

NOTICE OF CRITERIA AND STANDARDS REVIEW. This interim report was based upon and reviewed using the state-adopted Criteria and Standards. (Pursuant to Education Code (EC) sections 33129 and 42130)

Signed: _____ Date: _____
District Superintendent or Designee

NOTICE OF INTERIM REVIEW. All action shall be taken on this report during a regular or authorized special meeting of the governing board.

To the County Superintendent of Schools:

This interim report and certification of financial condition are hereby filed by the governing board of the school district. (Pursuant to EC Section 42131)

Meeting Date: _____ Signed: _____
President of the Governing Board

CERTIFICATION OF FINANCIAL CONDITION

POSITIVE CERTIFICATION

As President of the Governing Board of this school district, I certify that based upon current projections this district will meet its financial obligations for the current fiscal year and subsequent two fiscal years.

QUALIFIED CERTIFICATION

As President of the Governing Board of this school district, I certify that based upon current projections this district may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

NEGATIVE CERTIFICATION

As President of the Governing Board of this school district, I certify that based upon current projections this district will be unable to meet its financial obligations for the remainder of the current fiscal year or for the subsequent fiscal year.

Contact person for additional information on the interim report:

Name: _____ Telephone: _____
Title: _____ E-mail: _____

Criteria and Standards Review Summary

The following summary is automatically completed based on data provided in the Criteria and Standards Review form (Form 01CSI). Criteria and standards that are "Not Met," and supplemental information and additional fiscal indicators that are "Yes," may indicate areas of potential concern, which could affect the interim report certification, and should be carefully reviewed.

| CRITERIA AND STANDARDS | | | Met | Not Met |
|------------------------------------|--|--|-----|---------|
| 1 | Average Daily Attendance | Funded ADA for any of the current or two subsequent fiscal years has not changed by more than two percent since first interim. | X | |
| CRITERIA AND STANDARDS (continued) | | | Met | Not Met |
| 2 | Enrollment | Projected enrollment for any of the current or two subsequent fiscal years has not changed by more than two percent since first interim. | X | |
| 3 | ADA to Enrollment | Projected second period (P-2) ADA to enrollment ratio for the current and two subsequent fiscal years is consistent with historical ratios. | X | |
| 4 | Local Control Funding Formula (LCFF) Revenue | Projected LCFF revenue for any of the current or two subsequent fiscal years has not changed by more than two percent since first interim. | | X |
| 5 | Salaries and Benefits | Projected ratio of total unrestricted salaries and benefits to total unrestricted general fund expenditures has not changed by more than the standard for the current and two subsequent fiscal years. | X | |
| 6a | Other Revenues | Projected operating revenues (federal, other state, other local) for the current and two subsequent fiscal years have not changed by more than five percent since first interim. | X | |
| 6b | Other Expenditures | Projected operating expenditures (books and supplies, services and other expenditures) for the current and two subsequent fiscal years have not changed by more than five percent since first interim. | | X |
| 7 | Ongoing and Major Maintenance Account | If applicable, changes occurring since first interim meet the required contribution to the ongoing and major maintenance account (i.e., restricted maintenance account). | n/a | |
| 8 | Deficit Spending | Unrestricted deficit spending, if any, has not exceeded the standard in any of the current or two subsequent fiscal years. | X | |
| 9a | Fund Balance | Projected general fund balance will be positive at the end of the current and two subsequent fiscal years. | X | |
| 9b | Cash Balance | Projected general fund cash balance will be positive at the end of the current fiscal year. | X | |
| 10 | Reserves | Available reserves (e.g., reserve for economic uncertainties, unassigned/unappropriated amounts) meet minimum requirements for the current and two subsequent fiscal years. | X | |
| SUPPLEMENTAL INFORMATION | | | No | Yes |
| S1 | Contingent Liabilities | Have any known or contingent liabilities (e.g., financial or program audits, litigation, state compliance reviews) occurred since first interim that may impact the budget? | X | |



Cuttien School District

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Superintendent
Becky MacQuarrie, EdD

MANAGEMENT REPRESENTATION LETTER

January 29, 2024

James Marta & Company LLP
Certified Public Accountants
Sacramento, California

This representation letter is provided in connection with your audit of 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 June 30, 2023 and for the fiscal year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the District in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP); and for the purpose of expressing an opinion on compliance for major federal award programs pursuant to the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of January 29, 2024:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated February 24, 2023 for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We acknowledge that we are responsible for distributing the issued report as well as the communication with governance letter and internal control letter to all governing board members.



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- We have reviewed, approved, and taken responsibility for the financial statements and related notes and acknowledge the auditor's role in the preparation of this information.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We have reviewed and approved the adjusting journal entries reflected in the audit statements and Attachment A.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, non-spendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All inter-fund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:



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- The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
- The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
- The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
- There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- Cutten Elementary School District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which Cutten Elementary School District is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of



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- business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
 - There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
 - Cutten Elementary School District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
 - We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Additional Representations

Supplementary Information in Relation to the Financial Statements as a Whole

With respect to the supplementary information accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the 2022-23 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting, prescribed in the California Code of Regulations, Title 5, Section 19810 and following; and the Uniform Guidance.
- We believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the 2022-23 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting, prescribed in the California Code of Regulations, Title 5, Section 19810 and following; and the Uniform Guidance.
- The methods of measurement or presentation have not changed from those used in the prior.
- When the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
- We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.



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- We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.

Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

- The methods of measurement or presentation have not changed from those used in the prior period.

Use of a Specialist

We agree with the findings of specialists in evaluating the District's proportionate share of net pension liability and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Pension and Postretirement Benefits

- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- We are unable to determine the possibility of a withdrawal liability in a multiemployer benefit plan.

Federal Award Programs

With respect to federal award programs:

- We are responsible for understanding and complying with, and have complied with, the requirements of the Uniform Guidance.
- We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit and included in the SEFA made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement



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- contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
 - We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs.
 - We have identified and disclosed to you the requirements of federal statutes, laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
 - We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
 - We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
 - We have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.
 - We have charged costs to federal awards in accordance with applicable cost principles.
 - We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
 - Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
 - The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
 - We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
 - We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
 - There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
 - No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), subsequent to the date as of which compliance was audited.
 - We have complied with the direct and material compliance requirements, including when applicable, those set forth in the Uniform Guidance, relating to federal awards



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- We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective plan that meets the requirements of the Uniform Guidance.
- We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- The reporting package does not include protected personally identifiable information.
- Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.
- We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance.
- We have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- We have received no requests from a federal agency to audit one or more specific programs as a major program.

Becky MacQuarrie, Ed.D., Superintendent

1-29-24.



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Attachment A JOURNAL ENTRY REPORT

Adjusting Journal Entries

Adjusting Journal Entries JE # 4

PBC - to record Student Activity Special Revenue Fund activities.

| | | | |
|--------------|-------------------------|---------------|---------------|
| 08-4300 | Materials and Supplies | 15,421 | |
| 08-8699 | All Other Local Revenue | | 13,219 |
| 08-9120 | Cash in Bank(s) | | 2,202 |
| Total | | 15,421 | 15,421 |

Adjusting Journal Entries JE # 5

To tie out cash in county treasury balances from the District to Auditor-Controller/Treasurer's cash reconciliation.

| | | | |
|--------------|-------------------------|-------------------|-------------------|
| 01-9110 | Cash in County Treasury | 78,904.00 | |
| 13-9110 | Cash in County Treasury | 652.00 | |
| 17-9110 | Cash in County Treasury | 20,263.00 | |
| 21-9110 | Cash in County Treasury | 22,838.00 | |
| 35-9110 | Cash in County Treasury | 24.00 | |
| 51-9110 | Cash in County Treasury | 185.00 | |
| 01-8660 | Interest | | 78,904.00 |
| 13-8660 | Interest | | 652.00 |
| 17-8660 | Interest | | 20,263.00 |
| 21-8660 | Interest | | 22,838.00 |
| 35-8660 | Interest | | 24.00 |
| 51-8660 | Interest | | 185.00 |
| Total | | 122,866.00 | 122,866.00 |

Adjusting Journal Entries JE # 6

To post GASB 31 FMV entry for cash in county treasury.

| | | | |
|--------------|--|-----------------|-----------------|
| 01-8662 | Net Increase (Decrease) in the Fair Value of Investments | 2,813.00 | |
| 13-8662 | Net Increase (Decrease) in the Fair Value of Investments | 125.00 | |
| 17-8662 | Net Increase (Decrease) in the Fair Value of Investments | 748.00 | |
| 21-8662 | Net Increase (Decrease) in the Fair Value of Investments | 844.00 | |
| 35-8662 | Net Increase (Decrease) in the Fair Value of Investments | 1.00 | |
| 51-8662 | Net Increase (Decrease) in the Fair Value of Investments | 6.00 | |
| 01-9111 | Fair Value Adjustment to Cash in County Treasury | | 2,813.00 |
| 13-9111 | Fair Value Adjustment to Cash in County Treasury | | 125.00 |
| 17-9111 | Fair Value Adjustment to Cash in County Treasury | | 748.00 |
| 21-9111 | Fair Value Adjustment to Cash in County Treasury | | 844.00 |
| 35-9111 | Fair Value Adjustment to Cash in County Treasury | | 1.00 |
| 51-9111 | Fair Value Adjustment to Cash in County Treasury | | 6.00 |
| Total | | 4,537.00 | 4,537.00 |

Reclassifying Journal Entries



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Reclassifying Journal Entries JE# 7

To reclass CNIP reimbursement revenue to corrected federal and state portion.

| | | | |
|---------|--------------------------|----------------|----------------|
| 13-8220 | Child Nutrition Programs | 123,241 | |
| 13-8699 | All Other Local Revenue | 1,903 | |
| 13-8699 | All Other Local Revenue | 1,653 | |
| 13-8520 | Child Nutrition | | 126,797 |
| Total | | <u>126,797</u> | <u>126,797</u> |

Proposed Journal Entries

None.



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MANAGEMENT REPRESENTATION LETTER

January 29, 2024

James Marta & Company LLP
Certified Public Accountants
Sacramento, California

This representation letter is provided in connection with your audit of the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance of the Measure L General Obligation Bond Building Fund (the "Fund") of Cutten Elementary School District (the "District") as of June 30, 2023 and for the fiscal year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the fund financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the Fund in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of January 29, 2024:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated July 18, 2023, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We acknowledge that we are responsible for distributing the issued report as well as the communication with governance letter, internal control letter, and report on bond performance to all governing board members and the citizens' oversight committee.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes and acknowledge the auditor's role in the preparation of this information.
- We have a process to track the status of audit findings and recommendations.



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- We have reviewed and approved the adjusting journal entries reflected in the audit statements and Attachment A.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
 - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.



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- The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
- The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
- There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
-

Supplementary Information in Relation to the Financial Statements as a Whole

With respect to the supplementary information accompanying the financial statements:

- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with *accounting principles generally accepted in the United States of America, GASB-34 fund statement reporting*.
- b. We believe the supplementary information, including its form and content, is fairly presented in accordance with *GASB-34 fund statement reporting*.
- c. The methods of measurement or presentation have not changed from those used in the prior period
- d. When the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
- e. We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
- f. We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or



Cutten School District

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Eureka, CA 95503
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Superintendent
Becky MacQuarrie, EdD

- Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been *no* communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The Measure L General Obligation Bond Building Fund of the Cutten Elementary School District has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which Measure L General Obligation Bond Building Fund of the Cutten Elementary School District is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
 - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
- The Measure L General Obligation Bond Building Fund of the Cutten Elementary School District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

 1-29-24.
Becky MacQuarrie, Superintendent



Cutten School District

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Superintendent
Becky MacQuarrie, EdD

Attachment A – Journal Entry Report

Adjusting Journal Entries

Adjusting Journal Entries JE # 4

PBC - to record Student Activity Special Revenue Fund activities.

| | | | |
|--------------|-------------------------|---------------|---------------|
| 08-4300 | Materials and Supplies | 15,421 | |
| 08-8699 | All Other Local Revenue | | 13,219 |
| 08-9120 | Cash in Bank(s) | | 2,202 |
| Total | | 15,421 | 15,421 |

Adjusting Journal Entries JE # 5

To tie out cash in county treasury balances from the District to Auditor-Controller/Treasurer's cash reconciliation.

| | | | |
|--------------|-------------------------|-------------------|-------------------|
| 01-9110 | Cash in County Treasury | 78,904.00 | |
| 13-9110 | Cash in County Treasury | 652.00 | |
| 17-9110 | Cash in County Treasury | 20,263.00 | |
| 21-9110 | Cash in County Treasury | 22,838.00 | |
| 35-9110 | Cash in County Treasury | 24.00 | |
| 51-9110 | Cash in County Treasury | 185.00 | |
| 01-8660 | Interest | | 78,904.00 |
| 13-8660 | Interest | | 652.00 |
| 17-8660 | Interest | | 20,263.00 |
| 21-8660 | Interest | | 22,838.00 |
| 35-8660 | Interest | | 24.00 |
| 51-8660 | Interest | | 185.00 |
| Total | | 122,866.00 | 122,866.00 |

Adjusting Journal Entries JE # 6

To post GASB 31 FMV entry for cash in county treasury.

| | | | |
|--------------|--|-----------------|-----------------|
| 01-8662 | Net Increase (Decrease) in the Fair Value of Investments | 2,813.00 | |
| 13-8662 | Net Increase (Decrease) in the Fair Value of Investments | 125.00 | |
| 17-8662 | Net Increase (Decrease) in the Fair Value of Investments | 748.00 | |
| 21-8662 | Net Increase (Decrease) in the Fair Value of Investments | 844.00 | |
| 35-8662 | Net Increase (Decrease) in the Fair Value of Investments | 1.00 | |
| 51-8662 | Net Increase (Decrease) in the Fair Value of Investments | 6.00 | |
| 01-9111 | Fair Value Adjustment to Cash in County Treasury | | 2,813.00 |
| 13-9111 | Fair Value Adjustment to Cash in County Treasury | | 125.00 |
| 17-9111 | Fair Value Adjustment to Cash in County Treasury | | 748.00 |
| 21-9111 | Fair Value Adjustment to Cash in County Treasury | | 844.00 |
| 35-9111 | Fair Value Adjustment to Cash in County Treasury | | 1.00 |
| 51-9111 | Fair Value Adjustment to Cash in County Treasury | | 6.00 |
| Total | | 4,537.00 | 4,537.00 |

Reclassifying Journal Entries

Reclassifying Journal Entries JE # 7

To reclass CNIP reimbursement revenue to corrected federal and state portion.

| | | | |
|--------------|--------------------------|----------------|----------------|
| 13-8220 | Child Nutrition Programs | 123,241 | |
| 13-8699 | All Other Local Revenue | 1,903 | |
| 13-8699 | All Other Local Revenue | 1,653 | |
| 13-8520 | Child Nutrition | | 126,797 |
| Total | | 126,797 | 126,797 |

Proposed Journal Entries

None.

CUTTEN ELEMENTARY SCHOOL DISTRICT
COUNTY OF HUMBOLDT
EUREKA, CALIFORNIA
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

CUTTEN ELEMENTARY SCHOOL DISTRICT

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CUTTEN ELEMENTARY SCHOOL DISTRICT

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

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, 2023, 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, 2023, 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.

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.

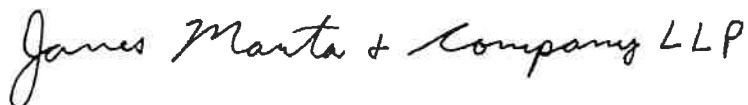
Supplementary Information

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 Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2024 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
January 29, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

CUTTEN ELEMENTARY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023

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 was 526 students for the 2022-2023 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's mission is to provide our students with:

- An opportunity to reach full academic potential;
- An appreciation of the arts and humanities;
- An opportunity to learn about themselves and the world around them;
- An opportunity to grow as responsible citizens of our community and our country;
- A respect for the rights of the individual in a democratic society; and
- A sense of their own unique value and worth.

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.

CUTTEN ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

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

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, 2022 and 2023 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, 2023 | June 30, 2022 | Change | Percentage Change |
|---------------------------------------|---------------------|---------------------|---------------------|----------------------|
| Assets | | | | |
| Current assets | \$ 9,365,975 | \$ 10,414,147 | \$ (1,048,172) | -10.06% |
| Right of Use - Lease Assets | 28,644 | 37,457 | (8,813) | -23.53% |
| Capital assets | 5,979,067 | 2,995,688 | 2,983,379 | 99.59% |
| Total assets | <u>15,373,686</u> | <u>13,447,292</u> | <u>1,926,394</u> | <u>14.33%</u> |
| Deferred Outflows of Resources | <u>2,922,697</u> | <u>1,485,685</u> | <u>1,437,012</u> | <u>96.72%</u> |
| Current liabilities | 815,335 | 1,494,177 | (678,842) | -45.43% |
| Long-term liabilities | 10,327,753 | 8,411,902 | 1,915,851 | 22.78% |
| Total liabilities | <u>11,143,088</u> | <u>9,906,079</u> | <u>1,237,009</u> | <u>12.49%</u> |
| Deferred Inflows of Resources | <u>2,726,853</u> | <u>2,930,315</u> | <u>(203,462)</u> | <u>-6.94%</u> |
| Net Position | | | | |
| Invested in capital assets | 2,346,993 | 1,747,305 | 599,688 | 34.32% |
| Restricted | 2,532,233 | 3,934,827 | (1,402,594) | -35.65% |
| Unrestricted | (452,784) | (3,585,549) | 3,132,765 | -87.37% |
| Total net position | <u>\$ 4,426,442</u> | <u>\$ 2,096,583</u> | <u>\$ 2,329,859</u> | <u>111.13%</u> |

CUTTEN ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

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 \$2,329,859. This was due mainly to increased revenues compared to last year. The Program Revenue increased due to the addition of COVID-19 relief funding. The following table summarizes the changes to net position for the 2022-2023 and the 2021-2022 fiscal years.

Condensed Statement of Activities for the Fiscal Years Ended June 30

| | 2023 | 2022 | Change | Percentage Change |
|---|---------------------|---------------------|-------------------|----------------------|
| Revenues | | | | |
| Charges for services | \$ 656 | \$ 3,504 | \$ (2,848) | -81.3% |
| Operating grants and contributions | 3,755,236 | 2,604,195 | 1,151,041 | 44.2% |
| Taxes levied for general purposes | 1,211,276 | 1,142,740 | 68,536 | 6.0% |
| Taxes levied for debt services | 225,727 | 139,419 | 86,308 | 61.9% |
| Federal and state aid not restricted for specific purposes | 5,433,280 | 4,857,074 | 576,206 | 11.9% |
| Interest and investment earnings | (76,196) | 41,640 | (117,836) | -283.0% |
| Miscellaneous | 163,821 | 9,840 | 153,981 | 1564.8% |
| Interagency revenues | 14,352 | 180,645 | (166,293) | -92.1% |
| Total revenues | <u>10,728,152</u> | <u>8,979,057</u> | <u>1,749,095</u> | <u>19.5%</u> |
| Expenses | | | | |
| Instruction | 5,479,890 | 4,965,600 | 514,290 | 10.4% |
| Instruction related services | 823,464 | 586,281 | 237,183 | 40.5% |
| Pupil services | 565,304 | 500,108 | 65,196 | 13.0% |
| General administration | 450,183 | 380,700 | 69,483 | 18.3% |
| Plant services | 589,920 | 588,452 | 1,468 | 0.2% |
| Ancillary services | 1,746 | 12,185 | (10,439) | -85.7% |
| Community services | 83,155 | 93,539 | (10,384) | -11.1% |
| Interest on long-term debt | 212,549 | 143,069 | 69,480 | 48.6% |
| Other outgo | 192,082 | - | 192,082 | 100.0% |
| Total expenses | <u>8,398,293</u> | <u>7,269,934</u> | <u>1,128,359</u> | <u>15.5%</u> |
| Change in net position | <u>\$ 2,329,859</u> | <u>\$ 1,709,123</u> | <u>\$ 620,736</u> | <u>36.3%</u> |

Cutten School District Revenue 2022-23

District revenues were received from four major sources as follows: Federal & State Aid Unrestricted 11.9%, Property Taxes 50.2%, and Program Revenues 44.2%.

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

JUNE 30, 2023

Cutten School District Expenses 2022-2023

The total cost of programs and services was \$8,398,293. The District expenses are predominately related to the instruction of students 50.8%. Administrative activities of the District accounted for 18.3% of total costs. The balance of expenses is made up as follows: Pupil Services 13.0%, Plant Services 0.2 %, Ancillary Services (85.7%), Community Services (11.1%), and Debt Service 48.6%.

Financial Highlights

Strong reserve levels were decreased in the 2022-2023 year. 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 \$4,622,398 or 57.60% for the beginning of the 2023-2024 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:

| | Original | Final | Actual | Variance with Final Budget Favorable Unfavorable |
|--------------------------------|--------------|---------------|---------------|---|
| Revenues | \$ 7,860,769 | \$ 10,397,908 | \$ 10,080,925 | \$ (316,983) |
| Expenditures | 8,661,870 | 8,439,787 | 7,700,509 | (739,278) |
| Other Financing Sources (Uses) | - | - | (2,754) | (2,754) |
| Net change in fund balance | (801,101) | 1,958,121 | 2,377,662 | 419,541 |
| Fund balances, July 1, 2022 | 5,647,984 | 5,647,984 | 5,647,984 | - |
| Fund balances, June 30, 2023 | \$ 4,846,883 | \$ 7,606,105 | \$ 8,025,646 | \$ 419,541 |

CUTTEN ELEMENTARY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Economic Factors Impacting the District's Future

The latest forecast for the 2023-2024 State Budget is moderately optimistic. District Average Daily Attendance (ADA) decreased significantly for the 2022-2023 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 2022-2023, 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.

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. Building fund expended due to the Bond construction finalization. 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:

| | 2023 | 2022 | Increase (Decrease) |
|-----------------|--------------|--------------|------------------------|
| General Fund | \$ 8,025,646 | \$ 5,647,984 | \$ 2,377,662 |
| Building Fund | 332,496 | 3,052,976 | (2,720,480) |
| Non-Major Funds | 275,177 | 219,010 | 56,167 |
| Total | \$ 8,633,319 | \$ 8,919,970 | \$ (286,651) |

District Indebtedness

As of June 30, 2023, the District has \$10,348,330 of noncurrent obligations as shown in the table below. This is an increase from June 30, 2022, due to an increase in the District's portion of the State-wide pension liability.

| | 2023 | 2022 | Percent |
|------------------------------|---------------|--------------|---------|
| General Obligation Bond | \$ 3,803,286 | \$ 3,858,286 | -1% |
| CA Energy Commission Loan | 137,147 | 149,073 | -8% |
| Lease Liability | 30,118 | 38,268 | -21% |
| Net OPEB Liability | 857,836 | 843,595 | 2% |
| Net Pension Liability | 5,502,073 | 3,213,396 | 71% |
| Compensated Absences Payable | 17,870 | 16,095 | 11% |
| Total | \$ 10,348,330 | \$ 8,118,713 | 27% |

CUTTEN ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

District Capital Assets

As of June 30, 2023, the District had net capital assets of \$5,979,067, as shown in the table below. This is an increase from June 30, 2022, due to the purchase of equipment and real estate, and the modernization building projects on both campuses.

| Capital Assets: | <u>2023</u> | <u>2022</u> | <u>Percent</u> |
|--------------------------------|---------------------|---------------------|----------------|
| Land | \$ 47,000 | \$ 47,000 | 0% |
| Work-In-Progress | 4,808,965 | 1,757,333 | 174% |
| Buildings | 2,782,560 | 2,782,560 | 0% |
| Improvement of sites | 281,814 | 281,814 | 0% |
| Equipment | <u>662,751</u> | <u>649,640</u> | <u>2%</u> |
| Subtotals | 8,583,090 | 5,518,347 | 56% |
| Less: Accumulated Depreciation | <u>(2,604,023)</u> | <u>(2,522,659)</u> | <u>3%</u> |
| Capital Assets, net | <u>\$ 5,979,067</u> | <u>\$ 2,995,688</u> | <u>100%</u> |
| | | | |
| Lease Assets: | <u>2023</u> | <u>2022</u> | <u>Percent</u> |
| Equipments | \$ 44,067 | \$ 44,067 | 0% |
| Less: Accumulated Amortization | <u>(15,423)</u> | <u>(6,610)</u> | <u>133%</u> |
| Lease Assets, net | <u>\$ 28,644</u> | <u>\$ 37,457</u> | <u>133%</u> |

Factors Regarding the District's Financial Management

At the time the financial statements were prepared and audited, the District was aware of one major circumstance that could significantly affect its financial health in the future:

- Due to the ongoing COVID-19 pandemic uncertainties continue to exist in future state and federal revenues and the impact of possible lower revenues on the District's budget, as well as the impact of shifting Local Control and Accountability Plan priorities such as learning loss mitigation.

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, 2023

| ASSETS | Governmental Activities |
|---|------------------------------------|
| Cash and cash equivalents (Note 2) | \$ 8,956,042 |
| Receivables | 407,803 |
| Stores inventory | 2,130 |
| Right of Use - Lease Assets, net of accumulated amortization (Note 4) | 28,644 |
| Capital assets, net of accumulated depreciation (Note 4) | <u>5,979,067</u> |
| Total Assets | <u>15,373,686</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows on pensions (Note 6) | 2,901,052 |
| Deferred outflows on OPEB (Note 7) | <u>21,645</u> |
| Total Deferred Outflows | <u>2,922,697</u> |
| LIABILITIES | |
| Accounts payable and other current liabilities | 540,392 |
| Unearned revenue | 254,366 |
| Long-term liabilities: | |
| Due within one year | 20,577 |
| Due in more than one year | <u>10,327,753</u> |
| Total Liabilities | <u>11,143,088</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred bond premium revenue | 293,017 |
| Deferred inflows on pensions (Note 6) | 2,080,020 |
| Deferred inflows on OPEB (Note 7) | <u>353,816</u> |
| Total Deferred Inflows | <u>2,726,853</u> |
| NET POSITION | |
| Net investment in capital assets | 2,346,993 |
| Restricted | 2,532,233 |
| Unrestricted | <u>(452,784)</u> |
| Total Net Position | <u>\$ 4,426,442</u> |

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, 2023

| | Expenses | Program Revenues | | | Net (Expense) |
|---|--------------|----------------------|------------------------------------|----------------------------------|--------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenues and Changes in Net Position |
| | | | | | Governmental Activities |
| Governmental Activities | | | | | |
| Instruction | \$ 5,479,890 | \$ - | \$ 3,151,078 | \$ - | \$ (2,328,812) |
| Instruction-related services: | | | | | |
| Instructional supervision and administration | 239,427 | - | 50,755 | - | (188,672) |
| Instructional library, media and technology | 99,434 | - | 31,839 | - | (67,595) |
| School site administration | 484,603 | - | 21,914 | - | (462,689) |
| Pupil Services: | | | | | |
| Home-to-school transportation | 149,764 | - | - | - | (149,764) |
| Food services | 326,818 | 630 | 356,756 | - | 30,568 |
| All other pupil services | 88,722 | - | 51,523 | - | (37,199) |
| General administration: | | | | | |
| Centralized data processing | 24,341 | - | - | - | (24,341) |
| All other general administration | 425,842 | - | 14,470 | - | (411,372) |
| Plant services | 589,920 | 26 | 13,977 | - | (575,917) |
| Ancillary services | 1,746 | - | - | - | (1,746) |
| Community services | 83,155 | - | - | - | (83,155) |
| Interest on long-term debt | 212,549 | - | - | - | (212,549) |
| Other outgo | 192,082 | - | 62,924 | - | (129,158) |
| Total governmental activities | \$ 8,398,293 | \$ 656 | \$ 3,755,236 | \$ - | (4,642,401) |
| General Revenues | | | | | |
| Taxes and subventions: | | | | | |
| Taxes levied for general purposes | | | | | 1,211,276 |
| Taxes levied for debt service | | | | | 225,727 |
| Federal and state aid not restricted to specific purposes | | | | | 5,433,280 |
| Interest and investment earnings | | | | | (76,196) |
| Interagency revenues | | | | | 14,352 |
| Miscellaneous | | | | | 163,821 |
| Total General Revenues | | | | | 6,972,260 |
| | | | | | Change in Net Position |
| | | | | | 2,329,859 |
| | | | | | Net Position, July 1, 2022 |
| | | | | | 2,096,583 |
| | | | | | Net Position, June 30, 2023 |
| | | | | | \$ 4,426,442 |

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

CUTTEN ELEMENTARY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2023

| | General Fund | Building Fund | All Non-Major Funds | Totals |
|--|-------------------------|--------------------------|------------------------------------|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 8,444,372 | \$ 309,833 | \$ 201,837 | \$ 8,956,042 |
| Accounts receivable | 312,639 | 23,472 | 71,692 | 407,803 |
| Stores inventory | - | - | 2,130 | 2,130 |
| Total Assets | <u>\$ 8,757,011</u> | <u>\$ 333,305</u> | <u>\$ 275,659</u> | <u>\$ 9,365,975</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 476,999 | \$ 809 | \$ 482 | \$ 478,290 |
| Unearned revenue | 254,366 | - | - | 254,366 |
| Total Liabilities | <u>731,365</u> | <u>809</u> | <u>482</u> | <u>732,656</u> |
| Fund balances | | | | |
| Nonspendable | 2,500 | - | 2,130 | 4,630 |
| Restricted | 1,934,692 | 332,496 | 265,045 | 2,532,233 |
| Assigned | 1,466,056 | - | 8,002 | 1,474,058 |
| Unassigned | 4,622,398 | - | - | 4,622,398 |
| Total Fund Balances | <u>8,025,646</u> | <u>332,496</u> | <u>275,177</u> | <u>8,633,319</u> |
| Total liabilities and fund balances | <u>\$ 8,757,011</u> | <u>\$ 333,305</u> | <u>\$ 275,659</u> | <u>\$ 9,365,975</u> |

CUTTEN ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

JUNE 30, 2023

Total fund balances - governmental funds \$ 8,633,319

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 | \$ 8,583,090 | |
| Accumulated depreciation | (2,604,023) | |
| Lease assets relating to governmental activities, at historical costs: | 44,067 | |
| Accumulated amortization: | <u>(15,423)</u> | |
| Net | | 6,007,711 |

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. (62,102)

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.

(293,017)

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 | \$ 5,502,073 | |
| General obligation bonds | 3,803,286 | |
| Leases payable | 30,118 | |
| California Clean Energy Commission Loan | 137,147 | |
| Net OPEB liability | 857,836 | |
| Compensated absences payable | <u>17,870</u> | |
| | | (10,348,330) |

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

| | |
|---|-----------|
| Deferred outflows of resources relating to OPEB | 21,645 |
| Deferred inflows of resources relating to OPEB | (353,816) |

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 | 2,901,052 |
| Deferred inflows of resources relating to pensions | <u>(2,080,020)</u> |

Total net position - governmental activities \$ 4,426,442

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

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

GOVERNMENTAL FUNDS

JUNE 30, 2023

| | General Fund | Building Fund | All Non-Major Funds | Totals |
|--|---------------------|--------------------|---------------------------|---------------------|
| REVENUES | | | | |
| LCFF sources | \$ 6,473,559 | \$ - | \$ - | \$ 6,473,559 |
| Federal revenue | 1,356,693 | - | 287,431 | 1,644,124 |
| Other state revenues | 1,902,430 | - | 68,834 | 1,971,264 |
| Other local revenues | 348,243 | 33,496 | 257,466 | 639,205 |
| Total revenues | <u>10,080,925</u> | <u>33,496</u> | <u>613,731</u> | <u>10,728,152</u> |
| EXPENDITURES | | | | |
| Certificated salaries | 3,097,947 | - | - | 3,097,947 |
| Classified salaries | 1,150,261 | - | 77,614 | 1,227,875 |
| Employee benefits | 2,224,060 | - | 55,821 | 2,279,881 |
| Books and supplies | 201,070 | - | 201,908 | 402,978 |
| Services and other operating expenditures | 525,503 | 2,614,849 | 6,245 | 3,146,597 |
| Capital outlay | 297,660 | 139,127 | 13,111 | 449,898 |
| Other outgo | 192,082 | - | 750 | 192,832 |
| Debt service expenditures | | | | |
| Principal | 11,926 | - | 55,000 | 66,926 |
| Interest | - | - | 149,869 | 149,869 |
| Total expenditures | <u>7,700,509</u> | <u>2,753,976</u> | <u>560,318</u> | <u>11,014,803</u> |
| Excess (deficiency) of revenues over expenditures | <u>2,380,416</u> | <u>(2,720,480)</u> | <u>53,413</u> | <u>(286,651)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | - | - | 2,754 | 2,754 |
| Operating transfers out | (2,754) | - | - | (2,754) |
| Total other financing sources (uses) | <u>(2,754)</u> | <u>-</u> | <u>2,754</u> | <u>-</u> |
| Net change in fund balances | 2,377,662 | (2,720,480) | 56,167 | (286,651) |
| Fund balances, July 1, 2022 | <u>5,647,984</u> | <u>3,052,976</u> | <u>219,010</u> | <u>8,919,970</u> |
| Fund balances, June 30, 2023 | <u>\$ 8,025,646</u> | <u>\$ 332,496</u> | <u>\$ 275,177</u> | <u>\$ 8,633,319</u> |

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

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

JUNE 30, 2023

Total net change in fund balances - governmental funds \$ (286,651)

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 | \$ 3,064,746 | |
| Depreciation expense | (81,364) | |
| Amortization expense | <u>(8,813)</u> | 2,974,569 |

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: 75,076

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: (62,105)

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 6,577

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: (376,004)

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: (1,775)

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 172

Total change in net position - governmental activities \$ 2,329,859

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

A. 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, 2023

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, 2023

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 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 primarily to provide for the accumulation of general fund moneys for general operating purposes other than for capital outlay (Education Code Section 42840).

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.

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2023

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, 2023

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

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, 2023

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. As of June 30, 2023, the District did not have any financing leases that met the threshold.

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2023

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, 2023, the District did not have any subscription based information technology agreements that met the threshold.

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2023 consist of the following:

| | Governmental Funds |
|---------------------------|-----------------------|
| Cash in County Treasury | \$ 8,942,967 |
| Cash on hand and in banks | 10,575 |
| Cash in revolving fund | 2,500 |
| Totals | \$ 8,956,042 |

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 649 days. The pool is rated AAA by Standard and Poor's.

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the year ended June 30, 2023 are as follows:

| | |
|---|------------------------|
| Transfer from General Fund to Cafeteria Fund to cover expenses. | <u>\$ 2,754</u> |
| Total Transfers | <u><u>\$ 2,754</u></u> |

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

4. CAPITAL ASSETS

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

| | Balance July 1, 2022 | Additions and Transfers | Deductions and Transfers | Balance June 30, 2023 |
|---|-------------------------|-------------------------------|--------------------------------|--------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 47,000 | \$ - | \$ - | \$ 47,000 |
| Work in progress | 1,757,333 | 3,051,632 | - | 4,808,965 |
| | <u>1,804,333</u> | <u>3,051,632</u> | <u>-</u> | <u>4,855,965</u> |
| Depreciable assets: | | | | |
| Site improvements | 281,814 | - | - | 281,814 |
| Building | 2,782,560 | - | - | 2,782,560 |
| Equipment | 649,640 | 13,111 | - | 662,751 |
| | <u>3,714,014</u> | <u>13,111</u> | <u>-</u> | <u>3,727,125</u> |
| Totals, at cost | <u>5,518,347</u> | <u>3,064,743</u> | <u>-</u> | <u>8,583,090</u> |
| Accumulated depreciation: | | | | |
| Site improvements | (281,814) | - | - | (281,814) |
| Building | (1,763,955) | (46,615) | - | (1,810,570) |
| Equipment | (476,890) | (34,749) | - | (511,639) |
| | <u>(2,522,659)</u> | <u>(81,364)</u> | <u>-</u> | <u>(2,604,023)</u> |
| Depreciable assets, net | <u>1,191,355</u> | <u>(68,253)</u> | <u>-</u> | <u>1,123,102</u> |
| Capital assets, net | <u>\$ 2,995,688</u> | <u>\$ 2,983,379</u> | <u>\$ -</u> | <u>\$ 5,979,067</u> |
| Lease Assets: | | | | |
| 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 | (6,610) | (8,813) | - | (15,423) |
| Total accumulated amortization | <u>(6,610)</u> | <u>(8,813)</u> | <u>-</u> | <u>(15,423)</u> |
| Total lease assets being amortized, net | <u>37,457</u> | <u>(8,813)</u> | <u>-</u> | <u>28,644</u> |
| Governmental activities capital assets, net | <u>\$ 3,033,145</u> | <u>\$ 2,974,566</u> | <u>\$ -</u> | <u>\$ 6,007,711</u> |

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

| | |
|---|------------------|
| Instruction | \$ 25,000 |
| Instructional Library, Media and Technology | 6,069 |
| Home-to-school Transportation | 28,222 |
| Food Services | 1,548 |
| All Other Pupil Services | 650 |
| Community Services | 2,446 |
| All Other General Administration | 9,888 |
| Plant Services | 16,353 |
| | <u>\$ 90,177</u> |

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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.

In 2020, refunding bonds were issued in the amount of \$3,667,104 to refund the "2012 Series 2013" bonds. The refunding will reduce the District's payments over the term of the refunding bond by \$700,488.

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.

The outstanding general obligation bonded debt of the District as of June 30, 2023 is:

| <u>Issue Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Original Issue</u> | <u>Balance June 30, 2022</u> | <u>Issued/ Accretion</u> | <u>Redeemed</u> | <u>Balance June 30, 2023</u> |
|-------------------|----------------------|----------------------|-----------------------|------------------------------|--------------------------|------------------|------------------------------|
| 1/29/2019 | 08/01/48 | 2.00% - 5.00% | \$ 2,000,000 | \$ 1,860,000 | \$ - | \$ - | \$ 1,860,000 |
| 2/6/2020 | 08/01/50 | 2.68% - 4.00% | 1,998,286 | 1,998,286 | - | 55,000 | 1,943,286 |
| | | | <u>\$ 3,998,286</u> | <u>\$ 3,858,286</u> | <u>\$ -</u> | <u>\$ 55,000</u> | <u>\$ 3,803,286</u> |

The annual requirements to amortize the 2018 Series A and 2018 Series B general obligation bonds payable, outstanding as of June 30, 2023, are as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest to Maturity</u> | <u>Total</u> |
|----------------------------|---------------------|-----------------------------|---------------------|
| 2024 | \$ - | \$ 149,044 | \$ 149,044 |
| 2025 | 5,000 | 148,994 | 153,994 |
| 2026 | 15,000 | 148,744 | 163,744 |
| 2027 | 20,000 | 148,294 | 168,294 |
| 2028 | 25,000 | 147,469 | 172,469 |
| 2029-2033 | 248,175 | 719,657 | 967,832 |
| 2034-2038 | 420,197 | 738,346 | 1,158,543 |
| 2039-2044 | 724,914 | 672,289 | 1,397,203 |
| 2045-2049 | 1,420,000 | 380,625 | 1,800,625 |
| 2050 | 925,000 | 49,274 | 974,274 |
| Total | <u>\$ 3,803,286</u> | <u>\$ 3,302,736</u> | <u>\$ 7,106,022</u> |

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2023, are as follows:

| Year Ended June 30, | Principal |
|------------------------|-------------------|
| 2024 | \$ 11,926 |
| 2025 | 11,926 |
| 2026 | 11,926 |
| 2027 | 11,926 |
| 2028 | 11,926 |
| 2029-2033 | 59,630 |
| 2034-2035 | 17,887 |
| Total Outstanding | <u>\$ 137,147</u> |

Leases

For the year ended June 30, 2023 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 \$10,224 for the year ended June 30, 2023.

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

| Year Ending June 30, | Principal | Interest | Total |
|----------------------------|------------------|-----------------|------------------|
| 2024 | \$ 8,651 | \$ 1,573 | \$ 10,224 |
| 2025 | 9,185 | 1,039 | 10,224 |
| 2026 | 9,752 | 472 | 10,224 |
| 2027 | 2,530 | 26 | 2,556 |
| Total | <u>\$ 30,118</u> | <u>\$ 3,110</u> | <u>\$ 33,228</u> |

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, is shown below:

| | Balance July 1, 2022 | Additions | Deductions | Balance June 30, 2023 | Amounts Due Within One Year |
|------------------------------|-------------------------|---------------------|------------------|--------------------------|-----------------------------------|
| General Obligation Bond | \$ 3,858,286 | \$ - | \$ 55,000 | \$ 3,803,286 | \$ - |
| CA Energy Commission Loan | 149,073 | - | 11,926 | 137,147 | 11,926 |
| Lease Liability | 38,268 | - | 8,150 | 30,118 | 8,651 |
| Net OPEB Liability | 843,595 | 14,241 | - | 857,836 | - |
| Net Pension Liability | 3,213,396 | 2,288,677 | - | 5,502,073 | - |
| Compensated Absences Payable | 16,095 | 1,775 | - | 17,870 | - |
| Total long term obligation | <u>\$ 8,118,713</u> | <u>\$ 2,304,693</u> | <u>\$ 75,076</u> | <u>\$ 10,348,330</u> | <u>\$ 20,577</u> |

The accrued vacation (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, 2023

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, 2023, 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% | 10.205% |
| Required employer contribution rates | 25.370% | 25.370% | 19.10% | 19.10% |

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2023, the contributions reported as deferred outflows of resources related to pensions recognized as part of pension expense for each Plan were as follows:

| | CalPERS | STRS | Total |
|---------------------------------|----------------|-------------|--------------|
| Contributions - employer | \$ 265,863 | \$ 581,618 | \$ 847,481 |
| On behalf contributions - state | - | 281,612 | 281,612 |
| Total | \$ 265,863 | \$ 863,230 | \$ 1,129,093 |

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

As of June 30, 2023, the District's reported net pension liabilities for its proportionate share of the net pension liability of the Plans' of:

| | Proportionate Share of Net Pension Liability |
|-----------------------------|---|
| CalPERS | \$ 1,996,936 |
| STRS | 3,505,137 |
| Total Net Pension Liability | \$ 5,502,073 |

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2022, 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, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension 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, 2021 and 2022 was as follows:

| Measurement | | | |
|------------------------------|--------------------|-----------------|-----------------|
| Dates | Fiscal Year | CalPERS | STRS |
| June 30, 2021 | 2021-22 | 0.00490% | 0.00487% |
| June 30, 2022 | 2022-23 | 0.00580% | 0.00504% |
| Change - Increase (Decrease) | | <u>0.00090%</u> | <u>0.00017%</u> |

For the year ended June 30, 2023, the District recognized pension expense of \$376,004. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | CalPERS | | STRS | | Total | |
|--|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | \$ 265,863 | \$ - | \$ 863,230 | \$ - | \$ 1,129,093 | \$ - |
| Difference between proportionate share of aggregate employer contributions and actual contributions for 2021-22 | 13,476 | 75,725 | 22,727 | 67,602 | 36,203 | 143,327 |
| Changes of Assumptions | 113,186 | - | 1,119,872 | - | 1,233,058 | - |
| Differences between Expected and Actual Experience | 45,734 | 38,742 | 20,853 | 541,446 | 66,587 | 580,188 |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 1,188 | 84,964 | 434,923 | 36,030 | 436,111 | 120,994 |
| Net differences between projected and actual investment earnings on pension plan investments | - | 59,641 | - | 1,175,870 | - | 1,235,511 |
| Total | <u>\$ 439,447</u> | <u>\$ 259,072</u> | <u>\$ 2,461,605</u> | <u>\$ 1,820,948</u> | <u>\$ 2,901,052</u> | <u>\$ 2,080,020</u> |

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30 | CalPERS | STRS | Total Deferred Outflows/ (Inflows) of Resources |
|-----------------------|-------------|--------------|--|
| 2024 | \$ (26,716) | \$ (55,850) | \$ (82,566) |
| 2025 | (58,472) | (106,920) | (165,392) |
| 2026 | (40,121) | (187,180) | (227,301) |
| 2027 | 39,821 | 95,812 | 135,633 |
| 2028 | - | 28,695 | 28,695 |
| Thereafter | - | 2,870 | 2,870 |
| Total | \$ (85,488) | \$ (222,573) | \$ (308,061) |

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

| | CalPERS | STRS |
|--|---|--|
| Valuation Date | June 30, 2021 | June 30, 2021 |
| Measurement Date | June 30, 2022 | June 30, 2022 |
| 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% | 3.50% |
| Projected Salary Increase | Varies by Entry Age and Service | Varies by Entry Age and Service |
| Investment Rate of Return ⁽¹⁾ | 6.90% | 7.10% |
| Mortality | Derived using CalPERS' Membership Data for all Funds | Derived using STRS' Membership Data for all Funds |

⁽¹⁾ Net of pension plan investment expenses, including inflation.

CUTTEN ELEMENTARY SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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 changed the mortality assumptions based on the July 1, 2015 through June 30, 2018, experience study adopted by the board in January 2020. STRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.

Discount Rate

CalPERS

The discount rate used to measure the total pension liability for the Plan was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

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

In determining the long-term expected rate of return, CalPERS took into account long-term 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 rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

| Asset Class | CalPERS | |
|--------------------------------|--------------------------------|----------------------------------|
| | Assumed Asset Allocation | Real Return ^{(a)(b)} |
| 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% | |

^(a) An expected inflation of 2.30% used for this period.

^(b) Figures are based on the 2021-22 Asset Liability Management study.

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 (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from STRS investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, STRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of the June 30, 2022 measurement date, are summarized in the following table:

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

| Asset Class | STRS | |
|----------------------------|--------------------------------|--|
| | Assumed Asset Allocation | Long-Term Expected Real Rate of Return ^(a) |
| Public Equity | 42.0% | 4.80% |
| Real Estate | 15.0% | 3.60% |
| Private Equity | 13.0% | 6.30% |
| Fixed Income | 12.0% | 1.30% |
| Risk Mitigating Strategies | 10.0% | 1.80% |
| Inflation Sensitive | 6.0% | 3.30% |
| Cash/Liquidity | 2.0% | -0.40% |
| Total | 100% | |

^(a) 20-year average.

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:

| | CalPERS | | |
|--------------------------------------|-------------------------------|----------------------------------|-------------------------------|
| | Discount Rate - 1% (5.90%) | Current Discount Rate (6.90%) | Discount Rate + 1% (7.90%) |
| Plan's Net Pension Liability/(Asset) | \$ 2,884,675 | \$ 1,996,936 | \$ 1,263,252 |

| | STRS | | |
|--------------------------------------|-------------------------------|----------------------------------|-------------------------------|
| | Discount Rate - 1% (6.10%) | Current Discount Rate (7.10%) | Discount Rate + 1% (8.10%) |
| Plan's Net Pension Liability/(Asset) | \$ 5,953,023 | \$ 3,505,137 | \$ 1,472,656 |

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, 2023, the District had no outstanding required contributions to the pension plans.

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2022 valuation, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefit payments | 4 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | 35 |
| Total | <u>39</u> |

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, 2023, the District's cash contributions were \$65,310, and there was no estimated implied subsidy, resulting in total payments of \$65,310. No trust has been created for the purpose of prefunding obligations for past services.

For the fiscal year 2022-23, the District contributed \$65,310 to the Plan, all of which was used for current premiums.

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022.

Actuarial assumptions. The total OPEB liability in the June 30, 2022 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 | 3.65% 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 | 2017 CalPERS Mortality for Miscellaneous and Schools Employees |

The mortality assumptions are based on the 2020 CalSTRS Mortality table for certificated employees and the 2017 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 2017 CalPERS Retirement Rates for School Employees tables created by CalPERS.

| | Increase (Decrease) | | |
|--|---|--|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances at June 30, 2022 Measurement Date | \$ 843,595 | \$ - | \$ 843,595 |
| Changes for the year: | | | |
| Service cost | 57,650 | - | 57,650 |
| Interest | 29,728 | - | 29,728 |
| Contributions - employer | - | 65,310 | (65,310) |
| Changes of assumptions | (7,827) | - | (7,827) |
| Benefit payments | (65,310) | (65,310) | - |
| Net changes | 14,241 | - | 14,241 |
| Balances at June 30, 2023 Measurement Date | <u>\$ 857,836</u> | <u>\$ -</u> | <u>\$ 857,836</u> |

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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 (2.65 percent) or 1-percentage-point higher (4.65 percent) than the current discount rate:

| | 1% Decrease (2.65%) | Discount Rate (3.65%) | 1% Increase (4.65%) |
|----------------------------|--------------------------------|----------------------------------|--------------------------------|
| Net OPEB liability (asset) | \$ 925,167 | \$ 857,836 | \$ 794,871 |

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:

| | 1% Decrease | Trend Rate | 1% Increase |
|----------------------------|--------------------|-------------------|--------------------|
| Net OPEB liability (asset) | \$ 748,055 | \$ 857,836 | \$ 986,103 |

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, 2023, the District recognized OPEB expense of \$6,577. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 215,920 |
| Changes of assumptions | 21,645 | 137,896 |
| Total | \$ 21,645 | \$ 353,816 |

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, 2023

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

| Year Ended June 30 | Total Deferred Outflows of Resources | Total Deferred Inflows of Resources |
|-------------------------------|---|--|
| 2024 | \$ 2,700 | \$ 31,345 |
| 2025 | 2,700 | 31,345 |
| 2026 | 2,700 | 31,345 |
| 2027 | 2,700 | 31,345 |
| 2028 | 2,700 | 31,345 |
| Thereafter | 8,145 | 197,091 |
| Total | <u>\$ 21,645</u> | <u>\$ 353,816</u> |

Payable to the OPEB Plan

At June 30, 2023, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2023.

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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:

| | General Fund | Building Fund | All Non-Major Funds | Totals |
|---|---------------------|-------------------|---------------------------|---------------------|
| Nonspendable: | | | | |
| Revolving cash | \$ 2,500 | \$ - | \$ - | \$ 2,500 |
| Stores | - | - | 2,130 | 2,130 |
| Total Nonspendable | <u>2,500</u> | <u>-</u> | <u>2,130</u> | <u>4,630</u> |
| Restricted for: | | | | |
| Expanded Learning Opportunities Program | 540,143 | - | - | 540,143 |
| Educator Effectiveness | 171,869 | - | - | 171,869 |
| Lottery: Instructional Materials | 192,508 | - | - | 192,508 |
| Arts, Music, and Instructional Materials Discretionary Block Grant | 176,267 | - | - | 176,267 |
| Child Nutrition: Kitchen Infrastructure and Training Funds - 2022 KIT | 152,197 | - | - | 152,197 |
| Special Education Early Intervention Preschool Grant | 137,235 | - | - | 137,235 |
| Classified School Employee Professional Development Block Grant | 4,273 | - | - | 4,273 |
| SB 117 COVID-19 LEA Response Funds | 10,607 | - | - | 10,607 |
| Expanded Learning Opportunities (ELO) Grant: Paraprofessional Staff | 8,823 | - | - | 8,823 |
| Learning Recovery Emergency Block Grant | 481,114 | - | - | 481,114 |
| Bond Repayments | - | - | 106,665 | 106,665 |
| State School Facilities Projects | - | - | 1,526 | 1,526 |
| Student Activity Funds | - | - | 10,575 | 10,575 |
| Child Nutrition: School Programs | - | - | 146,279 | 146,279 |
| Other Restricted Local | 59,656 | 332,496 | - | 392,152 |
| Total Restricted | <u>1,934,692</u> | <u>332,496</u> | <u>265,045</u> | <u>2,532,233</u> |
| Assigned to: | | | | |
| Capital Outlay | - | - | 8,002 | 8,002 |
| After School Program | 13,698 | - | - | 13,698 |
| Supplemental/Concentration | 149,162 | - | - | 149,162 |
| Lottery | 165,124 | - | - | 165,124 |
| Deferred Maintenance | 1,048,514 | - | - | 1,048,514 |
| Instructional Materials | 17,528 | - | - | 17,528 |
| Garden Club | 1,696 | - | - | 1,696 |
| Donations | 70,334 | - | - | 70,334 |
| Total Assigned | <u>1,466,056</u> | <u>-</u> | <u>8,002</u> | <u>1,474,058</u> |
| Unassigned: | | | | |
| Reserve for Economic Uncertainties | 4,622,398 | - | - | 4,622,398 |
| Total Unassigned | <u>4,622,398</u> | <u>-</u> | <u>-</u> | <u>4,622,398</u> |
| Total Fund Balances | <u>\$ 8,025,646</u> | <u>\$ 332,496</u> | <u>\$ 275,177</u> | <u>\$ 8,633,319</u> |

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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 School 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 June 30, 2022 | NCSMIG June 30, 2022 |
|------------------------|------------------------|-------------------------|
| Total assets | \$ 6,949,055 | \$ 12,879,195 |
| Total liabilities | 1,561,817 | 3,595,325 |
| Net position | 5,387,238 | 9,283,870 |
| Total revenues | 8,449,759 | 32,208,646 |
| Total expenses | 8,050,574 | 32,233,123 |
| Change in net position | 399,185 | (24,477) |

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, 2023 financial statements for subsequent events through January 29, 2024, the date the financial statements were available to be issued. Management is not aware of any subsequent events, other than those discussed above, 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, 2023

| | Budget | | Actual | Variance with |
|--|---------------------|---------------------|---------------------|----------------------|
| | Original | Final | | Final Budget |
| | | | | Favorable |
| | | | | (Unfavorable) |
| REVENUES | | | | |
| LCFF sources | \$ 5,385,068 | \$ 6,472,292 | \$ 6,473,559 | \$ 1,267 |
| Federal revenue | 970,805 | 1,575,781 | 1,356,693 | (219,088) |
| Other state revenues | 1,042,921 | 1,889,087 | 1,902,430 | 13,343 |
| Other local revenues | 461,975 | 460,748 | 348,243 | (112,505) |
| Total revenues | <u>7,860,769</u> | <u>10,397,908</u> | <u>10,080,925</u> | <u>(316,983)</u> |
| EXPENDITURES | | | | |
| Certificated salaries | 3,449,076 | 3,110,114 | 3,097,947 | 12,167 |
| Classified salaries | 1,027,344 | 1,168,928 | 1,150,261 | 18,667 |
| Employee benefits | 2,070,735 | 2,240,663 | 2,224,060 | 16,603 |
| Books and supplies | 387,598 | 233,711 | 201,070 | 32,641 |
| Services and other operating expenditures | 1,154,018 | 1,050,319 | 525,503 | 524,816 |
| Capital outlay | 307,710 | 416,069 | 297,660 | 118,409 |
| Other outgo | 265,389 | 219,983 | 204,008 | 15,975 |
| Total expenditures | <u>8,661,870</u> | <u>8,439,787</u> | <u>7,700,509</u> | <u>739,278</u> |
| Excess (deficiency) of revenues over expenditures | <u>(801,101)</u> | <u>1,958,121</u> | <u>2,380,416</u> | <u>422,295</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | - | 500,000 | - | (500,000) |
| Operating transfers out | - | (500,000) | (2,754) | 497,246 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(2,754)</u> | <u>(2,754)</u> |
| Net change in fund balances | (801,101) | 1,958,121 | 2,377,662 | 419,541 |
| Fund balances, July 1, 2022 | 5,647,984 | 5,647,984 | 5,647,984 | - |
| Fund balances, June 30, 2023 | <u>\$ 4,846,883</u> | <u>\$ 7,606,105</u> | <u>\$ 8,025,646</u> | <u>\$ 419,541</u> |

CUTTEN ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE CHANGES IN THE DISTRICT'S
NET OPEB LIABILITY AND RELATED RATIOS

JUNE 30, 2023

| | 2023* | 2022* | 2021* | 2020* | 2019* | 2018* |
|---|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Total OPEB liability | | | | | | |
| Service cost | \$ 57,650 | \$ 75,274 | \$ 72,808 | \$ 79,892 | \$ 73,989 | \$ 72,009 |
| Interest | 29,728 | 21,382 | 21,496 | 43,034 | 41,276 | 44,373 |
| Differences between expected and actual experience | - | (76,349) | - | (206,215) | - | - |
| Changes of assumptions | (7,827) | (88,087) | 3,136 | (75,546) | 31,585 | - |
| Benefit payments | (65,310) | (81,769) | (89,971) | (90,177) | (108,895) | (104,707) |
| Net change in total OPEB liability | 14,241 | (149,549) | 7,469 | (249,012) | 37,955 | 11,675 |
| Total OPEB liability - beginning | 843,595 | 993,144 | 985,675 | 1,234,687 | 1,196,732 | 1,185,057 |
| Total OPEB liability - ending (a) | \$ 857,836 | \$ 843,595 | \$ 993,144 | \$ 985,675 | \$ 1,234,687 | \$ 1,196,732 |
| Plan fiduciary net position | | | | | | |
| Contributions - employer | \$ - | \$ 81,769 | \$ 89,971 | \$ 90,177 | \$ 108,895 | \$ 104,707 |
| Net investment income | - | - | - | - | - | - |
| Benefit payments | - | (81,769) | (89,971) | (90,177) | (108,895) | (104,707) |
| Administrative expense | - | - | - | - | - | - |
| Net change in plan fiduciary net position | - | - | - | - | - | - |
| Plan fiduciary net position - beginning | - | - | - | - | - | - |
| Plan fiduciary net position - ending (b) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's net OPEB liability - ending (a) - (b) | \$ 857,836 | \$ 843,595 | \$ 993,144 | \$ 985,675 | \$ 1,234,687 | \$ 1,196,732 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Covered-employee payroll | \$ 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 | 20.9% | 29.0% | 29.7% | 29.4% | 40.8% | 40.1% |

* Only six 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, 2023

| | June 30, 2014 ⁽¹⁾ | June 30, 2015 ⁽¹⁾ | June 30, 2016 ⁽¹⁾ | June 30, 2017 ⁽¹⁾ | June 30, 2018 ⁽¹⁾ | June 30, 2019 ⁽¹⁾ | June 30, 2020 ⁽¹⁾ | June 30, 2021 ⁽¹⁾ | June 30, 2022 ⁽¹⁾ |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| CalPERS | | | | | | | | | |
| Proportion of the net pension liability (asset) | 0.00443% | 0.00461% | 0.00462% | 0.00494% | 0.00524% | 0.00521% | 0.00523% | 0.00490% | 0.00580% |
| Proportionate share of the net pension liability (asset) | \$ 503,037 | \$ 679,001 | \$ 912,529 | \$ 1,178,768 | \$ 1,397,877 | \$ 1,519,077 | \$ 1,604,068 | \$ 996,530 | \$ 1,996,936 |
| Covered payroll ⁽²⁾ | \$ 452,154 | \$ 506,711 | \$ 472,847 | \$ 563,048 | \$ 594,613 | \$ 661,219 | \$ 945,744 | \$ 635,273 | \$ 803,236 |
| Proportionate Share of the net pension liability (asset) | 111.25% | 134.00% | 192.99% | 209.35% | 235.09% | 229.74% | 169.61% | 156.87% | 248.61% |
| as a percentage of covered payroll | | | | | | | | | |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 83.38% | 79.43% | 73.90% | 71.87% | 70.85% | 70.05% | 70.00% | 80.97% | 69.76% |
| Proportionate share of aggregate employer contributions ⁽³⁾ | \$ 53,223 | \$ 60,030 | \$ 65,669 | \$ 87,447 | \$ 107,399 | \$ 130,399 | \$ 195,769 | \$ 145,541 | \$ 203,781 |
| STRS | | | | | | | | | |
| Proportion of the net pension liability (asset) | 0.00449% | 0.00485% | 0.00440% | 0.00431% | 0.00420% | 0.00436% | 0.00475% | 0.00487% | 0.00504% |
| Proportionate share of the net pension liability (asset) | \$ 2,623,609 | \$ 3,266,443 | \$ 3,554,782 | \$ 3,983,080 | \$ 3,856,381 | \$ 3,936,731 | \$ 4,603,831 | \$ 2,216,866 | \$ 3,505,137 |
| Covered payroll ⁽²⁾ | \$ 1,857,827 | \$ 1,863,691 | \$ 1,868,267 | \$ 1,990,014 | \$ 1,979,754 | \$ 2,230,556 | \$ 2,879,604 | \$ 2,953,505 | \$ 2,925,513 |
| Proportionate Share of the net pension liability (asset) | 141.22% | 175.27% | 190.27% | 200.15% | 194.79% | 176.49% | 159.88% | 75.06% | 119.81% |
| as a percentage of covered payroll | | | | | | | | | |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 76.52% | 74.02% | 70.04% | 69.46% | 70.99% | 72.56% | 71.82% | 87.21% | 81.20% |
| Proportionate share of aggregate employer contributions ⁽³⁾ | \$ 164,975 | \$ 199,974 | \$ 235,028 | \$ 287,159 | \$ 322,304 | \$ 381,425 | \$ 465,056 | \$ 499,733 | \$ 558,773 |

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

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

(3) 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, 2023

| | Fiscal Year 2014-15 ⁽¹⁾ | Fiscal Year 2015-16 ⁽¹⁾ | Fiscal Year 2016-17 ⁽¹⁾ | Fiscal Year 2017-18 ⁽¹⁾ | Fiscal Year 2018-19 ⁽¹⁾ | Fiscal Year 2019-20 ⁽¹⁾ | Fiscal Year 2020-21 ⁽¹⁾ | Fiscal Year 2021-22 ⁽¹⁾ | Fiscal Year 2022-23 ⁽¹⁾ |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| CIPERS | | | | | | | | | |
| Contractually required contribution ⁽²⁾ | \$ 53,223 | \$ 60,030 | \$ 65,669 | \$ 87,447 | \$ 107,399 | \$ 130,399 | \$ 195,769 | \$ 145,541 | \$ 203,781 |
| Contributions in relation to the contractually required contribution ⁽²⁾ | (59,958) | (65,669) | (87,447) | (107,500) | (130,399) | (148,509) | (145,541) | (203,781) | (265,863) |
| Contribution deficiency (excess) | \$ (6,735) | \$ (5,639) | \$ (21,778) | \$ (20,053) | \$ (23,000) | \$ (18,110) | \$ 50,228 | \$ (58,240) | \$ (62,082) |
| Covered payroll ⁽³⁾ | \$ 452,154 | \$ 506,711 | \$ 472,847 | \$ 563,048 | \$ 594,613 | \$ 661,219 | \$ 945,744 | \$ 635,273 | \$ 803,236 |
| Contributions as a percentage of covered payroll ⁽³⁾ | 11.771% | 11.847% | 13.888% | 15.531% | 18.062% | 19.721% | 20.700% | 22.910% | 25.370% |
| STRS | | | | | | | | | |
| Contractually required contribution ⁽²⁾ | \$ 164,975 | \$ 199,974 | \$ 235,028 | \$ 287,159 | \$ 322,304 | \$ 381,425 | \$ 465,056 | \$ 499,733 | \$ 558,773 |
| Contributions in relation to the contractually required contribution ⁽²⁾ | (190,723) | (239,121) | (288,017) | (330,862) | (377,362) | (442,200) | (426,196) | (499,003) | (581,618) |
| Contribution deficiency (excess) | \$ (25,748) | \$ (39,147) | \$ (52,989) | \$ (43,703) | \$ (55,058) | \$ (60,775) | \$ 38,860 | \$ 730 | \$ (22,845) |
| Covered payroll ⁽³⁾ | \$ 1,857,827 | \$ 1,863,691 | \$ 1,868,267 | \$ 1,990,014 | \$ 1,979,754 | \$ 2,230,556 | \$ 2,879,604 | \$ 2,953,505 | \$ 2,925,513 |
| Contributions as a percentage of covered payroll ⁽³⁾ | 8.880% | 10.730% | 12.580% | 14.430% | 16.280% | 17.100% | 16.150% | 16.920% | 19.100% |

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

⁽²⁾ 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.

⁽³⁾ 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, 2023

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 the 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 3.54% to 3.65%.

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

Actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year ended June 30, 2023 were from the June 30, 2022 valuation.

| | |
|-----------------------------|--|
| Actuarial cost method | Entry Age Normal Cost |
| Amortization method | Level percent of pay |
| Amortization period | 14 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 | 3.65% as of June 30, 2023 3.54% as of June 30, 2022 |
| Mortality | |
| Certificated | 2020 CalSTRS Mortality |
| Classified | 2017 CalPERS Mortality for Miscellaneous and Schools Employees |

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

The discount rate changed for CalPERS from 7.15% to 6.90%. The inflation rate for CalPERS changed from 2.50% to 2.30%. The payroll growth rate for CalPERS changed from 2.75% to 2.80%. There were no changes in assumptions for CalSTRS.

Changes in Benefit Terms

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

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

D - Schedule of Pension Contributions

If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plan (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.

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

| | <u>CalPERS</u> | <u>STRS</u> |
|--|---|--|
| Valuation Date | June 30, 2021 | June 30, 2021 |
| Measurement Date | June 30, 2022 | June 30, 2022 |
| 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% | 3.50% |
| Projected Salary Increase | Varies by Entry Age and Service | Varies by Entry Age and Service |
| Investment Rate of Return ⁽¹⁾ | 6.90% | 7.10% |
| Mortality | Derived using CalPERS' Membership Data for all Funds | Derived using STRS' Membership Data for all Funds |

⁽¹⁾ Net of pension plan investment expenses, including inflation.

SUPPLEMENTARY INFORMATION

CUTTEN ELEMENTARY SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

JUNE 30, 2023

| | <u>Student Activity Fund</u> | <u>Cafeteria Fund</u> | <u>County School Facilities Fund</u> | <u>Special Reserve Fund for Capital Outlay Projects</u> | <u>Bond Interest and Redemption Fund</u> | <u>Totals</u> |
|--|--------------------------------------|---------------------------|--|---|--|-------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 10,575 | \$ 75,069 | \$ 1,526 | \$ 8,002 | \$ 106,665 | \$ 201,837 |
| Accounts receivable | - | 71,692 | - | - | - | 71,692 |
| Stores inventory | - | 2,130 | - | - | - | 2,130 |
| Total Assets | <u>\$ 10,575</u> | <u>\$ 148,891</u> | <u>\$ 1,526</u> | <u>\$ 8,002</u> | <u>\$ 106,665</u> | <u>\$ 275,659</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ 482 | \$ - | \$ - | \$ - | \$ 482 |
| Total Liabilities | <u>-</u> | <u>482</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>482</u> |
| Fund balances | | | | | | |
| Nonspendable | - | 2,130 | - | - | - | 2,130 |
| Restricted | 10,575 | 146,279 | 1,526 | - | 106,665 | 265,045 |
| Assigned | - | - | - | 8,002 | - | 8,002 |
| Total Fund Balances | <u>10,575</u> | <u>148,409</u> | <u>1,526</u> | <u>8,002</u> | <u>106,665</u> | <u>275,177</u> |
| Total liabilities and fund balances | <u>\$ 10,575</u> | <u>\$ 148,891</u> | <u>\$ 1,526</u> | <u>\$ 8,002</u> | <u>\$ 106,665</u> | <u>\$ 275,659</u> |

CUTTEN ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

ALL NON-MAJOR FUNDS

JUNE 30, 2023

| | Student Activity Fund | Cafeteria Fund | County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Bond Interest and Redemption Fund | Totals |
|---|-----------------------------|-------------------|--|---|---|------------|
| REVENUES | | | | | | |
| Federal revenue | \$ - | \$ 287,431 | \$ - | \$ - | \$ - | \$ 287,431 |
| Other state revenues | - | 68,834 | - | - | - | 68,834 |
| Other local revenues | 13,219 | (893) | (11) | 21,113 | 224,038 | 257,466 |
| Total revenues | 13,219 | 355,372 | (11) | 21,113 | 224,038 | 613,731 |
| EXPENDITURES | | | | | | |
| Classified salaries | - | 77,614 | - | - | - | 77,614 |
| Employee benefits | - | 55,821 | - | - | - | 55,821 |
| Books and supplies | 15,421 | 186,487 | - | - | - | 201,908 |
| Services and other operating expenditures | - | 6,245 | - | - | - | 6,245 |
| Capital outlay | - | - | - | 13,111 | - | 13,111 |
| Other outgo | - | - | - | - | 750 | 750 |
| Debt service expenditures | | | | | | |
| Principal | - | - | - | - | 55,000 | 55,000 |
| Interest | - | - | - | - | 149,869 | 149,869 |
| Total expenditures | 15,421 | 326,167 | - | 13,111 | 205,619 | 560,318 |
| Excess (deficiency) of revenues over expenditures | (2,202) | 29,205 | (11) | 8,002 | 18,419 | 53,413 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfers in | - | 2,754 | - | - | - | 2,754 |
| Total other financing sources (uses) | - | 2,754 | - | - | - | 2,754 |
| Net change in fund balances | (2,202) | 31,959 | (11) | 8,002 | 18,419 | 56,167 |
| Fund balances, July 1, 2022 | 12,777 | 116,450 | 1,537 | - | 88,246 | 219,010 |
| Fund balances, June 30, 2023 | \$ 10,575 | \$ 148,409 | \$ 1,526 | \$ 8,002 | \$ 106,665 | \$ 275,177 |

CUTTEN ELEMENTARY SCHOOL DISTRICT

ORGANIZATION

JUNE 30, 2023

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 kindergarten through sixth.

GOVERNING BOARD

| <u>Name</u> | <u>Office</u> | <u>Term Expires November</u> |
|--------------------|---------------|----------------------------------|
| Beth Johnston | President | 2024 |
| Rebecca Reece | Clerk | 2024 |
| Mary DeWald | Member | 2026 |
| Dennis Reinholtsen | Member | 2026 |
| Andrew Sundquist | Member | 2026 |

ADMINISTRATION

Becky MacQuarrie
Superintendent

Darcie Rutter
Cutten Principal

Annette Sligh
Ridgewood Principal

Vanessa Carillo-Salas
Business Manager

CUTTEN ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
JUNE 30, 2023

| | Second Period Report | Annual Report |
|----------------------|-------------------------------------|--------------------------|
| TK through Third | 303.51 | 304.46 |
| Fourth through Sixth | 220.45 | 220.76 |
| Special Education | 0.49 | 0.49 |
| Total | <u>524.45</u> | <u>525.71</u> |

CUTTEN ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

| Grade Level | Standard Minutes Requirement | 2022-23 Actual Minutes | Instructional Days | Status |
|--------------------|---|---------------------------------------|-------------------------------|---------------|
| Kindergarten | 36,000 | 51,415 | 180 | In compliance |
| Grade 1 | 50,400 | 51,415 | 180 | In compliance |
| Grade 2 | 50,400 | 51,415 | 180 | In compliance |
| Grade 3 | 50,400 | 56,160 | 180 | In compliance |
| Grade 4 | 54,000 | 56,160 | 180 | In compliance |
| Grade 5 | 54,000 | 56,160 | 180 | In compliance |
| Grade 6 | 54,000 | 56,160 | 180 | In compliance |

CUTTEN ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR FISCAL YEAR ENDED JUNE 30, 2023

| Charter School ID Number | Charter Schools Chartered by the District | Included in the District Financial Statements, or Separate Report |
|-----------------------------|--|--|
|-----------------------------|--|--|

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, 2023

| FUND BALANCE | General Fund | Building Fund | Student Activity Fund | Cafeteria Fund | County School Facilities Fund | Bond Interest and Redemption Fund |
|--|---------------------|-------------------|-----------------------------|-------------------|--|---|
| Balance, June 30, 2023, Unaudited Actuals | \$ 7,930,040 | \$ 310,502 | \$ 12,777 | \$ 147,882 | \$ 1,503 | \$ 106,486 |
| Increase in: | | | | | | |
| Cash in Banks | 95,606 | 21,994 | - | 527 | 23 | 179 |
| Decrease in: | | | | | | |
| Cash in Banks | - | - | (2,202) | - | - | - |
| Balance, June 30, 2023, Audited Financial Statements | <u>\$ 8,025,646</u> | <u>\$ 332,496</u> | <u>\$ 10,575</u> | <u>\$ 148,409</u> | <u>\$ 1,526</u> | <u>\$ 106,665</u> |

CUTTEN ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

| Assistance Listing Number | Grantor and Program Title | Pass-Through Entity Identifying Number | Federal Expenditures |
|--|--|---|-------------------------|
| <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 | \$ 92,317 |
| 84.027 | Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement | 15638 | 15,231 |
| | Subtotal Special Education Cluster (IDEA) | | <u>107,548</u> |
| <u>Education Stabilization Fund (ESF) Cluster</u> | | | |
| 84.425 | Elementary and Secondary School Emergency Relief II (ESSER II) Fund | 15547 | * 405,078 |
| 84.425 | Elementary and Secondary School Emergency Relief III (ESSER III) Fund | 15559 | * 411,592 |
| 84.425U | Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss | 10155 | * 143,443 |
| 84.425C | Expanded Learning Opportunities (ELO) Grant GEER II | 15619 | * 2,881 |
| 84.425 | American Rescue Plan - Homeless Children and Youth II (ARP HYC II) | 15566 | * 770 |
| | Subtotal Education Stabilization Fund (ESF) Cluster | | <u>963,764</u> |
| 84.010 | ESSA: Title I, Part A, Basic Grants Low-Income and Neglected | 14329 | 200,659 |
| 84.367 | ESSA: Title II, Part A, Supporting Effective Instruction Local Grants ESEA (ESSA): Title V, Part B, Rural & Low Income School Program (aka REAP) | 14341 | 24,789 |
| 84.424 | ESSA: Title IV, Part A, Student Support and Academic Enrichment Grants | 14356 | 42,602 |
| | | 15396 | 379 |
| | Total U.S. Department of Education | | <u>1,339,741</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) | 13391 | 287,431 |
| 10.555 | SNP COVID-19 Emergency Operational Costs Reimbursement (ECR) | 15637 | 20,829 |
| | Subtotal Child Nutrition Cluster | | <u>308,260</u> |
| | Total U.S. Department of Agriculture | | <u>308,260</u> |
| | Total Federal Programs | | <u>\$ 1,648,001</u> |

* Tested as major program.

CUTTEN ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

| | Adopted Budget 2023/2024 | Actuals 2022/2023 | Actuals 2021/2022 | Actuals 2020/2021 |
|---|---|------------------------------|------------------------------|------------------------------|
| <u>General Fund</u> | | | | |
| Revenues and Other Financial Sources | \$ 9,697,388 | \$ 10,080,925 | \$ 8,641,312 | \$ 7,673,401 |
| Expenditures | 8,734,069 | 7,700,509 | 8,714,063 | 6,598,022 |
| Other Uses and Transfers Out | - | 2,754 | - | 63,814 |
| Total Outgo | 8,734,069 | 7,703,263 | 8,714,063 | 6,661,836 |
| Change in Fund Balance | 963,319 | 2,377,662 | (72,751) | 1,011,565 |
| Ending Fund Balance | \$ 8,988,965 | \$ 8,025,646 | \$ 5,647,984 | \$ 5,720,735 |
| Available Reserves | \$ 1,784,420 | \$ 4,622,398 | \$ 3,111,739 | \$ 4,353,329 |
| Designated for Economic Uncertainties | \$ 1,784,420 | \$ 4,622,398 | \$ 3,111,739 | \$ 4,353,329 |
| Undesignated Fund Balance | \$ - | \$ - | \$ - | \$ - |
| Available Reserves as a Percentage of Total Outgo | 20.4% | 60.0% | 35.7% | 65.3% |
| <u>All Funds</u> | | | | |
| Total Long-Term Debt | \$ 10,327,753 | \$ 10,348,330 | \$ 8,411,902 | \$ 11,594,593 |
| Actual Daily Attendance at P-2 | 542 | 524 | 529 | 614 |

The general fund balance has increased by \$3,316,476 over the past three years. The fiscal year 2023-24 budget projects an increase of \$963,319. 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 surplus in 2023-24.

Total long-term liabilities have decreased by \$1,246,263 over the past two years due to decreases in the net pension liability, net OPEB liability and payments for the General Obligation Bonds.

Average Daily Attendance (ADA) has decreased by 90 over the past two years and attendance is budgeted to increase in fiscal year 2023-24.

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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. The May 2023 Edition of 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.

The schedule on the following page provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of ESSA: Title IV, Part A, Student Support and Academic Enrichment Grants as the District received revenues in excess of expenditures and SNP Covid 19 Emergency Operational Costs Reimbursement (ECR) as the District incurred expenditures but no funds were received in current year.

CUTTEN ELEMENTARY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

5. Schedule of Expenditures of Federal Awards (continued)

| | Assistance Listing Number | Amount |
|--|--|---------------|
| Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balance | | \$ 1,644,124 |
| Reconciling items | | |
| ESSA: Title IV, Part A, Student Support and Academic Enrichment Grants | 15396 | (16,952) |
| SNP COVID-19 Emergency Operational Costs Reimbursement (ECR) | 15637 | 20,829 |
| Total Schedule of Expenditures of Federal Awards | | \$ 1,648,001 |

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 INDEPENDENT AUDITOR'S REPORTS



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting and Tax

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Cuttan Elementary School District
Eureka, California

Report on Compliance

Qualified Opinion

We have audited the Cutten Elementary School District (the "District") compliance with the requirements specified in the 2022-23 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, 2023.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Finding **2023-01** in the accompanying Schedule of Audit Findings and Questioned Costs, Cutten Elementary School District did not comply with requirements regarding Unduplicated Local Control Funding Formula Pupil Counts. Compliance with such requirements is necessary, in our opinion, for Cutten Elementary School District to comply with state laws and regulations applicable to that program.

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Cutten Elementary School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other State Programs

In our opinion, Cutten Elementary School District complied, in all material respects, with the other applicable state compliance requirements referred to above for the year ended June 30, 2023. 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, 2023.

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 2022-23 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 *2022-23 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 *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Local Education Agencies Other Than Charter Schools

| Description | Procedures Performed |
|---|-----------------------------|
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | 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 |
| Transportation Maintenance of Effort | 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 |
| Independent Study Certification for ADA Loss Mitigation | No, see below |

School Districts, County Offices of Education and Charter Schools

| Description | Procedures Performed |
|--|-----------------------------|
| California Clean Energy Jobs Act | No, see below |
| 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) | Yes |
| Career Technical Education Incentive Grant | No, see below |
| Transitional Kindergarten | Yes |

Charter Schools

| Description | Procedures Performed |
|---|-----------------------------|
| 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, 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 procedure related to California Clean Energy Jobs Act as the District had already filed their final expenditure report in a previous fiscal year.

We did not perform any procedures related to Immunization 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 7th grade.

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

We did not perform any procedures related to Independent Study Certification for ADA Loss Mitigation as the District did not report ADA in the prior 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs as items **2023-01**.

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

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 2022-23 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

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 29, 2024



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting and Tax

**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, 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 29, 2024.

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 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.

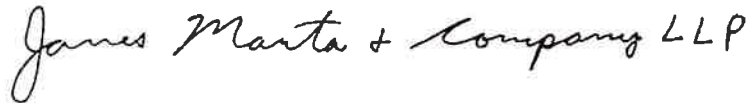
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

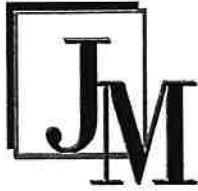
As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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
January 29, 2024



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting and Tax

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Education
Cutten Elementary School District
Eureka, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of the May 2023 Edition of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal 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 Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

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

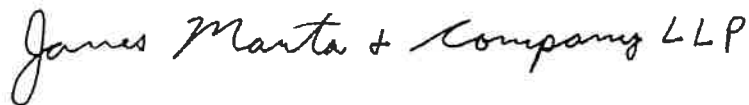
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Cutten Elementary School District as of and for the year ended June 30, 2023, and have issued our report thereon dated January 29, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
January 29, 2024

FINDINGS AND RECOMMENDATIONS

CUTTEN ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section I – Summary of Audit Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? Yes X No
 Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? Yes X No
 Significant deficiency(ies) identified not considered to be material weaknesses? Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516(a)? Yes X No

Identification of major programs:

| <u>Assistance Listing Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------------------|---|
| 84.425, 84.425C, 84.425U | Education Stabilization Fund Cluster |

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

Auditee qualified as low-risk auditee? Yes X No

State Awards

Internal control over state programs:
 Material weakness(es) identified? Yes X No
 Significant deficiency(ies) identified not considered to be material weaknesses? Yes X None reported

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

CUTTEN ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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, 2023

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, 2023

Section IV – State Award Findings and Questioned Costs

2023-1 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 11 unduplicated pupil count at the district as noted below:

| Site | Enrollment | Unduplicated Pupil Count | | | | Revised FRPM/EL/Foster Youth Total |
|----------------------------|------------|--|-------------------------------|---------------------|------------------|--|
| | | Free & Reduced Meal Program (FRPM) | English Learners (ELAS) | Both FRPM & ELAS | FRPM Revision | |
| Cutten Elementary School | 150 | 138 | 7 | 5 | (7) | 143 |
| Ridgeway Elementary School | 106 | 88 | 16 | 2 | (4) | 102 |
| As certified on CALPADS | 256 | 226 | 23 | 7 | (11) | 245 |
| Audit adjustment | - | (11) | - | - | - | - |
| Adjusted counts | 256 | 215 | 23 | 7 | (11) | 245 |

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 \$7,525.

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.

CUTTEN ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2022-01 – LATE FILING OF AUDIT REPORT (30000)

Criteria

Education Code Section 41020(6.) provides that not later than December 15 an audit report for the preceding fiscal year is to be filed with the County Superintendent of Schools, the California Department of Education, and the State Controller's Office.

Condition

Due to the County of Humboldt's inability to provide any of the Humboldt County school districts with reconciled cash balance reports prior to the initial December 15, 2022 deadline, the District requested and obtained approval for extensions to file the audit report. The approved extended due date was March 13, 2023. The District's audit report was filed prior to the extended date.

Recommendation

We recommend that the District and the auditor work closely in the future to plan for a timely filing of the audit.

Status

Implemented.

CUTTEN ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2022-02 – CHILD NUTRITION PROGRAM – MEAL COUNTS (30000 AND 50000)

Criteria

The Code of Federal Regulations, 7 CFR 210.7(c) requires that meals are counted, recorded, and reported through a system that consistently yields accurate claims.

Condition

During our testing of the cafeteria program, in which we tested meal counts for the month of January, we noted that the District made a clerical error when totaling the monthly meal counts that resulted in an overstatement of the number of free lunches and breakfasts by 3,542 meals and 1,232 meals, respectively.

Recommendation

We recommend that the District implement procedures to check large variances from prior month reported meal counts before filing the monthly claim form for the Child Nutrition Program.

Status

Implemented.

CUTTEN ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

2022-03 – ATTENDANCE (10000)

Criteria

Education Code Section 41601 requires that the governing board of each school district shall report to the Superintendent of Public Instruction during each fiscal year the average daily attendance of the district for all full school months during (1) the period between July 1 and December 31, inclusive, to be known as the “first period” report for the first principal apportionment, (2) the period between July 1 and April 15, inclusive, to be known as the “second period” (P-2) report, and (3) the period between July 1 and the last day of the school year, to be known as the “annual” report. Each report shall be prepared in accordance with instructions on forms prescribed and furnished by the Superintendent of Public Instruction.

Condition

During our testing of reported ADA, differences were noted between the audited and the reported attendance for the P-2 report. Reported ADA was over-stated by 0.04 ADA for the P-2 report and 1.95 ADA for the Annual report.

Recommendation

We recommend that the District establish procedures to check amounts entered in the attendance reports against the reports generated from the attendance software prior to filing the P-2 and Annual Attendance Reports.

Status

Implemented.

December 20, 2023

MEMORANDUM

TO: District Superintendents and Business Managers

FROM: Angela West, Director of Fiscal Services

SUBJECT: **RESOLUTION OF 2022-2023 AUDIT FINDINGS AND RECOMMENDATIONS**

Education Code 41020 et al. requires the County Office of Education to review your independent auditor's audit report, especially audit exceptions, and to determine that your district has either corrected the exception(s) or has an acceptable plan of correction. The shared responsibility between the County Superintendent and the State Superintendent of Public Instruction (SPI) for ensuring that findings and recommendations are corrected is also located in E.C. 41020.

It is important that you implement your auditor's other recommendations quickly to insure district assets are safeguarded. Unresolved or partially implemented prior year findings and recommendations must transfer to oversight of the SPI and, as such, bring a heightened awareness of a district's financial standing to the California Department of Education (CDE).

We have completed our review of your 2022-2023 audit report and have found one or more areas that require further explanation, corrective action or a plan for correction. Please provide clear and concise responses on the attached Corrective Action Form(s) for each finding and recommendation listed on the enclosed Audit Exception Matrix. Please note, Ed Code 41020 (g)(1)(C)(2) specifically states: "...A description of correction or plan of correction shall be incorporated in the audit report, describing the specific actions that are planned to be taken, or that have been taken, to correct the problem identified by the auditor. The descriptions of specific actions to be taken or that have been taken shall not solely consist of general comments such as "will implement," "accepted the recommendation," or "will discuss at a later date." In addition, the corrective action must be specific as to who or what position is responsible for ensuring the finding is corrected. While an auditor may comment on the content of your Corrective Action Plan, it is the fiduciary duty of HCOE to assess and ensure, to the extent possible, these exceptions are adequately resolved.

For your convenience, on subsequent pages we have listed the findings over which the SPI retains oversight responsibility. You should receive correspondence from and respond directly to CDE regarding those audit exceptions.

Plan to have your Board review and approve your Corrective Action Plans at the April board meeting. The Superintendent and Board President (or designee) should then sign the Certification of Corrective Actions. **Please return the Certification and all of the Corrective Action Plan(s), with supporting documentation as required, to the Business Office by April 30, 2024.**

Also enclosed with this mailing is an Audit Activity Reporting Calendar for your reference. **Please note that once you receive your audit, every district Board shall review and accept the annual audit at a public meeting (EC 41020.3).**

We are required to certify to the State Superintendent of Public Instruction that all required work by you and this office is completed by May 15, 2024.

If you need additional clarification about any of the Findings and Recommendations, please contact your auditor. If you need technical assistance developing acceptable Corrective Action Plans, please do not hesitate to contact Johnna Emery at 445-5313. Thank you.

2022-2023 AUDIT FINDING CORRECTIVE ACTION

DISTRICT NAME: _____

FINDING CATEGORY: _____
(from audit)

FINDING NUMBER: _____ **AUDIT PAGE NUMBER:** _____
(from matrix)

Describe below specific corrective action used in resolving audit findings:

Specifically address each individual item within the finding. Be certain that your responses are specific and concise. You will need to provide **all** documentation which supports the action taken toward resolving the finding such as copies of amended reports and corrective actions.

ATTACH ALL PERTINENT DOCUMENTATION.

Number of pages attached for this finding: _____

Humboldt County Office of Education

**DISTRICT CERTIFICATION OF CORRECTIVE ACTIONS
2022-2023 AUDIT FINDINGS AND RECOMMENDATIONS**

DISTRICT NAME: _____

2022-2023 Certification of Corrective Actions is hereby filed by the Governing Board of the school district.

President of the Governing Board

Date of Meeting

2022-2023 Certification of Corrective Action:

As regards to the 2022-2023 audit, the District Superintendent certifies that all corrective action(s) specified in the attached page(s) have been reviewed by the district's Governing Board and assures that corrective procedures have or will be implemented and will be used in the ensuing years.

District Superintendent

Date

Number of corrective actions certified: _____

SUPPLEMENTAL INFORMATION

Date prepared _____

Report prepared by: _____

Telephone Number: _____

FAX Number: _____



Humboldt County Office of Education

AUDIT ACTIVITY REPORTING CALENDAR

| <u>DATE</u> | <u>RESPONSIBILITY</u> | <u>ACTIVITY</u> |
|-------------|-----------------------|---|
| December 15 | Auditor | Audit reports shall be submitted to the State Controller, County Office of Education and the districts. |
| January 31 | County Office | On or before this date, the Humboldt County Office of Education will provide to the Districts the Independent Auditor Selection Form. |
| January 31 | District | On or before this date, at a public meeting, the district Board shall review and accept the annual audit (EC 41020.3). |
| January 31 | County Office | The County Office shall provide to the districts the Certification of Corrective Action and specific Audit Findings Corrective Action Forms, which must be adopted by the board and returned to the County Office by April 1. |
| February 15 | District | On or before this date, school districts shall submit to the County Office of Education the Independent Auditor Selection Form for the current fiscal year. |
| April 1 | District | On or before this date, school districts shall submit to the County Office of Education the Certification of Corrective Action and specific Audit finding Corrective Action Forms adopted by their Governing Board. |
| April 1 | District | On or before this date, ONLY school districts <u>that have changed auditing firms and/or the contract commitment</u> must submit to the County Office verification that their Governing Board has approved the new contract for the current fiscal year. |
| April 30 | District | Any additional information required of the school district must be submitted to the County Office by this date. |
| May 1 | County Office | The County Office shall provide for an audit contract for any district that had not secured an auditor for the current fiscal year. |
| May 15 | County Office | The County Office shall certify to the SPI and the State Controller that it has reviewed all audits of school districts and fulfilled the fiduciary required of E.C. 41020. |

Humboldt County Office of Education
2022-2023 AUDIT EXCEPTION MATRIX

 Cutten Elementary School District

**CURRENT YEAR RECOMMENDATIONS
 (HCOE OVERSIGHT)**

| | | | |
|----------------------------|------------|--------------------|----|
| Total Number of Findings: | 1 | Williams Findings: | No |
| Fiscal Impact of Findings: | | Finding Number(s): | |
| 2023-1 | \$ (7,525) | | |
| | \$ | | |
| | \$ | | |
| | \$ | | |

| Rec. No. | Code No. | Current Year Recommendations | Audit Report Page # | Is There A Financial Impact? (Y/N) | Acceptable Plan? (Y/N) | Comments |
|----------|----------|---|---------------------|------------------------------------|------------------------|---|
| 1 | 40000 | Unduplicated Local Control Funding Formula Pupil Counts | 74 | Y | N | Plan should identify district staff responsible for reconciliation or resolution. |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

CDE Audit Resolution

2022-2023 AUDIT EXCEPTION MATRIX

Cutten Elementary School District

***CURRENT YEAR RECOMMENDATIONS
(SPI OVERSIGHT)***

| Rec. No. | Code No. | Current Year Recommendations | Audit Report Page # | Is there a Financial Impact? (Y/N) | Acceptable Plan? (Y/N) | Comments |
|----------|----------|---|---------------------|------------------------------------|------------------------|----------|
| 1 | 40000 | Unduplicated Local Control Funding Formula Pupil Counts | 74 | Y | N | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
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CUTTEN SCHOOL DISTRICT 2024 - 2025 School Calendar

| MONTH | MON | TUES | WED | THURS | FRI | HOLIDAYS | DAYS TAUGHT |
|--------------------------|-----|------|---------------|----------|------|---|---------------------------------|
| First Month | 19 | 20 | 21 | 22* | 23 | Teacher Preservice Days - Aug. 19-21 | 16 |
| August 19 to | 26 | 27 | 28* | 29 | 30 | <i>First Day of School - Aug. 22</i> | |
| September 13 | 2 | 3 | 4* | 5 | 6 | Labor Day - Sept. 2 | |
| | 9 | 10 | 11* | 12 | 13 | | |
| Second Month | 16 | 17 | 18* | 19 | 20 | | 20 |
| September 16 to | 23 | 24 | 25* | 26 | 27 | | |
| October 11 | 30 | 1 | 2* | 3 | 4 | | |
| | 7 | 8 | 9* | 10 | 11 | | |
| Third Month | 14 | 15 | 16* | 17 | 18 | | 19 |
| October 14to | 21 | 22 | 23* | 24 | 25 | | |
| November 8 | 28 | 29 | 30* | 31 | 1 | | |
| | 4 | 5 | 6* | 7 | 8 | | |
| Fourth Month | 11 | 12 | 13* | 14 | {15} | Veterans Day - Nov. 11 | 14 |
| November 11 to | 18~ | 19~ | 20~ | 21~ | 22~ | ~Conference Week - Nov. 18 -22 | |
| December 6 | 25 | 26 | 27 | 28 | 29 | Early Dismissal: Cutten 12:15pm RW 1:05pm | |
| | 2 | 3 | 4* | 5 | 6 | Fall Break - Nov. 25-29 | |
| Fifth Month | 9 | 10 | 11* | 12 | 13 | | 10 |
| December 9 to | 16 | 17 | 18* | 19 | 20* | | |
| January 3 | 23 | 24 | 25 | 26 | 27 | Winter Break - Dec. 23 - Jan.3 | |
| | 30 | 31 | 1 | 2 | 3 | | |
| Sixth Month | 6 | 7 | 8* | 9 | 10 | | 19 |
| January 6 to | 13 | 14 | 15* | 16 | 17 | | |
| January 31 | 20 | 21 | 22* | 23 | 24 | Martin Luther King Day - Jan. 20 | |
| | 27 | 28 | 29* | 30 | 31 | | |
| Seventh Month | 3 | 4 | 5* | 6 | 7 | | 15 |
| February 3 to | 10 | 11 | 12* | 13 | 14 | | |
| February 28 | 17 | 18 | 19 | 20 | 21 | Presidents' Week - Feb. 17-21 | |
| | 24 | 25 | 26* | 27 | 28 | | |
| Eighth Month | 3 | 4 | 5* | 6 | {7} | | 20 |
| March 3 to | 10~ | 11~ | 12~ | 13~ | 14~ | ~Conference Week - Mar. 10-14 | |
| March 28 | 17 | 18 | 19* | 20 | 21 | Early Dismissal: Cutten 12:15pm RW 1:05pm | |
| | 24 | 25 | 26* | 27 | 28 | | |
| Ninth Month | 31 | 1 | 2* | 3 | 4 | | 15 |
| March 31 to | 7 | 8 | 9 | 10 | 11 | Spring Break - Apr. 7-11 | |
| April 25 | 14 | 15 | 16* | 17 | 18 | Make-up Days - April 9-11 if needed | |
| | 21 | 22 | 23* | 24 | 25* | | |
| Tenth Month | 28 | 29 | 30* | 1 | 2 | | 20 |
| April 28 to | 5 | 6 | 7* | 8 | 9 | | |
| May 23 | 12 | 13 | 14* | 15 | 16 | | |
| | 19 | 20 | 21* | 22 | 23 | | |
| Eleventh Month | 26 | 27 | 28* | 29 | 30 | Memorial Day - May 26 | 12 |
| May 26 to | 2 | 3 | 4* | 5 | 6 | | |
| June 12 | 9 | 10 | {11} | 12 | 13 | <i>Last day of school - June 11</i> | |
| End of Trimester | | | 1st Trimester | 59 Days | | | 180 |
| Conference Week | | | Aug. - Nov. | | | *Early Dismissal Ridgewood 1:05 pm | |
| School Breaks | | | 2nd Trimester | 59 Days | | | *Early Dismissal Cutten 1:40 pm |
| Inservices-No School | | | Nov.-Feb | | | ~Conference Week Early Dismissal: | |
| Holidays-No School | | | 3rd Trimester | 62 Days | | | Ridgewood 1:05 |
| First/Last Day of School | | | Mar. - June | 180 Days | | | Cutten 12:15 |

Tri. 1

Tri. 2

Tri. 3

2024-2025 STAFFING OPTIONS

This Year

| Grade Level Totals | SDC | TK | K | 1 | 2 | 3 | 4 | 5 | 6 | Total |
|--------------------|-----|----|---|---|---|---|---|---|---|-------------|
| 8 | | | | | | | | | | 8 |
| 32 | | | | | | | | | | 17 |
| 79 | | | | | | | | | | 15 |
| 76 | | | | | | | | | | 19 |
| 66 | | | | | | | | | | 20 |
| 61 | | | | | | | | | | 20 |
| 93 | | | | | | | | | | 20 |
| 64 | | | | | | | | | | 20 |
| 84 | | | | | | | | | | 20 |
| | | | | | | | | | | 13 Teachers |
| | | | | | | | | | | 12 Teachers |
| | | | | | | | | | | 561 |

Option 1

| Grade Level Totals | SDC | TK | K | 1 | 2 | 3 | 4 | 5 | 6 | Total |
|--------------------|-----|----|---|---|---|---|---|---|---|-------------|
| 8 | | | | | | | | | | 8 |
| 31 | | | | | | | | | | 15 |
| 72 | | | | | | | | | | 16 |
| 79 | | | | | | | | | | 19 |
| 76 | | | | | | | | | | 19 |
| 66 | | | | | | | | | | 22 |
| 61 | | | | | | | | | | 22 |
| 93 | | | | | | | | | | 22* |
| 62 | | | | | | | | | | 21 |
| | | | | | | | | | | 20 |
| | | | | | | | | | | 26 |
| | | | | | | | | | | 26 |
| | | | | | | | | | | 26 |
| | | | | | | | | | | 15 |
| | | | | | | | | | | 10 |
| | | | | | | | | | | 26 |
| | | | | | | | | | | 26 |
| | | | | | | | | | | 26 |
| | | | | | | | | | | 12 Teachers |
| | | | | | | | | | | 13 Teachers |
| | | | | | | | | | | 550 |

Option 2

| Grade Level Totals | SDC | TK | K | 1 | 2 | 3 | 4 | 5 | 6 | Total |
|--------------------|-----|----|---|---|---|---|---|---|---|-------------|
| 8 | | | | | | | | | | 8 |
| 31 | | | | | | | | | | 15 |
| 72 | | | | | | | | | | 16 |
| 79 | | | | | | | | | | 18 |
| 76 | | | | | | | | | | 18 |
| 66 | | | | | | | | | | 18 |
| 61 | | | | | | | | | | 18 |
| 93 | | | | | | | | | | 23 |
| 62 | | | | | | | | | | 23 |
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| | | | | | | | | | | 10 |
| | | | | | | | | | | 26 |
| | | | | | | | | | | 26 |
| | | | | | | | | | | 26 |
| | | | | | | | | | | 12 Teachers |
| | | | | | | | | | | 13 Teachers |
| | | | | | | | | | | 550 |

Option 3

| Grade Level Totals | SDC | TK | K | 1 | 2 | 3 | 4 | 5 | 6 | Total |
|--------------------|-----|----|---|---|---|---|---|---|---|-------------|
| 8 | | | | | | | | | | 8 |
| 31 | | | | | | | | | | 15 |
| 72 | | | | | | | | | | 16 |
| 79 | | | | | | | | | | 24 |
| 76 | | | | | | | | | | 24 |
| 66 | | | | | | | | | | 24 |
| 61 | | | | | | | | | | 24 |
| 93 | | | | | | | | | | 23 |
| 62 | | | | | | | | | | 23 |
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| | | | | | | | | | | 26 |
| | | | | | | | | | | 15 |
| | | | | | | | | | | 15 |
| | | | | | | | | | | 10 |
| | | | | | | | | | | 26 |
| | | | | | | | | | | 26 |
| | | | | | | | | | | 26 |
| | | | | | | | | | | 12 Teachers |
| | | | | | | | | | | 12 Teachers |
| | | | | | | | | | | 550 |



Cutten School District

4182 Walnut Drive,
Eureka, CA 95503
(707) 441-3900 • Fax (707) 441-3906

Superintendent
Becky MacQuarrie, EdD

Date: March 11, 2024

RECOMMENDATION OF THE DISTRICT SUPERINTENDENT
CONCERNING REDUCTION OF CERTIFICATED SERVICES
FOR THE 2024-2025 SCHOOL YEAR
Resolution 2024-01

Dear Governing Board:

I, Becky MacQuarrie, District Superintendent, Cutten School District (“District”), hereby recommend to this Board that as of the end of the 2023-2024 school year, the following particular kinds of services now being provided by the District be reduced or discontinued as follows:

1. Eliminate the equivalent of 1.0 (F.T.E.) Teaching Position (specify service)
2. Eliminate the equivalent of _____ (F.T.E.) _____ (specify service)

Based upon the reduction or discontinuance of the particular kinds of services set forth above, it will be necessary to decrease the number of certificated employees in the District by the equivalent of 1.0 full-time positions for the ensuing 2024-2025 school year. It is further my recommendation that you authorize and direct me, or my designee, to initiate and pursue those procedures necessary not to reemploy the equivalent of 1.0 full-time equivalent certificated employees of this District pursuant to Education Code sections 44949 and 44955 because of such reduction or discontinuance of services.

Respectfully submitted,

Dr. Becky MacQuarrie
District Superintendent



Cuten School District

4182 Walnut Drive,
Eureka, CA 95503
(707) 441-3900 • Fax (707) 441-3906

Superintendent
Becky MacQuarrie, EdD

March 11, 2024
Resolution 2024-02

RECOMMENDATION OF BECKY MACQUARRIE, SUPERINTENDENT, CONCERNING REDUCTION OF PERMANENT CLASSIFIED SERVICES

FOR THE 2024-2025 SCHOOL YEAR

Dear Board of Trustees:

I, Becky MacQuarrie, Superintendent of the Cuten Elementary School District, hereby recommend to you that, due to lack of work and/or lack of funds and/or compliance with the seniority requirements of the Education Code, the classified positions below be eliminated effective at the end of the 2023-2024 school year,

| | |
|-----------------|----------------|
| 1. Program Aide | .725 FTE |
| 2. Program Aide | .725 FTE |
| 3. Program Aide | .725 FTE |
| 4. Program Aide | .50 FTE |
| 5. Program Aide | .875 FTE |
| 6. Program Aide | .125 FTE |
| 7. Program Aide | .125 FTE |
| 8. Program Aide | <u>.40 FTE</u> |
| Total | 4.2 FTE |

Respectfully submitted,

Dr. Becky MacQuarrie
District Superintendent

AGREEMENT FOR ARCHITECTURAL SERVICES

This Agreement for architectural services (“Agreement”) is made and entered into by and between the Cutten School District (“District”) and Quattrocchi Kwok Architects, (“Architect”).

Whereas, the District proposes to undertake the construction of the projects described below which require the services of a duly qualified and licensed architect with expertise in the area of school construction;

Whereas, the Architect is licensed to practice architecture in the State of California (License No. C-31640) and represents that the firm is qualified to provide the services required by the District; and

Whereas, this Agreement sets forth the terms and conditions for the provision of such services.

Now, therefore, it is hereby agreed:

1. AGREEMENT

District retains Architect to perform, and Architect agrees and undertakes to provide to District, for the consideration and upon the terms and conditions set forth below, the architectural services specified in this Agreement and those related services incidental thereto.

2. PROJECT DESCRIPTION AND SCHEDULE

a. Project Description: Architectural services shall be provided for the planning, development and new construction for the New Portable Project (“Project”), which is described in **Exhibit A**, Project Description and Schedule, attached hereto and incorporated by this reference. The Project is located at Ridgewood School 2060 Ridgewood Drive, Eureka, California.

b. Project Schedule: Included in Exhibit A is the Project Schedule indicating duration and milestone dates for key Project tasks. Architect shall perform services consistent with the Project Schedule as required by Paragraph 19, Time Schedule. Architect shall regularly report to District, not less frequently than once a month, and when the District requests, on actions required to meet milestone schedule dates and shall recommend further adjustments to the Project Schedule, if and when needed.

3. TERM OF AGREEMENT

The term of this Agreement begins with execution of the Agreement by the parties and ends upon completion of services under the Agreement, unless terminated sooner. Should none of the services stated herein be commenced within sixty (60) days from the date of execution, this Agreement is void.

4. COMPENSATION

As compensation for Architect's services, District shall pay Architect as follows:

a. **Basic Services:** For all "Basic Services," which are listed in Paragraph 5, below, and as specified in **Exhibit B**, Tasks and Responsibilities, attached hereto and incorporated by reference, the Architect shall receive compensation in an aggregate amount not to exceed the amount to be determined the parties in writing as the project scope and fees are established. **Exhibit C**, Compensation and Schedule of Hourly Billing Rates, is attached hereto and incorporated by reference.

b. **Additional Services:** For all "Additional Services," which are defined to mean authorized services in addition to the Basic Services, compensation shall be agreed upon by the parties in writing prior to performance of any such Additional Services by Architect, and may be a flat fee or hourly fee based on Architect's standard hourly rates, as set forth in Exhibit C, with necessary consultants at 1.10 times cost. Only the District's Superintendent may authorize Additional Services or changes to previously authorized Additional Services. Each such authorization must be in writing and shall be effective only after formal Board approval or ratification. Architect understands that no other District employees are authorized to order or approve either Additional Services or changes to previously authorized Additional Services. Failure of the Architect to secure proper authorization for Additional Services or changed services shall constitute a waiver of any and all right to adjustment in the contract price, and Architect shall not be entitled to compensation for any such unauthorized services.

c. **Reimbursable Expenses:** "Reimbursable Expenses" include expenses incurred by Architect and Architect's employees and consultants in the interest of the Project which fall within the categories listed below in this Paragraph 4.c. Payment of Reimbursable Expenses in excess of the total estimated reimbursable expenses set forth in Exhibit C is subject to prior written approval by District. Reimbursable expenses shall be itemized and presented monthly by Architect to District for payment upon approval. Reimbursable expenses shall be compensated at 1.10 times the actual cost of the expense as follows:

 X Reasonable expenses for authorized travel in connection with the Project except for travel within the District or as otherwise agreed and set forth in writing in Exhibit C hereto.

X Reasonable expense of interim and final reproductions, plotting, postage and handling of drawings, specifications and other Project documents including those for use of Architect and its consultants.

 X Long distance telephone expense related to the Project.

 X Actual and necessary agency or permit fees for the Project, if any, paid by Architect on behalf of District.

d. Payments: District shall pay Architect monthly, in arrears, as follows:

(1) Progress Payments: Payments for Basic Services shall be made monthly in proportion to services performed within each phase as reasonably determined by District up to the following amounts (or as otherwise agreed and set forth in writing in Exhibit C):

| <u>Upon Completion Of</u> | <u>Percentage Of Total Fees</u> | <u>Cumulative Percentage Of Total Fees</u> |
|------------------------------|---------------------------------|--|
| Construction Documents Phase | 73 | 73 |
| DSA Approval | 02 | 75 |
| Bid Phase | 05 | 80 |
| Construction Phase | 15 | 95 |
| DSA Close Out | 05 | 100 |

(2) Additional Services: Payments for Additional Services shall be made monthly, proportionate to the degree of completion, or as the parties specify in writing when the services are authorized.

(3) Monthly Invoices and Payment. Architect shall submit a monthly invoice to the District which itemizes the services performed during the billing period, method of computation, and amount payable. Architect shall format the invoice in accordance with the reasonable instructions as the Business Manager of the District may deliver to Architect in order that each invoice clearly discloses, as the Business Manager may require, the following:

- (i) Identification of the phase of the work to which the item belongs;
- (ii) Any information the District may require in order to satisfy the requests and requirements of the District's auditor(s);
- (iii) Any itemization or information which the District requires in order to complete worksheets provided or required by the Office of Public School Construction and/or other governmental agencies with jurisdiction over the scope of work; and

Architect shall be paid monthly in the usual course of District business after the invoice has been approved by District's authorized representative. Architect shall be paid for all undisputed amounts within thirty (30) days from receipt of approved invoice.

(4) **Payment Upon Termination:** If District terminates this Agreement at any time, with or without cause, Architect shall, upon notice of such termination, promptly cease all services. Architect's total fee for all services performed shall be computed to cover the services actually and satisfactorily performed to the date of such notice.

5. BASIC SERVICES

Architect's Basic Services shall consist of the following items and the items specified in Exhibit B hereto:

a. **Schematic Design Phase:** Architect shall review the program furnished by District to ascertain the requirements of the Project and arrive at a mutual understanding of such requirements with District. If District requires assistance in the preparation of the program, including meetings with faculty and other representatives, this assistance shall be compensated as an Additional Service. Architect shall, as part of the Basic Services: prepare schematic design studies, drawings and other necessary documents showing site use and the scale and relationship of the components of the Project for District approval; meet with faculty and other persons with a stake in the Project (including, for example, parents and community members); prepare a written preliminary estimate of probable construction costs based on current area, volume or other unit costs; and prepare a written time schedule for the performance of Architect's services

b. **Design Development Phase:** From the approved schematic design studies Architect shall prepare the design development documents consisting of site and floor plans, elevations and other drawings and documents sufficient to fix and describe the size and character of the Project as to structural, mechanical and electrical systems, kinds of materials and outline specifications, all for written approval by District. Architect shall also provide District with a revised and updated written estimate of probable construction cost. Architect shall assist District in applying for and obtaining required approvals from all applicable governmental agencies.

c. **Construction Documents Phase:** From the approved design development documents, Architect shall prepare complete working drawings and specifications setting forth in detail the work to be done and the materials, workmanship, finishes and equipment required for the architectural, structural, mechanical, electrical systems and utility-service-connected equipment and site work, all for written approval by District. With assistance from the District, and using the forms approved by the District and by the District's legal counsel, Architect shall prepare the bidding information, bidding forms, and the construction contract documents. **Bid and contract forms and documents must be submitted to**

District's legal advisor for review and approval at least ten (10) working days prior to proposed publication or distribution. Architect shall assist District in filing any documents needed for obtaining the approval of any governmental authorities or other agencies having jurisdiction over the Project. Architect shall include with the delivery of the final form of construction documents Architect's final statement of probable construction cost based on adjustments to previous estimates indicated by changes in requirements or general market conditions. When the Project involves a school building, Architect shall make best efforts to ensure that the construction documents receive all required DSA - approval prior to bidding and shall ensure that DSA approval is obtained prior to Board approval of the construction contract.

d. Bid Phase: Following District's approval of the construction documents and District's acceptance of Architect's final estimate of probable construction costs, Architect shall reproduce the plans, specifications and construction contract documents in the required number and assist District in dissemination of plans, specifications and construction contract documents among interested contractors; in obtaining bids, and in award and preparation of the construction contract and the notice to proceed. Architect shall schedule advertising and bidding sufficiently in advance of the regular meeting of District's Governing Board to allow time for any bid protest that may arise to be handled in conformance with the approved bid protest procedures.

e. Construction Phase: The construction phase shall begin upon award of the construction contract and shall end sixty (60) days after the filing of the Notice of Completion. During this phase, Architect shall:

(1) Provide general administration of the construction contract, coordinating such services with the District's construction manager as directed by District, if applicable.

(2) Advise and consult with and serve as representative of District in dealings with the contractor. Architect shall have authority to act for District to the extent provided in the construction contract. However, all change orders affecting price shall be approved or ratified by the Governing Board of the District.

(3) Provide general direction to any Project inspector employed by and responsible to District as required by applicable law.

(4) Assist the District to direct the contractor in the preparation of a set of drawings showing the exact location and depth of buried utility lines and any other subsurface structures (as-built dimensions) which Architect shall cause to be delivered to District upon completion of the Project.

(5) Visit the Project site at intervals appropriate to the stage of the contractor's operations in order to maintain familiarity with the progress of work and to determine in general that the contractor's work complies with the DSA approved plans and specifications and that the work, when fully completed, will be in

accordance with the contract documents. Such visits and determinations are to be distinguished from the continuous inspection provided by a project inspector required by law for public school construction. Architect shall neither have control over nor charge of, nor be responsible for, the contractor's construction sequences or procedures nor for safety precautions and programs in connection with the contractor's work

(6) Make such regular oral and/or written reports as shall be required by District or by any other applicable reviewing or licensing agencies.

(7) Review schedules, shop drawings, samples and other submissions of the contractor for general compliance with design and the contract specifications and timely notify the contractor and District of matters which may affect the construction schedule.

(8) Promptly notify District in writing of deviations known or observed by Architect in the contractor's work or materials or both which do not conform to the contract documents. Upon instructions from the District representative, Architect shall reject any work or materials or both which do not so conform. Architect shall promptly inform District what further work, installation of conforming materials, or testing of proposed substitute materials, whichever may be applicable, may be required. Upon instructions from District representative, further work, conforming materials, or substitute materials, whichever may be applicable, shall be required of the contractor if determined by Architect to be necessary to carry out the intent and purposes of the contract documents and the project, based on Architect's reasonable professional judgment. Architect shall not be responsible for the contractor's failure to perform the work in accordance with the requirements of the contract documents. Architect shall be responsible for Architect's negligent acts, errors and omissions, but shall not have control over or charge of and shall not be responsible for the intentional acts, errors or omissions of the contractors, subcontractors, or their agents or employees, or of any other persons or entities performing portions of the construction work.

(9) Architect shall promptly notify District of any significant defect that an architect exercising reasonable professional judgment in the course of maintaining familiarity with the construction work would detect in materials, equipment, or workmanship which comes to Architect's attention and of any known or observed default by the contractor in the orderly and timely progression or prosecution of the work.

(10) Examine and verify the contractor's applications for payments including reviews of the status of the contractor's record drawings and approve the issuance of certificates for payment for work completed in the amount Architect determines is proper under the contract documents. Architect's approvals shall constitute representations to the District, based on the Architect's professional evaluation of the contractor's work and on the data comprising the contractor's

applications for payment, that the contractor's work has progressed to the points indicated and that, to the best of Architect's professional knowledge, information and belief, the quality of the contractor's work is in accordance with the contract documents. Architect's approvals shall not be representations that Architect has (a) made exhaustive or continuous on-site inspections to check the quality or quantity of the contractor's work, (b) reviewed construction means, methods, techniques, sequences or procedures, (c) reviewed copies of requisitions received from subcontractors and material suppliers and other data requested by District to substantiate the contractor's rights to payment, or (d) ascertained how or for what purpose the contractor has used money previously paid on account of their contract sums.

(11) Prepare and/or review any necessary change orders for approval by the contractor, District and all applicable governmental agencies, including review of the contractor's pricing requests.

(12) After notice and approval by District, Architect shall have authority to reject work that does not conform to the contract documents. Architect shall have authority to require inspection or testing of the work in accordance with the provisions of the contract documents, whether or not such work is fabricated, installed or completed. However, neither this authority of Architect nor a decision made in good faith either to exercise or not to exercise such authority shall give rise to a duty or responsibility of Architect to the contractor, subcontractors, material and equipment suppliers, their agents or employees or other persons performing portions of the work.

(13) Architect shall review and approve or take other appropriate action upon the contractor's submittals such as shop drawings, product data and samples, for the purpose of checking for conformance with information given and the design concept expressed in the contract documents. Architect shall respond to contractor's requests for information relating to the construction documents. Architect's action shall be taken with such reasonable promptness as to cause no delay in the contractor's work or in the activities of District or of separate contractors or subcontractors, while allowing sufficient time in Architect's professional judgment to permit adequate review. If at any time it appears that the time required for such review may result in a delay, Architect shall promptly notify District of the possibility of delay, and exercise best efforts to avoid or minimize such delay. Review of such submittals is not conducted for the purpose of determining the accuracy and completeness of other details such as dimensions and quantities or for substantiating instructions for installation or performance of equipment or systems designed by the contractor, all of which remain the responsibility of the contractor as required by the contract documents. Architect's review shall not constitute approval of safety precautions nor, unless otherwise specifically stated by Architect, of construction means, methods, techniques, sequences or procedures. Architect's approval of a specific item shall not indicate approval of an assembly of which the item is a component.

(14) Architect shall interpret and attempt to resolve matters concerning performance of District and the contractor under the requirements of the contract documents on written request of either District or the contractor. Architect's response to such requests shall be made with reasonable promptness and within any time limits agreed upon. Interpretations and decisions of Architect shall be consistent with the intent of and reasonably inferable from the contract documents and shall be in writing or in the form of drawings.

(15) District shall require each contractor to provide District with record drawings indicating the location and size of all underground or imbedded construction and utility connections or other subsurface structures or installations not covered in the original drawings, change orders, supplemental drawings, or shop drawings. District shall require the contractor to record such construction on reproducible drawings furnished to the contractor by District. Architect shall review the contractor's completed record drawings for general completeness based on Architect's site visits. Such a review by Architect shall not relieve the contractor of its responsibility for the accuracy or completeness of the information recorded.

(16) Provide a color schedule of all finished materials in the project for District's review and approval.

(17) Make final detailed on-site review of the work with representatives of District and contractor, including preparation of punch list.

(18) Collect from contractor and deliver to District all written guarantees, warranties, instruction books, diagrams, charts and as-built drawings as defined in the bid documents which are required of and assembled by contractor.

(19) Determine the date of final completion based on full completion of all punch list items and all requirements of the Project contract, and issue Architect's certificate of completion and final certificate for payment.

f. Post-construction Phase: After completion of Construction Phase services, Architect shall be available for reasonable consultation relating to the Project and the plans drawn by Architect and any disputes related thereto. At the request of the District, Architect shall provide to the District a written detailed analysis of Contractor claims as they relate to the plans and specifications. Architect shall attend meetings, at the request of District, relating to: completion of any punch list or lists; any claim by the contractor or any subcontractor of extra work or delay due to the plans, alleged design flaws, alleged insufficient drawings, or the construction contract administration by Architect; or any other matter germane to the completion of the Project over which Architect had general or specific control or responsibility. Architect shall assist District in compiling information necessary for Project closeout and, if applicable, shall promptly take all necessary steps, within the Architect's control, to obtain a DSA closeout letter for the Project. Services after

notice of completion that are not covered by this subparagraph shall be compensated as Additional Services.

g. Responsibility for Construction Costs:

(1) District's budget for the Project may include a contingency of ten percent (10 %) over and above any estimate of construction cost or evaluation prepared or agreed to by Architect

(2) Evaluation of District's budget for the Project, preliminary estimates of the probable construction cost and any updated estimates of the probable construction cost prepared by Architect represent Architect's best judgment as a design professional familiar with the construction industry. The parties recognize, however, that neither Architect nor District has control over the cost of labor, materials or equipment, over the contractor's methods of determining bid prices, or over competitive bidding, market or negotiating conditions. Accordingly, Architect cannot and does not warrant or represent that bids or negotiated prices will not vary from District's budget for the Project or from any estimate of construction costs or evaluation prepared or agreed to by Architect.

(3) In preparing estimates of construction cost, the Architect shall include reasonable contingencies for design, bidding and price escalation as agreed to by the District.

(4) If bidding or negotiating has not commenced within sixty (60) days after Architect submits the construction documents to District, following review and approval by District's legal counsel, any Project budget shall be adjusted to reflect changes, if any, in the general level of prices in the construction industry.

(5) Should the lowest responsible bid received exceed Architect's final estimate of probable construction costs as accepted by District by more than ten percent (10%), District may:

- (a) award the contract and proceed with the Project;
- (b) authorize rebidding of the Project within a reasonable time;
- (c) cancel the Project and terminate this Agreement in accordance with Paragraph 13; or
- (d) direct Architect to revise the Project scope and quality as required to reduce the construction cost.

(6) If District chooses to proceed under item 5(d) above, Architect shall as part of Basic Services make any changes in plans and specifications necessary to bring new bids within ten percent (10%) of such estimated cost. The modification of the contract documents shall be the limit of Architect's

responsibility arising out of the estimate of probable construction cost. Architect shall be entitled to compensation in accordance with this Agreement for all services satisfactorily performed to date whether or not the Construction Phase is commenced.

(7) If the lowest responsible bid exceeds the final estimate of probable construction cost by less than 10% and District chooses to require revising the Project scope and quality to reduce the construction cost, Architect's services to make such revisions shall be compensated as Additional Services.

h. Consultants and Staff: District and Architect agree that the professional services under this Agreement require adequate staffing and continuity of qualified people. All key staff listed below have been approved by District and Architect and may not be changed without prior written approval of the District except when such staff cease to work for Architect. If District finds the performance of an approved individual not acceptable, District shall notify Architect who shall then take necessary corrective action. If unable to correct performance to District's satisfaction, Architect shall make appropriate staffing changes acceptable to the District.

| <u>Position</u> | <u>Individual</u> | <u>Firm</u> |
|--------------------------------|---------------------|-------------|
| Principal in charge | Kevin Chapin | QKA |
| Project Associate | Tracie Rose | QKA |
| Principal Engineer, Civil | Jordon Ludtke | SHN |
| Principal Engineer, Electrical | Pieter Colenbrander | OMM |

(1) All engineers and experts and consultants employed by Architect not listed herein shall be approved in writing in advance by District prior to their engagement. Architect shall supervise and shall be responsible for the work of consultants hired by Architect. Architect shall confer and cooperate with landscape architects, educational planners, and other professional consultants employed by District.

(2) Architect shall require each engineer and consultant listed above, prior to commencing any services relating to the Project, to provide District with evidence that each such engineer or consultant has in effect a policy of comprehensive general liability insurance, with the same limits, endorsements and requirements as specified in Paragraph 9 of this Agreement.

(3) Architect, as part of the Basic Services, shall furnish, at Architect's own expense, all draftsmen and clerical personnel necessary to perform the services described herein.

(4) Architect shall promptly notify District of reassignment or replacement of engineers, consultants and experts specified above. Architect shall

also notify District of staff changes of all other key personnel working on the Project.

i. Modifications: Architect shall not make modifications to plans, designs or specifications which would increase the size or scope of the project or which would increase the probable cost of construction, without the prior express written instruction of District. Before performing any substantial work on any modification or change in design, plans or specifications, Architect shall notify District in writing of the amount of any increase in the probable cost of construction due to any such proposed modification or change. To the extent required, Architect shall obtain DSA approval for the modification.

j. Consultation: Architect shall consult as necessary with representatives of District and with representatives of any funding, licensing, or reviewing agencies or organizations concerned in the Project throughout the planning and construction of the Project and the post-construction phase noted above.

6. ADDITIONAL SERVICES TO BE RENDERED BY ARCHITECT

The following services are not included in the Basic Services. These services shall be provided by Architect if authorized in writing by District, and shall be compensated as Additional Services.

- a. Analyses of District's needs, and programming requirements of the Project .
- b. Financial feasibility or other special studies.
- c. Planning surveys, site evaluations, environmental studies or comparative studies of prospective sites that are identified by the parties in writing as Additional Services.
- d. Design services relative to future facilities, systems and equipment that are not intended to be constructed as part of the Project or as later phases related to the Project.
- e. Services to investigate existing conditions or facilities or to make measured drawings thereof, or to revise or verify the accuracy of drawings or other information furnished by District.
- f. Detailed quantity surveys or inventories of material, equipment and labor.
- g. Services required for or in connection with the selection of furniture and furnishing or equipment or articles not included in the construction contract.
- h. Services for planning tenant or rental spaces. Preparing contract documents required in connection with temporary housing during or related to construction.

i. Revisions to drawings, specifications or other documents when such revisions are inconsistent with written approvals or instructions previously given or are due to causes beyond the control of Architect.

j. Preparing supporting data and other services such as extra drawings, estimates, studies, correspondence and presentations in connection with change orders if the change in the basic compensation resulting from the adjusted contract sum is not commensurate with the services required of Architect.

k. Investigations involving detailed appraisals and valuations of existing facilities, and surveys or inventories required in connection with construction performed by District.

l. Consultation concerning replacement of any work damaged by fire or other cause during construction.

m. Professional services made necessary by the failure of performance, termination or default of the contractor or a subcontractor or by major defects in the work of the contractor or a subcontractor in the performance of the construction contract except as provided in paragraph 5(f).

n. Preparing a set of reproducible record prints of drawings showing significant changes in the work made during the construction process, based on marked-up prints, drawings and other data furnished by the contractor to Architect.

o. Ongoing services if the agreed upon initial construction schedule is exceeded by more than thirty (30) days through no fault of the Architect.

p. As requested by the District in writing, preparing to serve or serving as an expert witness in connection with any public hearing, dispute resolution proceeding or legal proceeding, that does not pertain in any way to Architect's services under this Agreement.

q. Any other services not otherwise included in this Agreement and not customarily furnished in accordance with generally accepted architectural practice.

r. Preparation time and materials for presentation to community for all required community meetings in excess of four, excluding District board meetings.

s. Drawings and documents required for the demolition process if not part of the Project.

t. Services for the following disciplines: detailed cost estimating, acoustical engineering, signage and graphics (other than for code-required signage), energy management, food service, off-site civil engineering, and security engineering.

u. Special presentation models, renderings or mock-ups.

v. Changes to previously prepared documents other than those changes for which Architect should have reasonably foreseen, due to enactment or revisions of codes, laws or regulations or changes in official interpretations.

w. Seeking variances or changes to agency guidelines on behalf of District when so directed by District.

x. Formal value engineering and detailed life-cycle cost analyses beyond those normally provided or required to meet the approved construction budget.

y. Preparation of design and documentation for alternate bid or proposal requests by District when not required to meet the approved construction budget.

z. Preparing District-generated addenda during the Bidding Phase other than those needed to clarify the construction documents.

aa. Assistance with environmental and EIR studies other than those which would normally be required to complete Architect's Basic Services

bb. Coordination of construction performed by District's own forces or coordination in connection with equipment supplied by District and not reflected within the contractor's construction costs.

cc. Providing assistance in the utilization of any equipment or system such as preparation of operation and maintenance manuals, training personnel for operation and maintenance, and consultation during operation.

dd. Services related to furniture, furnishings, equipment or other articles incorporated in to the construction documents by Architect and not included in the construction contract.

ee. Services related to manufactured relocatable buildings specified or coordinated by Architect and not included in the construction contract.

ff. If the Project is suspended by District for more than ninety (90) consecutive days through no fault of Architect, the parties shall negotiate equitable adjustment to Architect's compensation due to such suspension.

7. RESPONSIBILITIES OF DISTRICT

It shall be the duty of District to:

a. Make available to Architect all necessary data and information concerning the purposes and requirements of the Project, including realistic scheduling and budget

limitations and a program which sets forth District's objectives, space requirements and relationships, site requirements, facilities standards, special equipment and systems.

b. Upon Architect's request, furnish Architect with a survey in an electronic CADD format approved by Architect of the Project site prepared by a registered surveyor or civil engineer which shall indicate legal limitations, existing structures, land features, improvements, sewer, water, gas, electrical and utility lines and locations including inverts and depths, topographical information and boundary dimensions of the site, and provide a soils investigation report, if required by law, and a geological report.

c. Pay all fees required by any reviewing or licensing agency.

d. Designate one or more representatives authorized to act as liaison between Architect and District in the administration of this Agreement and the construction contract.

e. Furnish at District expense the services of any Project inspector agreed to or required by law.

f. Review all documents submitted by Architect and notify Architect of decisions thereon within a reasonable time after submission.

g. Issue any orders to contractors through Architect or with notice to Architect.

h. Notify Architect in writing of any deficiencies in material or workmanship becoming apparent to the District during the contractor's guarantee period.

i. Retain a testing service for materials testing and inspection as required by the Department of General Services, Division of State Architect, Office of Regulatory Services, Title 24 of the California Code of Regulations, and the Uniform Building Code with California.

j. Provide copies of floor plans of existing buildings to be remodeled, if applicable and if available.

8. INDEMNITY

To the fullest extent permitted by law, and in accordance with California Civil Code Section 2782.8, Architect shall defend, hold harmless, and indemnify the District, its Board of Trustees, its agents, officers, officials, and employees from and against any and all claims, demands, losses, damages, liabilities, expenses and costs of any kind or nature, including, attorney fees and other costs of litigation, arising out of, pertaining to, or relating to, Architect's negligence, recklessness or willful misconduct in the performance of the services required in this Agreement, except such loss or damage which was caused by the sole negligence or willful misconduct of District.

9. INSURANCE

Architect, at Architect's sole cost and expense, shall maintain at all times during the life of this Agreement, personal injury and property damage insurance for all activities of Architect and its employees, agents and consultants arising out of or in connection with this contract, written on a comprehensive or commercial general liability form, in an amount no less than \$2,000,000 combined single limit personal injury and property damage for each occurrence in an annual aggregate of no less than \$4,000,000 or as may be agreed upon in writing between District and Architect. Such insurance must be written by an admitted company or companies licensed to do business in the State of California at the time the policy is issued, and acceptable to District.

a. Endorsements: The general liability coverage specified above shall be endorsed with the following specific (or equivalent) language:

(1) The District is named as an additional insured for all liability arising out of the operations by or on behalf of the named insured, and this policy protects the additional insured, its officers, agents and employees against liability for bodily injuries, deaths or property damage or destruction arising in any respect directly or indirectly in the performance of the Agreement.

(2) The inclusion of more than one insured shall not operate to impair the rights of one insured against another insured and the coverage afforded shall apply as though separate policies have been issued to each insured.

(3) The insurance provided herein is primary and no insurance held or owned by District shall be called upon to contribute to a loss.

(4) Coverage provided by this policy shall not be canceled or the dollar amount reduced without thirty (30) days written notice given to District.

b. Errors and Omissions Insurance: Architect shall maintain in force for the period covered by this Agreement, professional liability (errors and omissions) insurance covering Architect's activities, in the amount not less than \$2,000,000 with an insurance carrier satisfactory to District. In addition, to the extent that the activities and services of engineers or consultants retained by Architect are not covered under Architect's professional liability insurance, Architect shall require each engineer and consultant to obtain and maintain a policy of professional liability insurance in an amount of not less than \$2,000,000 with an insurance carrier satisfactory to District, before commencing services on the Project.

Architect shall provide a copy of the insurance policies to the District upon request, and the policies, or certificates thereof, must contain the provision that the insurance cannot be canceled until thirty (30) days after written notice of intended revocation has been given to District

c. **Workers' Compensation Insurance:** Architect and all engineers, consultants, and subcontractors Architect intends to employ shall maintain, for the period covered by this Agreement, workers' compensation insurance as required by California law, with an insurance carrier satisfactory to District, for all persons whom they may employ in carrying out the work contemplated under this Agreement. If Architect is self-insured, Architect shall furnish a valid Certificate of Permission to Self-Insure, signed by the Department of Industrial Relations Administration of Self-Insurance, Sacramento, California. The policies represented by the certificates must contain the provision (and the certificates must so state) that the insurance cannot be canceled until thirty (30) days after written notice of intended revocation has been given to District.

d. **Documentation:** Prior to execution of this Agreement, Architect shall submit for District approval, certificates of insurance showing the limits of insurance provided and signed copies of the specified endorsements for each policy. At the time of making application for an extension of time, Architect shall submit evidence that the insurance policies will be in effect during the requested additional period of time.

e. **Miscellaneous:** If Architect or its consultants fails to maintain the required insurance, District may take out insurance to cover any damages for which District might be held liable on account of Architect's failure to pay such damages or to provide the required insurance coverage, and deduct and retain the amount of the premiums from any sums due Architect under the Agreement to the extent such a credit can be applied, and Architect, upon demand, shall immediately pay any difference to District. Nothing herein contained shall be construed as limiting in any way the extent to which Architect or any Architect's employees, agents, consultants, or subcontractors may be held responsible for payment of damages resulting from its operations.

10. ERRORS AND OMISSIONS:

In addition to any other remedy which may be available to District under this Agreement or under the laws of the State of California, District may require Architect to pay all reasonable costs made necessary and to the extent caused by any negligent or intentional error or omission of Architect or any subconsultant, including, but not limited to, costs for the removal or replacement of materials and labor or both, and Architect shall not receive any fee for any of its work performed in correcting said error or omission. Notwithstanding the foregoing, District shall pay for the cost of any actual materials and labor that were omitted for any reason, but only to the extent the contract price obtained from the contractor was lower by reason of the omission.

11. COMPLIANCE WITH LAWS

a. Architect's services and performance under this Agreement shall meet the standard of due care for architects in the community in which the Project is being constructed. Using reasonable professional judgment, Architect shall determine compliance with and interpretation of all applicable requirements of federal, state and local law including, but not limited to, the Uniform Building Code with California amendments, the Education Code, Title 19, and Title 24 of the California Code of Regulations, and all requirements prescribed by the California

Department of General Services, as these codes and regulations may be amended from time to time. Conflicts of codes or regulations which should be disclosed, based on Architect's reasonable professional judgment and based on the Project schedule, scope of services or significance of the conflict, shall be made known to District and its legal advisor. District shall decide the course of action after recommendation, if any, by Architect and the legal advisor.

b. Architect and all engineers, and consultants retained by Architect in performance of this Agreement shall be licensed as required by law to practice in their respective professions.

12. RECORDS

Architect shall maintain all records concerning the Project for a period of four years after the completion of the third phase of the work of which the Project constitutes the first phase, or a longer term if there is litigation regarding the Project. Architect shall keep and maintain full and complete documentation and accounting records concerning all additional services performed that are compensable by other than a flat rate. Architect shall make such documents and records available to authorized representatives of District for inspection or audit at any reasonable time and shall provide copies thereof to District upon request.

13. TERMINATION OF CONTRACT

a. District shall have the right to terminate this Agreement without cause upon thirty (30) days written notice to Architect and upon compensation to Architect as set forth above. If District terminates this Agreement under this provision the parties shall be relieved of the remaining executory obligations of the Agreement except for such liability arising out of services performed prior to the date of termination.

b. District may, at its election, terminate this Agreement if Architect defaults in any material respect on any provision hereunder and fails to cure such material default within 15 days following written notice, or if the default cannot be cured within 15 days, fails to commence to cure such default within said 15 day period and thereafter diligently to prosecute such cure and complete the cure within a reasonable time following written notice and demand from District. If District terminates this Agreement based upon the material default of Architect, District shall be entitled to pursue any remedy available under the law against Architect including, without limitation, an action for damages for breach of contract.

c. Architect may, at its election, terminate this Agreement if District defaults in any material respect on any provision hereunder and fails to cure such material default within 15 days, or if the default cannot be cured within 15 days, fails to commence to cure such default within said 15 day period and thereafter diligently to prosecute such cure and complete the cure within a reasonable time following written notice and demand from Architect. If Architect terminates this Agreement based upon the material default of District, Architect shall be entitled to pursue any remedy available under the law against District, including, without limitation, an action for damages for breach of contract.

d. Upon termination of this Agreement for any reason, Architect shall promptly and without further cost or charge to District, deliver to District all of the documents and other work product relating thereto.

14. ARCHITECT AN INDEPENDENT CONTRACTOR

Architect and District agree that in the making and performance of this Agreement, Architect and its agents are independent contractors and are not and shall not be construed to be an officer or employee or partner or joint venturer of District.

15. STANDARDIZED MANUFACTURED ITEMS

Architect shall consult with and cooperate with District's staff in the use and selection of manufactured items to be used in the Project. Manufactured items, including, but not limited to, paint, finish, hardware, plumbing fixtures and fittings, mechanical equipment, electrical fixtures and equipment, roofing materials, and floor covering, shall be standardized to District's criteria so long as the same does not materially interfere with building design. Architect is responsible for ensuring that any specification calling for a designated material, product, thing, or service by a specific brand or trade name is drafted in compliance with Section 3400 of the Public Contract Code and related provisions.

16. OWNERSHIP OF DOCUMENTS

All plans, including, but not limited to, record drawings, specifications, and estimates prepared by Architect pertaining to the Project pursuant to this Agreement shall be and shall remain the property of District. Nothing in this paragraph shall preclude District from using the plans, record drawings, specifications, or estimates related to the Project for the purposes of additions, alignments, or other development on or adjacent to the site.

Any use or re-use or modification of any portion of the plans, specifications, or estimates or other documents prepared by Architect under this Agreement by District or any other person with District's consent, for any purpose other than as contemplated in this Agreement, shall be at the sole risk of District and without liability to Architect, with no warranty of merchantability or fitness, and District shall indemnify, hold harmless and defend Architect and its officers, directors, agents, employees and consultants from all claims of any kind arising out of such use, re-use or modification of said plans, specifications, estimates or other documents prepared by Architect.

After the completion of this Project, Architect shall not permit any reproductions to be made of any District-owned documents without the written approval of District, which approval District may grant or withhold in District's absolute discretion, and shall refer all requests for such documents by other persons to District.

The Architect and District shall have the right to include photographic or graphic representations of the design of the Project among their respective promotional and professional materials.

17. DISPUTE RESOLUTION PROVISIONS

a. Non-binding Mediation

(1) Any claim, dispute or other matter in question arising out of or related to this Agreement may be subject to non-binding mediation if the parties mutually agree.

(2) A request for mediation shall be filed in writing with the other party to this Agreement.

(3) The parties shall share the mediator's fee and any filing fees equally. The mediation shall be held in the place where the Project is located, unless another location is mutually agreed upon.

b. Advisory Arbitration

Any claim, dispute or other matter in question arising out of or related to this Agreement may be subject to advisory arbitration if the parties mutually agree. Prior to arbitration, the parties may endeavor to resolve disputes by mediation in accordance with the mediation provisions above.

18. SUCCESSORS AND ASSIGNMENTS

This Agreement is binding upon and inures to the benefit of the successors, executors, administrators, and assigns of each party to this Agreement, provided, however, that Architect shall not assign or transfer by operation of law or otherwise any or all of Architect's rights, burdens, duties, or obligations, professional or otherwise, without the prior written consent of District's Governing Board, which consent District may grant or withhold in District's absolute discretion. Any attempted assignment without such consent shall be invalid.

19. TIME SCHEDULE

a. **Time Schedule:** Time is of the essence in the performance of this Agreement. Architect shall perform all services hereunder as expeditiously as is consistent with professional skill and care and the orderly progress of the Project. Architect shall submit for District's approval, as part of Exhibit A hereto, a schedule for the performance of Architect's services which shall be adjusted, as required, as the Project proceeds, and shall include allowance for periods of time required for District's review and approval of submissions and for approvals of authorities having jurisdiction over the Project. Once District approves the performance schedule, Architect shall perform its obligations hereunder prior to the occurrence of each scheduled performance deadline unless District has approved a time extension in writing. Architect shall at all times maintain adequate and competent staffing and resources necessary for the timely performance of Architect's services under this Agreement. Architect shall review and respond to

submittals, requests for information, and the like, as expeditiously as possible to avoid delays in the work.

b. **Delays:** If Architect is delayed in Architect's services by acts of District or its employees or those in a direct contractual relationship with District or by the California Department of General Services or other agencies having jurisdiction over the Project or by acts of God or other occurrences which were not or could not have been reasonably foreseen and provided for, and which are not due to any fault or negligence on the part of Architect, the time for Architect's performance shall be extended accordingly. Notwithstanding the foregoing, Architect shall endeavor to avoid or minimize such delay. District shall not be liable for the damages to Architect on account of such delays.

20. HAZARDOUS MATERIALS

Unless otherwise specified, the services provided under this Agreement do not include the discovery, identification, removal, handling, or disturbance of any hazardous substances or materials at the project site. If such substances or materials are knowingly encountered by Architect, construction work shall cease in that area and District shall be notified to take appropriate action for removal or otherwise abating the condition in accordance with current regulations applicable to District.

21. SCHOOL SITE CONDITIONS

District has determined that fingerprinting is not applicable to this Agreement. Architect expressly acknowledges that the following conditions shall apply to any work performed by Architect, Architect's employees or Architect's subconsultants ("Architect representatives") on a school site (and "work" as used in the preceding clause shall mean any entry on to District property for any reason): (1) Architect representatives shall check in with the school office each day immediately upon arriving at the school site; the District may assign a District employee to supervise the representative at the site; (2) Architect representatives shall inform school office staff of their proposed activities and specific location at the school site; (3) Once at such location, Architect representatives shall not change locations without contacting the school office; (4) Architect representatives shall not use student restroom facilities; and (5) if an Architect representative finds himself/herself alone with a student, he/she shall immediately contact the school office and request that a member of the school staff be assigned to the work location

22. MISCELLANEOUS

The following terms and conditions shall apply to this Agreement:

a. **Governing Law and Venue:** This Agreement shall be construed in accordance with, and governed by the laws of the State of California. Venue shall be in the Superior Court of the State of California in the County of Humboldt, and no other place.

b. Entire Agreement: This Agreement with its exhibits supersedes any and all other prior or contemporaneous oral or written agreements between the parties hereto. Each party acknowledges that no representations, inducements, promises or agreements have been made by any person that are not incorporated herein, and that any other agreement shall be void. Furthermore, any modification of this Agreement shall only be effective if in writing signed by all parties hereto.

c. Severability: Should any provision in this Agreement be held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall continue in full force and effect.

d. Non-Waiver: None of the provisions of the Agreement shall be considered waived by either party unless such waiver is specifically specified in writing. District's failure to enforce any provision of this Agreement or the waiver of any provision in a particular instance shall not be construed as a general waiver of any part of such provision.

e. Discrimination Prohibited: It is the policy of District that in connection with all work or services performed under contracts, there will be no discrimination against any prospective or active employee engaged in the work because of race, color, ancestry, national origin, religious creed, sex, age, handicap, or marital status. Architect agrees to comply with applicable Federal and California laws including, but not limited to, the California Fair Employment Practice Act, beginning with Government Code section 12900, et seq. In addition, Architect agrees to require like compliance by any consultants or subcontractors employed on the Project.

f. Disabled Veterans Participation Goals: In accordance with Education Code section 17076.11, the District has a participation goal for disabled veteran business enterprises ("DVBE") of at least 3 percent per year of the overall dollar amount of funds allocated to District by the State Allocation Board pursuant to the Leroy F. Greene School Facilities Act of 1998 for construction or modernization and expended each year by the District. Prior to, and as a condition precedent for final payment under any contract for such Project, Architect shall provide appropriate documentation to District identifying the amount paid to disabled veteran business enterprises in conjunction with the contract, so that District can assess its success at meeting this goal.

g. Retention of DVBE Records: Architect agrees that, for all contracts subject to DVBE participation goals, the State and District have the right to review, obtain and copy all records pertaining to performance of the contract in accordance with DVBE requirements. Architect agrees to provide the State or District with any relevant information requested and shall permit the State or District access to its premises upon reasonable notice for purposes of interviewing employees and inspecting records. Architect agrees to maintain such records for a period of three years after final payment under the contract.

In witness whereof, the parties have executed this Agreement this ___ day of ___, 20__.

ARCHITECT

By:



DISTRICT

By:



Exhibit A – Project Description and Schedule

Project description is planning, modernization and new construction for the [insert]

Outline Project Schedule:

Commence with Programming and Facility Assessment

Complete Programming and Facility Assessment

Commence Implementation Plan Development

Commence Basic Services for

Present Implementation Plan Development to Board of Trustees

Final Board of Trustees Approval for First Phase Projects

Commence Basic Services for First Phase Projects

Anticipated Commence Construction for First Phase Projects

Exhibit B – Tasks and Responsibilities

| Scope of Services | | District's Responsibilities | Provided By A/E team | | Not Provided |
|-------------------|---|-----------------------------|----------------------|---------------------|--------------|
| | | | Basic Services | Additional Services | |
| A | Project Administration Services (throughout all phases) | | | | |
| 1 | Project Team Selection | | | | |
| | - Selection of District's additional consultants (soils, seismic, geo-hazard, haz-mat, const. mgrs., financing, energy mgmt., schedule & claims analysts, legal, financing, inspectors, other.) | √ | | | |
| | - Coordination of District's additional consultants | √ | | | |
| 2 | Project Communications | | | | |
| | - Develop/implement a Community Relations & Public Information Plan | √ | | | |
| | - Special board presentations & community meetings | √ | | √ | |
| | - Special status reports to Board & Oversight Committee | √ | | | |
| | - Establish & maintain web page | √ | | | |
| 3 | Project Administration meetings | | | | |
| | - As required for A/E basic services | | √ | | |
| | - Other than required for A/E basic services | | | √ | |
| 4 | Agency consultations/approvals | | | | |
| | - Local Fire Marshal | | √ | | |
| | - State Office of Reg. Services (DSA, SFM) | | √ | | |
| | - State Department of Education, School Facilities Planning Approvals (if applicable) | | √ | | |
| 5 | Prepare applications & supporting documents (as applicable to architects) | | | | |
| | - state funding applications | √ | | | |
| | - DSA application & approval | | √ | | |
| B | Programming, Planning & Evaluation Services | | | | |
| 1 | Special investigations | | | | |
| | - Geotechnical and soils engineering | √ | | | |
| | - Hazardous materials reports & studies | √ | | | |
| 2 | Investigation of unknown existing conditions | √ | | | |
| | - Property surveys/building measurements (if not available from existing drawings) | √ | | | |
| | - On-site utility studies (locations, condition, capacity, etc.) | √ | | | |
| | - Off-site utility studies (locations, condition, capacity, etc.) | | | √ | |
| 3 | Comprehensive ADA compliance study | | | √ | |
| 4 | Develop detailed program | | | | |
| | - Educational specifications/program, design criteria & standards | √ | | | |
| | - Detailed space/adjacency programming | √ | | | |
| | - Food service plan/program | √ | | | |
| | - Equipment program | √ | | | |
| 5 | Assistance with environmental, Negative Declaration & EIR studies | | | | |
| | - Ecological studies and mitigation measures | √ | | | |
| | - Traffic, noise, off-site parking, etc. | √ | | | |

| | | | | | |
|----------|---|---|---|---|--|
| | - Hearings and community meetings | √ | | √ | |
| C | Schematic Design Phase | | | | |
| 1 | Review of program and budget | | √ | | |
| 2 | Field verification of existing conditions | | √ | | |
| 3 | Code documentation & interpretations | | √ | | |
| 4 | Schematic site and building plans | | √ | | |

| Scope of Services | | District's Responsibilities | Provided By A/E team | | Not Provided |
|-------------------|---|-----------------------------|----------------------|---------------------|--------------|
| | | | Basic Services | Additional Services | |
| 5 | Preliminary sections and elevations | | √ | | |
| 6 | Preliminary interior elevations of key spaces | | √ | | |
| 7 | Room data sheets and/or finish schedules | | √ | | |
| 8 | Preliminary selection of systems & materials | | √ | | |
| 9 | Develop approximate dimensions & areas | | √ | | |
| 10 | Preliminary description of engineering systems (mechanical, electrical, civil, structural) site only | | √ | | |
| 11 | Outline specifications of major materials, systems and equipment | | √ | | |
| 12 | Construction cost estimates; probable construction cost | | √ | | |
| | - Unit cost estimate | | √ | | |
| | - Detailed cost estimate, value engineering or life-cycle cost analyses | | | √ | |
| 13 | Presentation models and/or renderings | | | √ | |
| 14 | In-house constructability reviews | | | | √ |
| D | Design Development Phase | | | | |
| 1 | Code documentation & interpretations | | √ | | |
| 2 | Plans, sections, interior and exterior elevations | | √ | | |
| 3 | Development of site plan | | √ | | |
| 4 | Development of landscape plan, if required by District | | √ | | |
| 5 | Typical construction details | | √ | | |
| 6 | Equipment layouts | | | √ | |
| 7 | Developed description and drawings of engineering systems (mechanical, electrical, civil, structural) site only | | √ | | |
| 8 | Preliminary building specifications | | √ | | |
| 9 | Preliminary interior design (fixed furniture, furnishings and equipment included within construction contract) | | √ | | |
| 10 | Furniture, furnishings and equipment <u>not</u> included within construction contract | | | √ | |
| 11 | Construction cost estimates; probable construction cost | | √ | | |
| | - Unit cost estimate | | √ | | |
| | - Detailed cost estimate, value engineering or life-cycle cost analyses | | | √ | |
| 12 | Presentation models and/or renderings | | | √ | |
| 13 | In-house constructability reviews | | | | √ |
| E | Construction Documents Phase | | | | |
| 1 | Code documentation & interpretations | | √ | | |
| 2 | Preparation of building construction plans | | √ | | |

| | | | | | |
|----|--|---|---|---|---|
| 3 | Prepare color boards | | √ | | |
| 4 | Final building specifications | | √ | | |
| 5 | Furniture, furnishings and equipment | | | | |
| | - Included within construction contract | | √ | | |
| | - Not included within construction contract | √ | | √ | |
| 6 | Develop detailed documentation on Construction Phasing Program or Multiple Contract Delivery | √ | | | |
| 7 | Construction cost estimates; probable construction cost | | √ | | |
| | - Update of DD phase unit cost estimate | | √ | | |
| | - Detailed cost estimate, value engineering or life-cycle cost analyses | | | √ | |
| 8 | Prepare bidding and procurement forms; Construction Specifications | | √ | | |
| 9 | Prepare Conditions of the Contract (Divisions 0 & 1) | | √ | | |
| 10 | Develop Project Manual | | √ | | |
| 11 | Presentation models and/or renderings | | | √ | |
| 12 | In-house constructability reviews | | | | √ |

| Scope of Services | | District's Responsibilities | Provided By A/E team | | Not Provided |
|-------------------|---|-----------------------------|----------------------|---------------------|--------------|
| | | | Basic Services | Additional Services | |
| F | Other Design Services | | | | |
| 1 | Hazardous materials identification/determination of mitigation measures | √ | | | |
| 2 | FF&E design (furnishings & movable equipment) | √ | | √ | |
| 3 | Graphic & signage design | √ | | √ | |
| | - Fire/life safety graphics & signage; site only | | √ | | |
| | - Other graphics & signage; site only | | √ | | |
| 4 | Mock-up services (workstations, classroom design, etc.) | √ | | √ | |
| G | Bidding Phase Services | | | | |
| 1 | Advertisement to potential bidders | | √ | | |
| 2 | Pre-qualification of bidders | √ | | | |
| 3 | Pre-bid conferences | | √ | | |
| 4 | Distribution of bidding documents | | √ | | |
| 5 | Distribution of special bidding/negotiation addenda | | √ | | |
| 6 | Response to bidders' questions and provide clarifications | | √ | | |
| 7 | Report bidding results & identify apparent low bidder | | √ | | |
| 8 | Bid dispute resolution | √ | | | |
| 9 | Contract award processing; issue Notice to Proceed | √ | √ | | |
| H | Contract Administration Services | | | | |
| 1 | Plan & manage move-in & out activities including temp. facilities | √ | | | |
| 2 | Site visits/observation | | | | |
| | - Scheduled meetings (as quantified in scope of services) | | √ | | |
| | - Additional meetings | | | √ | |
| 3 | Timely file with DIR the PWC-100 form re labor compliance & notice of award | | √ | | |
| 4 | Coordination of other construction activities | | | | √ |
| | - Removal of non-conforming portables | √ | | | |
| | - Demolition and/or removal of other structures | √ | | | |

Architect Agreement
2022

| | | | | | |
|----|--|---|---|---|--|
| | - Moving of utilities underground | √ | | | |
| | - Utility hookups | | √ | | |
| 5 | Multiple contract administration or multiple phase coordination efforts for single project | | | √ | |
| 6 | Submittals & substitutions; building not included | | | | |
| | - Review and respond to Contractors' proposed submittal schedules | | √ | | |
| | - Receive, process, distribute submittals, shop drawings, & substitutions | | √ | | |
| | - Review submittals and shop drawings | | √ | | |
| | - Review proposed substitutions | | √ | | |
| 7 | Requests for Information/Clarifications; building not included | | | | |
| | - Receive, process & distribute requests | | √ | | |
| | - Evaluate and respond to requests | | √ | | |
| 8 | Change orders | | | | |
| | - Receive, process & distribute Change Orders | | √ | | |
| | - Changes stemming from A/E documents | | √ | | |
| | - Owner and contractor initiated changes | | | √ | |
| | - Review, analyze and/or negotiate prices with contractors | | | √ | |
| 9 | Testing and inspection administration; No supervision | √ | | | |
| 10 | Maintain official construction logs | | | | |
| | - Change order log | | √ | | |
| | - Request for Information (RFI) log | | √ | | |
| | - Submittal log | | √ | | |

| Scope of Services | | District's Responsibilities | Provided By A/E team | | Not Provided |
|-------------------|--|-----------------------------|----------------------|---------------------|--------------|
| | | | Basic Services | Additional Services | |
| 11 | Contract cost accounting; Review only | | | | |
| | - Maintain records of payments | √ | | | |
| | - Coordinate & assemble contractors' payment applications | √ | | | |
| | - Approve & process contractors' payment applications | | √ | | |
| 12 | Interpretations and decisions | | | | |
| | - Relating to construction documents/specifications | | √ | | |
| | - Relating to General Conditions | √ | | | |
| 13 | Project closeout; not including building | | | | |
| | - Preliminary and final punch lists | | √ | | |
| | - Determination of payment withholdings | | √ | | |
| | - Issuance of Certificates of Substantial Completion | | √ | | |
| | - Securing and receipt of sureties | √ | | | |
| | - Receipt & review of warranties & manuals | | √ | | |
| | - Receipt & review of waivers of liens | √ | | | |
| | - Issuance of final Certificates of Payment; See #11 | | √ | | |
| | - Project closeout with DSA | | √ | | |
| 14 | Construction tours (students & community) | | √ | | |
| I | Post-Construction & Facility Operation Services | | | √ | |
| 1 | Record Drawings | | | | |
| | - Develop record drawings based on contractor supplied information | | | | √ |
| | - Review record drawings for completeness | | √ | | |
| | - Compile drawings & forward to District | | | | √ |
| | - Update contract documents to incorporate changes | | | √ | |

| | | | | | |
|---|--|---|---|---|---|
| 2 | Warranty review | | | | √ |
| 3 | Detailed analysis or response to Contractor claims not due to fault of Architect | | | √ | |
| 4 | Staff training (operating & maintaining equipment and systems) | | | | √ |
| 5 | Post-construction facility reviews (operations & performance review) | | | | |
| | - Post occupancy facility review meeting | | √ | | |
| | - Document defects or deficiencies | | | √ | |
| | - Prepare instructions to Contractors for correction of defects | | | √ | |
| 6 | Project promotion | √ | | | |
| 7 | Community tours | | √ | | |

Exhibit C – Compensation and Schedule of Hourly Billing Rates

The Architect's total compensation consists of basic services, additional services and reimbursable expenses as follows:

Basic Services

The Architectural fee arrangement for Basic Services may be any of the following options:

1. A lump sum amount mutually agreed to, calculated based on the fee schedule described below, or estimating hours at billing rates or by negotiation of a mutually acceptable amount.
2. A percentage of construction cost based on a mutually agreed formula or fee schedule as described below.
3. Time and material at rates in the Agreement with an estimated not-to-exceed amount.
4. A combination of these options, as described below, for example a percentage fee through Schematic Design or Design Development after which the final lump sum fee shall be negotiated or calculated on a pre-agreed formula based on the Architect's scope definition and cost estimate.

For Basic Services under this Agreement, the parties have agreed to a fee, under option 1 above, of \$65,450.

Additional Services

Any additional services that may be required during the Project must be requested by Architect and approved in writing by District before they are performed. Additional Services shall be compensated as described in Article 4.

Facility Assessment: Architect will provide Facility Assessment services as a fixed fee as an amount to be provided to District for approval.

Programming & Implementation Plan: Architect will provide these services on an hourly basis. The number of meetings and other services will be reviewed with District staff to minimize time and maximize efficiency.

Reimbursable Expenses

The Architect has estimated and the District has accepted the following reimbursable expenses to be billed at 110% of cost. The Architect may not exceed the total estimated amount unless approved in writing by District in advance.

Automobile travel
Telephone
Printing
Plotting
Models and mockups

Total estimated reimbursable expenses \$6,000.00

Standard Hourly Billing Rates

The following hourly rates shall be used for any time and materials services above or for any calculation of future services:

| | |
|--|------------|
| Architect – Principal | \$ 270/hr. |
| Architect – Associate-Director | \$ 250/hr. |
| Project Architect/Designer | \$ 235/hr. |
| Job Captain | \$ 210/hr. |
| Construction Admin Project Manager | \$ 220/hr. |
| Assistant Construction Admin Project Manager | \$ 200/hr. |
| Interior Designer | \$ 220/hr. |
| Junior Designer | \$ 195/hr. |
| Construction Admin Project Coordinator | \$ 185/hr. |
| Administrative | \$ 135/hr. |

These rates are effective for the calendar year 2024 and are subject to change one time annually.

Service Agreement

This Agreement is made this 29th day of February, 2024 between Cutten School District, subsequently referred to as "CLIENT," and SHN Consulting Engineers & Geologists, Inc., 812 W. Wabash Avenue, Eureka, California, a California Corporation, subsequently referred to as "SHN." SHN's professional work is conducted by or under the direction of licensed engineers and geologists. The work under this contract will be under the direction of Jordan Ludtke, PE, California Registered Professional Engineer, #91819, located at SHN Consulting Engineers & Geologists, Inc., 812 W. Wabash Avenue, Eureka, California 95501-2138. SHN may assign another appropriately licensed person to direct such work by providing reasonable notice of such to CLIENT.

1. Project

- A. By joining in this Agreement, CLIENT retains SHN to provide consulting services for Ridgewood Elementary Temporary Building Project, located at 2060 Ridgewood Drive, Eureka, California, and subsequently referred to as "Project."
- B. CLIENT is aware that no work will begin until both CLIENT and SHN sign this Agreement.

2. Scope of Services

- A. By this Agreement, the scope of SHN's services is limited to the following:
 - (i) Conduct a topographic survey and develop mapping for the areas shown on the attached Exhibit "A."
 - (ii) SHN's surveyors will base the Topographic Survey and Mapping on the horizontal datum: North American Datum of 1983 and on the vertical datum: North American Vertical Datum of 1988 is derived from GPS observations. Surface features necessary for the design of the Project will be located and incorporated into the Project mapping compiled in AutoCAD Civil 3D Version 2022.
- B. SHN will not be responsible for any services not specifically listed under 2(A) above, including but not limited to:
 - (i) See Exhibit "A."
- C. Except as expressly provided for in Sections 3(C) and 5(B) hereof, there will be no addition or deletion to the scope of services, schedule for performance, or the fees charged for such services without the written consent of both parties. Such written consent addressing the scope of services, schedule for performance, and fees charged for such services shall be required prior to any additional work being provided except as otherwise provided for in Sections 3(C) and 5(B) hereof.

3. Work Schedule

- A. SHN will perform the services described in the scope of services, in conformance with the following schedule:
 - (i) SHN will provide CLIENT and CLIENT's architect with the topographic survey and mapping data within one (1) week of the notice to proceed, as described in Exhibit "A."
- B. Reasonable schedule extensions will be allowed for any delay that is beyond the control of SHN. Matters beyond the control of SHN that may give rise to schedule extensions include, but are not limited to inclement weather, unanticipated Project conditions, delays in obtaining necessary third party approvals regarding the Project, illness or death of key Project personnel, and delays caused by third parties working on the Project. In the event of delay allowed for herein, the parties agree to work together in good faith to make



appropriate modifications to the schedule described in Section 3(A) above. SHN shall not be liable for damages arising out of any such delay and shall not be deemed to be in breach of this agreement as a result thereof.

- C. In the event there is a change to the scope of services that is agreed to in writing by the parties, but the parties fail to agree upon a change to the above described schedule for performance of the services, a reasonable extension to the schedule will be allowed to accommodate the change to the scope of services.

4. General Conditions

The following general conditions are incorporated into and made part of this Agreement:

- A. SHN is an independent contractor and will maintain complete control of and responsibility for its employees, subconsultants, subcontractors, and agents.
- B. CLIENT will provide SHN with all available information concerning this Project, including electronic copies, as necessary. SHN shall be entitled to rely, without liability, on the accuracy and completeness of any and all information and services provided by CLIENT, CLIENT's consultants and contractors, and information from public records, without the need for independent verification.
- C. In order to complete the work, CLIENT will provide the right of entry for SHN and subcontractor personnel.
- D. While SHN will take all reasonable precautions to minimize any damage to the property, it is understood by CLIENT that in the normal course of work some damage may occur, the correction of which is not part of this Agreement unless otherwise noted. In the execution of work, SHN will take all reasonable precautions to avoid damage to surface and subsurface structures and/or utilities. CLIENT agrees to hold SHN harmless for any damages to subsurface structures and/or utilities that are not called to SHN's attention and are not currently shown on the plans furnished or otherwise identified by CLIENT.
- E. In the course of performing the Scope of Services as outlined in this Agreement, previously unknown or unidentified hazardous materials or substances may be encountered. In such event, SHN will not be considered the Owner, in control of, or responsible for said materials. SHN's sole responsibility will be to notify CLIENT of said hazardous materials and possible courses of action for CLIENT to pursue. All work on the Scope of Services outlined in this Agreement will cease until hazardous conditions have been resolved. Any additional work with regard to the hazardous material mitigation measures will be subject to negotiation of a new Agreement. CLIENT agrees to indemnify, defend, and hold SHN, its agents, employees, officers, directors, and independent contractors harmless from any liability relating to or arising from the breach of CLIENT's duties hereunder.

In addition, if cross-contamination of aquifers or other hydrous bodies were to occur in connection with the Scope of Services provided hereunder, CLIENT waives any and all claims against SHN and agrees to defend, indemnify, and hold SHN harmless from any claim or liability for injury or loss that may arise as a result of alleged cross-contamination. CLIENT further agrees to compensate SHN for any time spent or expenses incurred by SHN in defense of any such claim, in accordance with SHN's prevailing fee schedule and expense reimbursement policy.

- F. SHN will take reasonable precautions to safeguard its own employees. Except as otherwise expressly agreed to in writing by SHN, SHN will have no responsibility for any Project safety program or the safety of any entity or person other than SHN and its employees.
- G. Services performed by SHN under this Agreement will be conducted in a manner consistent with that level of care and skill ordinarily expected by members of the profession currently practicing in the same locality, under similar conditions. SHN will comply with applicable laws, rules, and regulations.



- H. No representation, express or implied, of warranty or guarantee is included or intended in this Agreement or in any report, opinion, document, or otherwise.
- I. CLIENT recognizes that subsurface conditions at various locations on the Project property may vary from those encountered at the location where borings, surveys, or explorations are made by SHN.
- J. The data, interpretations, and recommendations of SHN are based solely on the information available to SHN. SHN will be responsible for its data, interpretations, and recommendations, but will not be responsible for interpretations of the developed information made by others.
- K. Unless express provisions to the contrary are provided herein, SHN shall retain ownership and all copyrights to any plans, specifications, reports, and any other documents it creates for CLIENT, its agents, or assigns. Upon payment to SHN as set forth herein, CLIENT is merely granted a license to use such documents for the Project described herein.
- L. In such a case where CLIENT requests that SHN provide machine-readable information and data regarding PROJECT to CLIENT or CLIENT's authorized agent, SHN shall not be liable for claims, liabilities, or losses arising out of or in connection with:
 - (i) the modifications or misuse by CLIENT or third parties of such electronic data;
 - (ii) decline of accuracy of readability of electronic data due to inappropriate storage conditions or duration; or
 - (iii) any use by CLIENT or third parties of such electronic data, for additions to this project, for the completion of this project by others, for generation of record drawings, or for any other project by SHN.
- M. Drawings shall not be interpreted as being true scale documents of the proposed work. CLIENT, by acceptance of such electronic data, agrees to indemnify SHN for damages and liability resulting from the modification, use, or misuse of such electronic data, as described above.
- N. Neither CLIENT nor SHN may delegate, assign, or transfer their duties or interest in this Agreement without the written consent of the other party except as expressly allowed for herein. SHN may use third parties it engages to perform the services provided hereunder, and SHN may assign the right to collect any amounts due for work performed pursuant to this Agreement to third parties, without the consent of CLIENT having first been obtained.
- O. CLIENT shall review and approve SHN-prepared project documents conforming to the Scope of Services at each phase of the Project.
- P. Any opinion of the capital, construction, or operating costs of the facilities or operations related to the Scope of Services and prepared by SHN, represents SHN's judgment as a professional and is supplied for the general guidance of CLIENT. Because SHN has no control over the cost of labor, material, or equipment, or over the competitive bidding or market conditions, SHN does not guarantee the accuracy of such opinions as compared to contractor bids or actual costs to CLIENT.
- Q. If SHN assists CLIENT in the process of selecting other consultants, contractors, or services, CLIENT shall perform its own due diligence in making a final decision. SHN makes no warranty or guarantee on the performance of the selected consultant, contractor, or service.
- R. If CLIENT proposes and goes forward with an objectionable project decision or feature, construction activity, or operational procedure, SHN shall notify CLIENT of its objection and the reasons for the objection. If CLIENT moves forward with the objectionable action, SHN shall be held harmless from liability and negative results related to the action.



- S. SHN and CLIENT agree that any dispute arising under this Agreement and the performance thereof with an amount in controversy exceeding \$10,000.00 shall be subject to non-binding mediation as a prerequisite to further legal proceedings. The cost of such mediation shall be borne equally by the parties. Any party making a demand for mediation shall do so in writing to the other party, and such demand shall suggest not less than five (5) licensed attorneys with offices located within Humboldt County, California, as disinterested mediators to assist with resolution of the dispute. The parties shall cooperate to arrange mediation with a mediator from such list selected by the non-demanding party to be conducted not less than 60 days after the demand having been made. Failure by a party to cooperate with the foregoing shall enable the other party to proceed to further legal proceedings without completing mediation and the party so failing shall be liable for any damages caused by such. Any pertinent statute of limitations shall be tolled pending the conduct of the above-described mediation process. This Agreement shall be governed by the laws of the State of California, and any litigation or other legal proceedings shall be conducted in the Superior Court of California. The parties agree that this Agreement was negotiated and executed in Humboldt County, California, and as such, agree that the proper venue for adjudication of any disputes arising hereunder shall be the Superior Court of California located in Humboldt County, California. SHN and CLIENT waive any right to a trial by jury.
- T. To the fullest extent permitted by law, the total liability, in the aggregate, of SHN and its agents and subconsultants, to CLIENT, and anyone claiming by, through, or under CLIENT, and to any third parties granted reliance, for any claims, losses, costs, or damages whatsoever arising out of, resulting from, or relating to the Project shall not exceed the total compensation received by SHN. CLIENT may negotiate a higher limitation of liability for an additional fee, which is necessary to compensate for the greater risk assumed by SHN.
- U. To the extent damages are covered by insurance of CLIENT, CLIENT waives all rights against the contractors, consultants, agents, and employees of SHN for damages, except such rights as CLIENT may have to the proceeds of such insurance. CLIENT shall require its contractors, subcontractors, consultants, subconsultants, agents, and such parties' employees to execute similar waivers in a form and substance that is acceptable to SHN, in its reasonable discretion. SHN may further require any insurer capable of providing coverage described herein to expressly waive subrogation of claims against SHN, but failure of any such insurer to expressly waive subrogation shall in no way create a right of subrogation inconsistent with the terms hereof.
- V. SHN and CLIENT waive all consequential damages and any similar damages in tort, including, but not limited to damages for loss of use, profits, revenue, business opportunity, or production for claims, disputes, or other matters arising out of or relating to this Agreement, regardless of whether such claim or dispute is based upon breach of contract or the negligent act, or omission of SHN or its employees, agents, subconsultants, or other legal theory. This mutual waiver shall survive termination or completion of this Agreement.
- W. SHN shall be afforded reasonable extensions of time with respect to its duty to perform the Scope of Services provided for herein during the period of any force majeure event. Force majeure events shall include but are not limited to strikes; labor troubles; lockouts; inclement weather, including but not limited to extreme heat, hail, snow, freezing temperatures, excessive rain, and excessive wind; drought; floods; blocked road access; acts of God; inability to secure necessary materials; mandated or advised shutdowns due to pandemic or other related conditions; earthquakes; mudslides or earthflows; tsunamis, seiches, utility disturbances; acts of war, terrorism, vandalism, and fire. In addition to the foregoing, CLIENT shall be responsible for any additional costs incurred by SHN in the performance of the Scope of Services provided for herein as a result of any force majeure event.



- X. Unless noted otherwise in Section 5 of this Agreement, CLIENT warrants and represents all work to be performed by SHN pursuant to this Agreement is not subject to State or Federal prevailing wages. If it is subsequently determined that work performed is subject to prevailing wages, CLIENT shall compensate SHN 1.3 times the difference between actual wage paid and prevailing rate required, plus any penalties. CLIENT shall also indemnify, defend, and hold SHN harmless for any other liabilities arising from or related to the breach of CLIENT's representation and warranty regarding prevailing wages.
- Y. This Agreement shall be terminated as follows:
 - (i) Upon completion of the Scope of Services and receipt of all compensation due to SHN; or
 - (ii) Upon receipt by either party from the other of ten (10) days' written notice of termination. In such event, SHN shall be compensated for all service performed prior to the termination notice date plus reasonable termination expenses, including the cost of completing analysis, records, and reports necessary to document job status at the time of termination.

5. Fee

A. SHN will be compensated for these services on a time and expenses basis. Fees are estimated as Seven Thousand dollars (\$7,000).

Fees include Prevailing Wage Rates.

No retainer is required for this Project.

B. If Project requirements indicate that the scope of services covered by this Agreement should be revised, an additional Service Agreement or a written addendum to this Agreement will be entered into to cover the revised scope and fee. In the event a change to the scope of services is agreed to in writing as provided for herein, but the parties fail to agree in writing to a revised method or figure for fees concerning the changed scope of services, the fees for the changed scope of services shall be determined on the basis of time and expense in accordance with SHN's current schedule of fees.

C. SHN will submit monthly progress invoices to CLIENT and the final bill upon completion of the services. CLIENT shall notify SHN within two (2) weeks of receipt of invoice of any dispute with the invoice. CLIENT and SHN will act in good faith to resolve any disputed items promptly. Payment on invoice amounts is due upon receipt of invoice by CLIENT and is past due fifteen (15) days from the date of the invoice. Thereafter, SHN will charge, and CLIENT agrees to pay, a finance charge of 1.5% per month on the outstanding balance. At SHN's discretion, this Agreement may be terminated without penalty or liability to SHN for CLIENT failure to make timely payment for outstanding invoices. The retainer will be held until Project completion and will be applied to the final invoice.

In Witness Whereof, the parties have executed this Agreement the day and year first set forth.

SHN Consulting Engineers & Geologists, Inc.

Address: 812 W. Wabash Ave.
Eureka, CA 95501-2138

By: _____

Title: _____

Signature: _____

Date: _____

License #: _____

CLIENT: Cutten School District

Address: 4182 Walnut Drive
Eureka, CA 95503-6233

By: Becky MacQuarrie

Title: Superintendent

Signature: [Handwritten Signature]

Date: 2-24-24





Phone: (707) 441-8855 Email: info@shn-engr.com Web: shn-engr.com
812 W. Wabash Avenue, Eureka, CA 95501-2138

Reference: 024000.020

Exhibit "A"

February 23, 2024

Becky MacQuarrie, Superintendent
Cutten Elementary School District
4182 Walnut Drive
Eureka CA 95503-6233

Subject: Proposal, Ridgewood Elementary School Topographic Survey and Mapping

Dear Becky MacQuarrie:

SHN is pleased to have the opportunity to provide the Cutten Elementary School District (CESD) with the following proposal for Topographic Survey and Mapping.

Project Understanding

To facilitate the Project design team, CESD is requesting proposals to perform a Topographic Survey and Mapping for the Survey Boundary on the attached Site Plan.

Project Approach

SHN's surveyors will base the Topographic Survey and Mapping on the horizontal datum: North American Datum of 1983 and on the vertical datum: North American Vertical Datum of 1988 is derived from GPS observations. Surface features necessary for the design of the Project will be located and incorporated into the Project mapping compiled in AutoCAD Civil 3D Version 2022. The final survey will be provided in a digital and hard copy format.

Assumptions and Limitations

We have based the following cost and schedule on our understanding that the field survey work will be subject to the California Department of Industrial Relations Prevailing Wage Rates. We have limited our survey to the Survey Boundary as shown on the attached Site Plan. We understand that the site is located within CESD property and will not require a boundary survey or field location. CESD staff and agents will provide SHN surveyors with access to the site and will not impede the process of completing the Survey.

Cost and Schedule

We propose to provide the above-described services for a cost not to exceed \$7,000 for Survey Boundary and will provide the Project designers with the Topographic Survey and Mapping data within a week of the notice to proceed.



Becky MacQuarrie, Superintendent
Cutten Elementary School District
Page 2

Thank you for allowing SHN the opportunity to provide the CESD with a proposal for Topographic Survey and Mapping. If you have any questions, please contact us at 707-459-4518.

Sincerely,

SHN



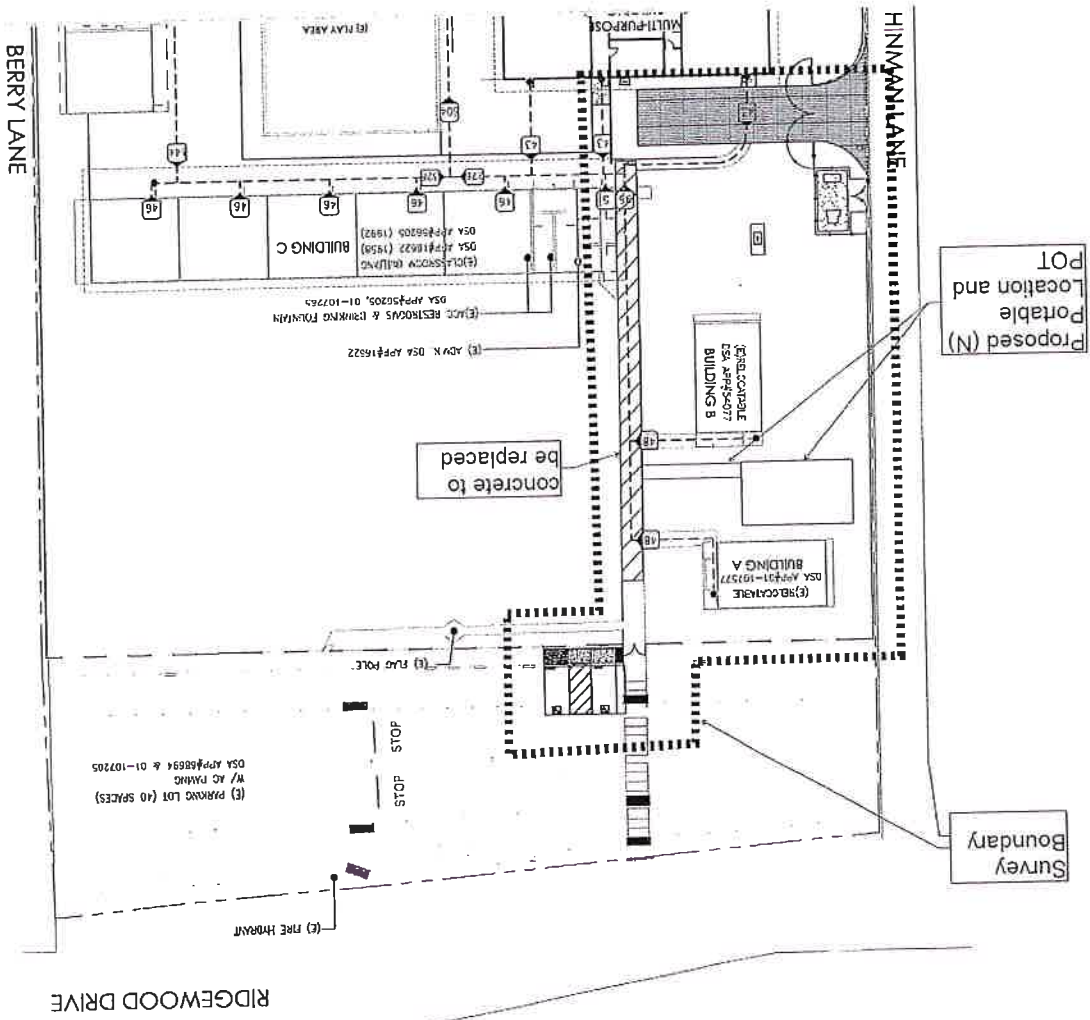
Senior Surveyor

TMH:amg

Attachment: 1. Site Plan



2 SAFE DISPERSAL AREA SIGNAGE 3/17





a Division of McGrath RentCorp
 Corporate Headquarters
 5700 Las Positas Rd
 Livermore, CA 94551
 925-606-9000
 www.mgrc.com

Sale Quotation and Agreement

| | |
|------------------------|------------|
| Quote # | Q-429229 |
| Date of Quote | 03/01/2024 |
| Quote Expiration Date: | 03/31/2024 |
| Estimate Del Date | 05/30/2024 |
| Buyer PO#: | TBD |

| Buyer Name and Billing Address | Site Information | Seller Name |
|--|---|--|
| Cutten School ("Buyer") 4182 Walnut Drive Eureka, CA 95503 Vanessa Carillo Phone #: 707-441-3900 | Vanessa Carillo 2060 Ridgewood Drive Eureka, CA 95503 Cell: 707-441-3900 | Mobile Modular Management Corporation a Division of McGrath RentCorp ("Seller") Questions? Contact: Kevin Gibson kevin.gibson@mobilemodular.com Direct Phone: (925) 453-3143 |

| Equipment and Accessories | Qty | Purchase Price | Extended Purchase Price | Taxable |
|--|-----|----------------|-------------------------|---------|
| Classroom, 24x40 DSA II (Item2001) (Right Hand Door Configuration Tackboard interior. 1 Door 2 Window Min) (New Unit. Comes with Ramp (transition to grade by others), carpet ready flooring, and two white boards.) | 1 | | \$142,282.00 | Y |

| Charges Upon Delivery | Qty | Charge Each | Total One Time | Taxable |
|--|-----|-------------|----------------|---------|
| Classroom, 24x40 DSA II (Item2001) (Right Hand Door Configuration Tackboard interior. 1 Door 2 Window Min) (New Unit. Comes with Ramp (transition to grade by others), carpet ready flooring, and two white boards.) | | | | |
| Delivery | 2 | \$5,840.00 | \$11,680.00 | N |
| Delivery Pilot | 2 | \$897.00 | \$1,794.00 | N |
| Delivery Permit | 2 | \$188.00 | \$376.00 | N |
| Block and Level Building | 1 | \$4,965.00 | \$4,965.00 | N |
| Essential Material Handling Fee (6" DSA Wood Foundation and Close Up Material.) | 2 | \$1,910.00 | \$3,820.00 | N |
| Service, Travel & Food (Blv) | 1 | \$5,750.00 | \$5,750.00 | N |
| Delivery Haulage Fuel | 2 | \$1,421.00 | \$2,842.00 | N |
| Installation, Ramp Skirting | 36 | \$22.00 | \$792.00 | N |

| Total Estimated Charges | |
|--------------------------------------|---------------------|
| Subtotal | \$174,301.00 |
| Taxes | \$13,161.09 |
| Total Charges (including tax) | \$187,462.09 |

Special Notes

This is a sale quote for a new 24x40 DSA classroom modular unit. Classroom will come with carpet ready flooring. Classroom will come with (2) 8040 marker boards, (1) fire extinguisher at each exit, empty back box with conduit stubbed to ceiling for future pull station & horn, skirting for perimeter of building only, standard factory ramp (transition to grade by others), and wood sill foundation for level site. Quote assumes a level and accessible site by normal truck delivery.

Block/Level: Price assumes building is installed using Mobile Modular standard foundation. Mobile Modular assumes installation on the minimum foundation design criteria/tolerances. For DSA buildings, it is assumed building will be installed on the minimum amount of foundation lumber per the applicable DSA approved stockpile drawings and site will not exceed 4-1/2" out of level. Additional material and labor charges apply for installing buildings above minimum



a Division of McGrath RentCorp
 Corporate Headquarters
 5700 Las Positas Rd
 Livermore, CA 94551
 925-606-9000
 www.mgrc.com

Sale Quotation and Agreement

| | |
|------------------------|------------|
| Quote # | Q-429229 |
| Date of Quote | 03/01/2024 |
| Quote Expiration Date: | 03/31/2024 |
| Estimate Del Date | 05/30/2024 |
| Buyer PO#: | TBD |

foundation design criteria, raising buildings to meet specific finish floor elevations, raising building level to adjacent buildings, landings, walkways, transitions, etc.

DSA Classrooms include: (2) 8040 marker boards, (1) fire extinguisher at each exit, empty back box with conduit stubbed to ceiling for future pull station & horn, skirting for perimeter of building only, standard factory ramp, and wood sill foundation for level site.

Budgetary Quote: Pricing provided is for budgetary purposes only. A revised quotation will be provided once project details are clarified. If you are new to modular buildings and wondering what you need to know about them, please visit www.mobilemodularrents.com and view our FAQ worksheet "Considering Modular Buildings for Your Space Needs?". *Delivery pricing is estimated based on delivery within 50 miles of branch location. Pilots and permits not included and may be required. We look forward to working with you to refine your requirements.

Yes - Prevailing Wage: Pricing includes prevailing wage and certified payroll for installation work performed on site.

Ramps: Site conditions may affect ramp configuration and cost. Customer is responsible for transition from end of ramp to grade and for extended or custom rails, if needed. Ramp skirting is available for an additional charge. Mobile Modular provides used/refurbished ramps - new ramps are available for purchase only.

Site Installation Requirements: Prior to delivery, Customer shall mark the four corners where the building is to be placed on the site/pad location, and shall also mark the locations of door(s) and ramp(s). Should special handling be required to position, install, or remove the modular building on Customer's site due to site conditions/constraints and/or obstructions, Customer will be responsible for additional charges. Additional rolling charges may be applicable as site conditions necessitate.

Site Plan Review: Mobile Modular is not responsible for review and verification of Customer's site plans, civil plans, soils tests/survey's, etc. It is the responsibility of the Customer to ensure the site plans and site conditions meet applicable codes and governing body approvals. This includes, but is not limited to, ensuring the building pad/site allows for standard delivery and installation based on the minimum foundation design tolerances as per applicable approved stockpile drawings/foundation design.

Additional Information

- Quote is valid for 30 days.
- Buyer's site must be dry, compacted, level and accessible by normal truck delivery. Costs to dolly, crane, forklift, etc. will be paid by Buyer. Unless noted, prices do not include permits, stairs, foundation systems, temporary power, skirting, engineering, taxes or utility hookups.
- Subject to equipment availability. Unless noted, equipment and related furnishings, finishes, accessories and appliances provided are previously leased and materials, dimensions, and specifications vary. Detailed specifications may be available upon request.
- This transaction is subject to prior credit approval
- Down Payment required upon execution of agreement.
- Sales Tax will be calculated based on the tax rate at the time of invoicing.
- Unless otherwise noted, prices do not include prevailing wages, Davis-Bacon wages, or other special or certified wages.



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SALE TERMS AND CONDITIONS

- 1. SALE.** Seller sells to Buyer, and Buyer purchases from Seller, the equipment listed on the Agreement hereto ("Equipment") on the terms and conditions set forth herein. This Agreement constitutes a separate and independent sale (a "Sale") of the Equipment specified in the Agreement.
- 2. TIME PAYMENT; TITLE RETENTION.**
 - (a) PURCHASE PRICE.** The aggregate amount of the purchase price (the "Purchase Price") is set forth in the Agreement. Unless otherwise specified in writing, Buyer agrees to pay Seller twenty five percent (25%) of the Purchase Price upon execution of the Agreement; sixty five percent (65%) no fewer than two days prior to the scheduled delivery date; and the remaining ten percent (10%) within thirty (30) days of substantial completion (substantial completion does not include punch list items). In addition to the Purchase Price, Buyer shall pay such charges as are attributable to circumstances related to the delivery, drop-off and relocation of Equipment.
 - (b) TITLE/RETENTION.** Title to the Equipment shall not pass to Buyer before the entire Purchase Price has been paid to Seller. Upon Seller's receipt of payment in full of the Purchase Price, title to the Equipment shall transfer to Buyer, free and clear of all encumbrances arising by or through Seller. All payments due from Buyer pursuant to the terms of the Agreement shall be made without any abatement or set off of any kind, arising from any cause.
- 3. CANCELLATION.** All sales are final and non-refundable upon delivery of the Equipment to Buyer's site location. Any requests to cancel or reschedule orders prior to delivery may or may not be accepted in Seller's sole discretion and must be agreed upon by Seller in writing. Without waiving any of its rights, Seller is entitled to recover its costs incurred and profits lost as a result of Buyer's cancellation or rescheduling of an order. A cancellation fee may be assessed against Buyer. In no event shall such fee exceed the full value of the Agreement. If Buyer has made down payment(s) to Seller prior to cancellation and the cancellation fee is less than the amount(s) already paid, Seller shall deduct the amount of the cancellation fee from any refund that may be owed to Buyer. If down payment amount(s) already made are less than the cancellation fee, Seller shall apply the full down payment amount(s) to the payment of the cancellation fee and Buyer will pay the remaining cancellation fee balance within ten (10) business days after receiving written notice of the balance due. If no down payment has been made by Buyer at the time of cancellation, Buyer shall pay to Seller the entire cancellation balance within ten (10) business days of receipt of written notice from Seller stating the cancellation fee balance that is due.
- 3. DELIVERY AND PLACEMENT OF EQUIPMENT.** Seller agrees to deliver the Equipment to the site location listed on the Agreement (the "Site"). Buyer warrants and represents that it has exercised due diligence and care in selecting a suitable site for the Equipment, shall clearly mark the site of placement and shall direct Seller on exact placement and orientation of the Equipment. Upon request from Buyer and for an additional fee, Seller will perform a site visit and make recommendations on placement as it relates to site accessibility and layout. Buyer further warrants that the Site will have (1) safe access free from encumbrances; (2) a level pad, which is hereby defined as having no greater than a 4-inch drop in 40 feet (length) and no greater than a 1-inch drop in 8 feet (width); and (3) adequate soil bearing pressure of not less than 1500 psf, except in the state of Florida, where the minimum soil bearing pressure is 2000 psf. Following delivery, Seller will remove all Seller-owned Equipment such as plywood, tools, etc. prior to or at the time of building acceptance. Buyer is responsible for all necessary permits, utility hookups, and Site preparation.
- 4. INSPECTION AND ACCEPTANCE.** Following delivery and setup of the Equipment, Buyer shall inspect the Equipment within forty-eight (48) hours of substantial completion and provide immediate written notice to Seller specifying defects, if any, which Buyer observes. If Buyer fails to provide such notice within four (4) days following substantial completion of the project, it shall be conclusively presumed between Buyer and Seller that Buyer has inspected the Equipment and that all Equipment is in conformance with the Agreement and has been accepted by Buyer.
- 5. BUYER AGREEMENTS.** Buyer agrees that Seller may insert in the Agreement, the serial number and other identification data relating to the Equipment when ascertained by Seller.
- 6. LOSS OR DAMAGE.** All risk of loss or damage to the Equipment shall transfer to Buyer upon delivery of the Equipment to the site location. Buyer agrees to indemnify and hold Seller harmless from any loss resulting from the theft, destruction or damage to the Equipment. The cost of any required repairs shall be borne by Buyer. Any loss of or damage to the Equipment shall not alleviate Buyer's obligation to pay Seller any remaining balance of the Purchase Price existing at the time of the loss.
- 7. INSURANCE.** Upon delivery of the Equipment and until Buyer has paid for the Equipment in full, Buyer shall provide, maintain, and pay all premiums for property insurance covering the loss, theft, destruction, or damage to the Equipment in an amount not less than the full replacement value and will name Seller as loss payee of the proceeds, unless Buyer has paid Seller the entire purchase price in full prior to the scheduled delivery of the Equipment. This coverage will extend to all property of Seller located at the delivery site during the installation. Upon receipt of the proceeds of any insurance, Seller will refund to Buyer any amounts in excess of the balance due Seller by the Buyer in fulfilling the obligations specified herein. Notwithstanding the above, Buyer shall also provide, maintain, and pay all premiums for general liability insurance in the amount of \$1,000,000.00 (one million dollars) and name Seller as an additional insured. All insurance shall be with a company having an A.M. Best rating of A- or better, and shall not be subject to cancellation without thirty (30) days prior written notice to Seller. Buyer shall deliver to Seller insurance certificates, or evidence of insurance proving the existence of policies meeting the above requirements, upon execution of the Agreement. Seller may require Buyer's insurance carrier to be licensed to do business in the state where the Equipment is being sold. Buyer's obligation to provide said insurance will cease once Equipment has been paid for in full and pursuant to Section 2.



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This Sale Quotation and Agreement is entered into by and between Seller and Buyer effective as of the date signed by Buyer. This Sale Quotation and Agreement includes the terms and conditions set forth in the following two documents (collectively, the "Agreement"), each of which is incorporated herein by this reference:

1. **Sale Terms and Conditions** attached hereto; and
2. **Supplemental Sale Terms and Conditions** located at (<https://www.mobilemodular.com/contractterms>), as the same may be updated from time to time in the sole and absolute discretion of Lessor.

By signing below, Seller: (1) acknowledges and agrees that it has received, read and understands the terms of this Agreement and agrees to be bound by the terms of this Agreement, including prices and specifications, and (2) instructs Seller to make appropriate arrangements for the preparation and delivery of the Equipment identified herein. This Agreement may be executed in one or more counterparts (including through the use of electronic signatures), each of which shall be deemed an original and all of which shall constitute one and the same Agreement. Upon execution of this Agreement, Seller shall generate a Sale Agreement Number, which shall be referenced on all Seller invoices.

No document provided by Buyer including, without limitation, Buyer's purchase orders, work orders, bills of lading, or forms for receipt or acknowledgment or authorization ("**Buyer Forms**"), nor the terms and conditions associated with such Buyer Forms, shall amend, modify, supplement, waive, or release any term or condition of this Agreement even if such Buyer Forms are signed by an agent or representative of Seller. The terms and conditions of this Agreement shall prevail over any Buyer Forms, and any inconsistent or additional terms and conditions in Buyer Forms shall be deemed void *ab initio* and of no force or effect.

The individuals signing this Agreement affirm that they are duly authorized to execute this Agreement by and on behalf of the parties hereto.

SELLER:
 Mobile Modular Management Corporation
 a Division of McGrath RentCorp

BUYER:
 Cutten School

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

[Handwritten Signature]

Beeley MacQuarrie

Superintendent

 3-1-24



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8. WAIVER AND INDEMNIFICATION.

(a) Buyer hereby waives and releases all claims against Seller for (i) loss of or damage to all property, goods, wares and merchandise in, upon or about the Equipment and (ii) injuries to Buyer, Buyer's agents and third persons. Seller shall not be liable for any consequential, incidental, or special damages of any kind (including, but not limited to damages for loss of use or of profit by Buyer or any other party; or for any collateral damages), whether or not caused or continued by Seller's negligence or delay, which may result from or arise in connection with the manufacture, delivery, installation, checkout or use of the Equipment or in connection with the services rendered by Seller hereunder.

(b) Buyer shall indemnify and hold Seller (and its agents and employees) harmless from and against any and all claims, actions or proceedings and any and all damages, liabilities, losses, costs and expenses (including attorney fees) arising out of or in connection with the Agreement, including all damages, liabilities, losses, costs and expenses arising from Seller's negligence. If the foregoing obligation is not enforceable against Buyer under applicable law, Buyer agrees to indemnify and hold Seller harmless from damages, liabilities, losses, costs and expenses to the maximum extent permitted by applicable law.

9. **TERMINATION FOLLOWING BREACH.** In the event (a) of bankruptcy or insolvency of Buyer, or in the event any proceeding is brought by or against Buyer voluntarily or involuntarily, under the provisions of the Bankruptcy Code of the United States, for the appointment of a receiver or trustee or any assignment for the benefit of creditors of Buyer, or (b) that Buyer fails to make timely payments, or perform any of its other obligations, under the Agreement, and such failure or default is not cured within ten (10) days after written notice of such failure or default is provided by Seller, the Agreement automatically shall be terminated in the case of any event described in clause (a) above and may be terminated by Seller in the case of any event described in clause (b) above and, upon such termination, full payment pursuant to the terms of the Agreement shall become immediately due and payable from Buyer. In the event of any such breach or termination, Seller shall have all rights provided by law and under the terms and conditions of the Agreement, including but not limited to: repossession and disposal of the Equipment (and, if any personal property shall remain located in the Equipment at such time, Buyer consents to Seller's possession and disposal or destruction of such personal property without notice or accounting to Buyer) and recovery of attorney's fees and other reasonable costs and expenses associated with any breach or termination (including any such disposal or destruction), shall be reimbursed by Buyer on demand of Seller.

10. **GOVERNING LAW.** Buyer and Seller agree that the Agreement shall be governed in all respects by, and interpreted in accordance with the laws of, the State of California, without regard to its conflicts of laws provisions.

11. JURISDICTION.

(a) If the law of the State of Maryland or Virginia shall apply to the Agreement, it is agreed that the venue for a legal action relating to the Agreement shall be proper if brought in Alameda County, State of California. Subject to Section 9, the prevailing party shall be entitled to recover reasonable attorneys' fees and court costs, whether or not the action proceeds to judgment.

(b) If the law of any State other than Maryland shall apply to the Agreement, the Federal District Courts located within the State of California shall have non-exclusive jurisdiction over any lawsuit brought by Buyer or Seller as a result of any dispute regarding matters arising in connection with the Agreement. Further, it is agreed that the venue for a legal action relating to the Agreement shall be proper if brought in Alameda County, State of California. Subject to Section 9, the prevailing party shall be entitled to recover reasonable attorneys' fees and court costs, whether or not the action proceeds to judgment.

12. **SELLER'S EXPENSES.** Buyer shall pay Seller all costs and expenses, including reasonable attorneys' fees, incurred by Seller in exercising any of the terms, conditions or provisions of the Agreement.

13. **LICENSE AND TRANSFER FEE(S).** If so listed on the Agreement, the Purchase Price includes license and/or transfer fees. Buyer will be billed directly by the State for future annual license fees where applicable.

14. **COMPLIANCE WITH LAW.** Buyer assumes all responsibility for any and all licenses, clearances, permits and other certificates as may be required for Buyer's lawful operation, use, possession and occupancy of the Equipment. Buyer agrees to fully comply with all laws, rules, regulations and orders of all local, state and federal governmental authorities which in any way relate to the Equipment; and to indemnify and hold Seller harmless from any and all fines, forfeitures, seizures, penalties or other liabilities that may arise from any infringement or violation of any such law, rule, regulation or order.

15. **FEDERAL CONTRACTOR.** As a federal contractor, Seller's contracts are subject to the provisions of (i) Executive Order 11246, (41 CFR 60-1.4); (ii) section 503 of the Rehabilitation Act of 1973, (41 CFR 60-741.5(a)); and (iii) section 4212 of the Vietnam Era Veterans Readjustment Act of 1974, (41 CFR 60-300.5(a)). Seller shall abide by the requirements of 41 CFR 60-741.5(a) and 41 CFR 60-300.5(a). These regulations prohibit discrimination against qualified individuals on the basis of disability, and qualified protected veterans, and require affirmative action by covered prime contractors and subcontractors to employ and advance in employment qualified individuals with disabilities, and qualified protected veterans.

16. MISCELLANEOUS.

(a) **MODIFICATIONS AND AMENDMENTS.** Representations and warranties made by any person, including agents and representatives of Seller, which are inconsistent or conflict with the terms of the warranty contained in Section 1 of the Incorporated Provisions on the website (including but not limited to the liability of Seller as set forth above) shall not be binding upon Seller unless reduced to writing and approved by



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an officer of Seller. Notwithstanding the foregoing, from time to time, Buyer or Seller may request modifications to the scope of work hereunder, which at the sole option of the Seller may be accepted and thus alter the final price stipulated herein. These changes in scope will be deemed approved by Buyer when evidence of work performance is presented by Seller.

(b) **NO WAIVER.** Failure of Seller to enforce any term or condition of the Agreement shall not constitute waiver of any rights stipulated herein, nor shall it in any manner affect the rights of Seller to enforce any of the provisions stated herein. Waiver by Seller of any provision of the Agreement shall be valid only as provided in subsection (a) above and only with respect to the specific matter to which such waiver relates.

(c) If the law of the State of North Carolina shall apply to the Agreement, it does not constitute a "construction contract" or otherwise relate to the improvement of real estate or the design, planning, construction, alteration, repair or maintenance of a building, structure or appurtenance.

17. **ENTIRE AGREEMENT.** This Agreement constitutes the entire agreement between Seller and Buyer regarding the subject matter hereof. If any part of the Agreement is found to be invalid or illegal, Buyer and Seller agree that only the invalid or illegal portion of the Agreement will be eliminated.

Sale Terms and Conditions, Rev12/12/16

