annual Financial and Budget Report to the audited financial statements.

**5. Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of federal awards includes federal grant activity of the District and is presented under the modified accrual basis of accounting. Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with the Uniform Guidance and state requirements. Therefore, some amounts presented in this schedule may differ from amounts used in the preparation of the general purpose financial statements. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**6. Schedule of Financial Trends and Analysis**

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

## **OTHER INFORMATION**

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**ORGANIZATION**

**JUNE 30, 2025**

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The Cutten Elementary School District was formed in 1891 comprised of approximately 11.5 square miles located in Humboldt County. There were no changes in the boundaries of the District during the current year. The District currently operates two elementary schools, grades transitional kindergarten through sixth.

The Board of Trustees for the fiscal year ended June 30, 2025 was composed of the following members, each with a four year term:

**GOVERNING BOARD**

<u>Name</u>	<u>Office</u>	<u>Term Expires November</u>
Rebecca Reece	Member	2028
Mary DeWald	Clerk	2026
Beth Johnston	Member	2028
Dennis Reinholtsen	President	2026
Mindy Schon	Member	2026

**ADMINISTRATION**

Becky MacQuarrie  
Superintendent

Darcie Rutter  
Cutten Principal

Annette Sligh  
Ridgewood Principal

Vanessa Carillo-Salas  
Business Manager

## **OTHER INDEPENDENT AUDITOR'S REPORTS**



**James Marta & Company LLP**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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## **INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE**

Board of Trustees  
Cutten Elementary School District  
Eureka, California

### **Report on Compliance**

#### **Opinion**

We have audited the Cutten Elementary School District (the "District") compliance with the requirements specified in the 2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting applicable to the District's state program requirements identified below for the year ended June 30, 2025.

In our opinion, Cutten Elementary 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, 2025.

#### **Basis for Opinion**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the 2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

#### **Responsibilities of Management for Compliance**

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

#### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State

*Compliance Reporting* will always detect a material noncompliance when it exists.

The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District’s compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-25 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 *2024-25 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:

<b>Local Education Agencies Other Than Charter Schools</b>	
<b>Description</b>	<b>Procedures Performed</b>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	
General Requirements	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive Program	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
Home to School Transportation Reimbursement	Yes

**School Districts, County Offices of Education and Charter Schools**

<b>Description</b>	<b>Procedures Performed</b>
Arts and Music in Schools	Yes
After/Before Schools Education and Safety Program	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No, see below
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	No, see below
Career Technical Education Incentive Grant	No, see below
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes

**Charter Schools**

<b>Description</b>	<b>Procedures Performed</b>
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes - Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform any procedures related to Independent Study because no ADA was reported in the current year.

We did not perform any procedures related to Continuation Education, Early Retirement Incentive, Independent Study-Course Based, Juvenile Court Schools, Middle-Early College High Schools, After/Before School Education and Safety Program, Apprenticeship: Related and Supplemental Instruction, and District of Choice because the District did not offer these programs.

We did not perform any procedures related to Charter Schools Attendance, Mode of Instruction, Nonclassroom-Based Instruction/Independent Study, Determination of Funding for Nonclassroom-Based Instruction, Annual Instructional Minutes – Classroom-Based, and Charter School Facility Grant Program because the District did not have any charter schools.

We did not perform any procedures related to Immunizations as none of the District’s schools appeared on the lists of schools that did not submit immunization assessment reports to the California Department of Public Health or those that reported combined conditional admission and overdue rates greater than 10 percent in kindergarten and in 7<sup>th</sup> grade.

We did not perform any procedures related to Expanded Learning Opportunities Program since the District fully expended the funding in the previous year.

We did not perform any procedures related to Career Technical Education Incentive Grant as the District did not receive any funding in the current year.

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.

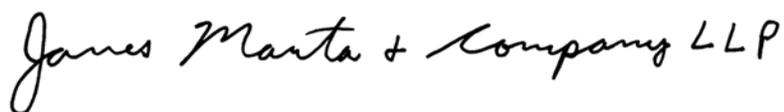
### **Report on Internal Control over Compliance**

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.

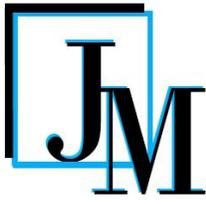
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in 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 2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Accordingly, this report is not suitable for any other purpose.



James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
December 12, 2025



**James Marta & Company LLP**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting and Tax*

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

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Cutten Elementary School District  
Eureka, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cutten Elementary School District (the "District"), as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2025.

**Report on Internal Control Over Financial Reporting**

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

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

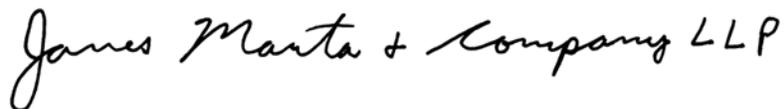
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
December 12, 2025

## **FINDINGS AND RECOMMENDATIONS**

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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**Section I – Summary of Audit Results**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>          </u> Yes	<u>  X  </u> No
Significant deficiency(ies) identified?	<u>          </u> Yes	<u>  X  </u> None reported

Noncompliance material to financial statements noted?

	<u>          </u> Yes	<u>  X  </u> No
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**Federal Awards**

The District expended less than \$750,000 in federal awards in 2024-2025 and was not subject to a Single Audit.

**State Awards**

Internal control over state programs:

Material weakness(es) identified?	<u>          </u> Yes	<u>  X  </u> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>          </u> Yes	<u>  X  </u> None reported

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

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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**Section II – Financial Statement Findings**

No matters were reported.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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**Section IV – State Award Findings and Questioned Costs**

No matters were reported.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

**2024-01 SIGNIFICANT DEFICIENCY – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)**

**Criteria:**

Any student who meets the federal income eligibility criteria or is deemed to be categorically eligible for FRPM under the National School Lunch Program (NSLP) will be counted as FRPM eligible except for directly certified and foster students identified through a statewide match, LEAs must submit the appropriate student program (SPRG) records to CALPADS in order for the students to be counted as FRPM-eligible. Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503, 2574(b)(3)(C), 44238.02(b)(3)(B), and 41020, Education Code.

**Condition:**

During the audit, two students were discovered that were reported as eligible for FRPM status in the CALPADS 1.18 report, but did not have support to verify that status. Subsequently, the District performed their own audit of 100% of the unduplicated pupil counts as reported on the 1.18 - FRPM/English Learner/Foster Youth - Count report for the school sites and discovered an error with the mapping program to upload the data from the AERIES attendance system into the CALPADS reporting system resulting in eleven student being misreported as FRPM eligible.

**Effect:**

The effect of this finding is an overstatement of 25 unduplicated pupil count at the district as noted below:

<u>Site</u>	<u>Enrollment</u>	<u>Unduplicated Pupil Count</u>				<u>Revised FRPM/EL/Foster Youth Total</u>
		<u>Free &amp; Reduced Meal Program (FRPM)</u>	<u>English Learners (ELAS)</u>	<u>Both FRPM &amp; ELAS</u>	<u>FRPM Revision</u>	
Cutten Elementary	135	128	7	-	(15)	120
Ridgewood Elementary	136	123	13	-	(10)	126
As certified on CALPADS	271	251	20	-	(25)	246
Audit adjustment	-	-	-	-	-	-
Adjusted counts	<u>271</u>	<u>251</u>	<u>20</u>	<u>-</u>	<u>(25)</u>	<u>246</u>

**Cause:**

Oversight led to a pupil being misclassified on the CALPADS 1.18 report.

**Fiscal Impact:**

The fiscal impact is a reduction of LCFF revenues of \$17,593.

**Repeat Finding:**

Yes, see 2023-1.

**Recommendation:**

The District should have a process of review in place to ensure the accuracy of the data contained in the CALPADS reports.

**Corrective Action Plan:**

The District will review and ensure all reports are accurately reported.

**Status:**

Implemented.

**CUTTEN ELEMENTARY SCHOOL DISTRICT**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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**2024-02: SIGNIFICANT DEFICIENCY - INTERNAL CONTROL – ASSOCIATED STUDENT BODY (30000)**

**Criteria:**

Education Code Section 48930 and the California Department of Education’s “Accounting Procedures for Student Organizations Handbook” require that student body organizations adhere to district regulations. These regulations mandate the following internal control procedures:

- a. Cash receipts should be deposited in a timely manner
- b. Bank statement reconciliations should be completed in a timely manner
- c. Purchase order forms should be reviewed and approved by the principal

**Condition:**

At Cutten Elementary School and Ridgewood Elementary School, we noted that certain student body cash receipts were recorded without the necessary backup support documentation. Specifically, there were no receipts, invoices, or other supporting documents available to clarify the sources or purpose of the cash receipts.

**Effect:**

The lack of supporting documentation for cash receipt poses several risks, including:

- a. Unauthorized or inappropriate fundraising activities could occur without proper oversight and approval.
- b. Errors in bank statements may go unnoticed if reconciliations are not performed correctly or on time.
- c. Cash receipts could be made without proper authorization or sufficient documentation, affecting financial transparency and accountability.

**Cause:**

The policies and procedures for account and cash handling procedures, as outlined by the California Department of Education, were not properly implemented by the school site personnel.

**Repeat Finding:**

No

**Recommendations:**

- a. Ensure that all fundraising activities are documented with a fundraising approval form before any event takes place. This form should track projected and actual revenues and expenses and ensure proper authorization and oversight.
- b. Bank reconciliations should be completed and reviewed in a timely manner, with personnel held accountable for their accuracy.
- c. Cash reconciliations should be reviewed and approved by a designated individual who is not involved in the original receipt of funds to provide an additional layer of accountability.
- d. All cash receipts should be accompanied by appropriate backup documentation (e.g., receipts, invoices), which must be retained and properly organized to support the validity of transactions.
- e. Provide training for staff involved in cash handling and financial reporting to ensure they are familiar with district policies and procedures related to ASB funds.

**Corrective Action Plan:**

The District has hired a new staff member to be responsible for overseeing the student body funds and ensuring proper internal controls are in place.

**Status:**

Implemented