

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT

**AUDIT REPORT
JUNE 30, 2025**



HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
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FINANCIAL SECTION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTSIndependent Auditors' Report

Governing Board
Howell Mountain Elementary School District
Angwin, California

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Howell Mountain Elementary School District, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter***Change in Accounting Principle***

As described in Note 1 to the financial statements, the Howell Mountain Elementary School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (continued)

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 Howell Mountain Elementary School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 of the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Howell Mountain Elementary School 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 Howell Mountain Elementary School 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 required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedules of proportionate share of net pension liability, and schedules of district contributions for pensions 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 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 Howell Mountain Elementary School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2025 on our consideration of the Howell Mountain Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Howell Mountain Elementary School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Howell Mountain Elementary School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
December 14, 2025

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

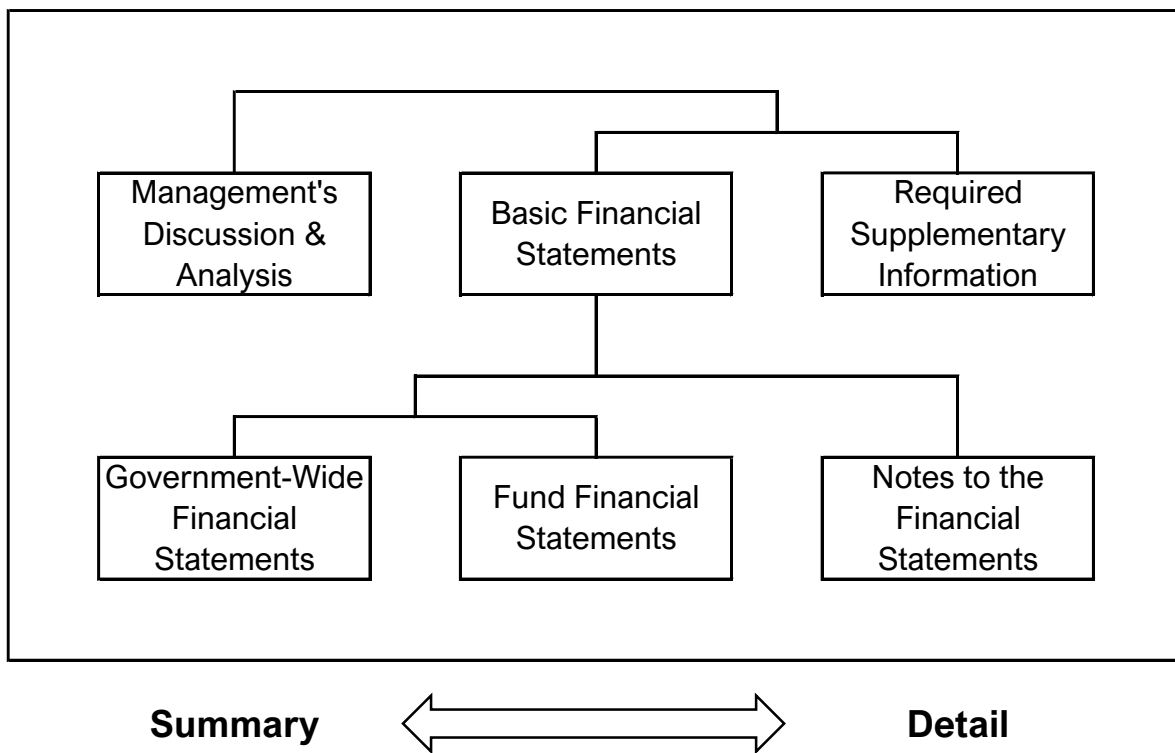
Our discussion and analysis of Howell Mountain Elementary School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2025. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$2,216,436 at June 30, 2025. This was an increase of \$299,883 from the prior year, after restatement.
- Overall revenues were \$3,437,096 which exceeded expenses of \$3,137,213.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

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

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

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

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$2,216,436 at June 30, 2025, as reflected in the table below. Of this amount, \$(1,408,181) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2025	2024	Net Change
ASSETS			
Current and other assets	\$ 2,952,714	\$ 2,724,419	\$ 228,295
Capital assets	3,075,878	3,152,220	(76,342)
Total Assets	6,028,592	5,876,639	151,953
DEFERRED OUTFLOWS OF RESOURCES	610,608	635,766	(25,158)
LIABILITIES			
Current liabilities	725,377	479,396	245,981
Long-term liabilities	3,517,574	3,710,448	(192,874)
Total Liabilities	4,242,951	4,189,844	53,107
DEFERRED INFLOWS OF RESOURCES	179,813	176,863	2,950
NET POSITION			
Net investment in capital assets	2,266,831	2,248,993	17,838
Restricted	1,357,786	1,291,666	66,120
Unrestricted	(1,408,181)	(1,394,961)	(13,220)
Total Net Position	\$ 2,216,436	\$ 2,145,698	\$ 70,738

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges them slightly so you can see our total revenues and expenses for the year.

	Governmental Activities		
	2025	2024	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 42,280	\$ 24,841	\$ 17,439
Operating grants and contributions	541,051	553,801	(12,750)
General revenues			
Property taxes	2,619,093	2,428,721	190,372
Unrestricted federal and state aid	92,165	111,274	(19,109)
Other	142,507	148,570	(6,063)
Total Revenues	3,437,096	3,267,207	169,889
EXPENSES			
Instruction	1,273,632	1,367,586	(93,954)
Instruction-related services	319,633	334,186	(14,553)
Pupil services	414,049	416,029	(1,980)
General administration	349,889	318,381	31,508
Plant services	305,320	305,267	53
Ancillary and community services	12,436	916	11,520
Debt service	168,912	81,451	87,461
Other outgo	293,342	136,215	157,127
Total Expenses	3,137,213	2,960,031	177,182
Change in net position	299,883	307,176	(7,293)
Net Position - Beginning, as Restated*	1,916,553	1,838,522	78,031
Net Position - Ending	\$ 2,216,436	\$ 2,145,698	\$ 70,738

**Beginning net position was restated for the 2025 year only.*

The cost of all our governmental activities this year was \$3,137,213 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$2,619,093 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions of \$541,051.

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2025	2024
Instruction	\$ 1,022,936	\$ 1,214,381
Instruction-related services	282,271	322,069
Pupil services	261,757	114,311
General administration	348,467	318,381
Plant services	299,627	281,537
Ancillary and community services	(20,068)	916
Debt service	168,912	81,451
Transfers to other agencies	189,980	48,343
Total	\$ 2,553,882	\$ 2,381,389

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

As the District completed this year, its governmental funds reported a combined fund balance of \$2,585,685, which is more than last year's ending fund balance of \$2,544,352. The District's General Fund had \$45,766 less in operating revenues than expenditures for the year ended June 30, 2025. The Bond Interest and Redemption Fund reported \$155,038 more in operating revenues than expenditures for the year ended June 30, 2025.

CURRENT YEAR BUDGET 2024-2025

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2024-2025 the District had invested \$3,075,878 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2025	2024	Net Change
CAPITAL ASSETS			
Land	\$ 93,005	\$ 93,005	\$ -
Land improvements	264,317	264,317	-
Buildings & improvements	4,766,743	4,730,111	36,632
Furniture & equipment	299,905	284,139	15,766
Less: Accumulated depreciation	(2,348,092)	(2,219,352)	(128,740)
Total	\$ 3,075,878	\$ 3,152,220	\$ (76,342)

Long-Term Liabilities

At year-end, the District had \$3,517,574 in long-term liabilities, a decrease of 10.71% from last year's restated balance – as shown in the table below. More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities		
	2025	2024	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 2,366,652	\$ 2,499,270	\$ (132,618)
Compensated absences*	94,558	229,145	(134,587)
Net pension liability	1,414,712	1,510,507	(95,795)
Less: current portion of long-term liabilities	(358,348)	(299,329)	(59,019)
Total	\$ 3,517,574	\$ 3,939,593	\$ (422,019)

**Compensated absences for 2024 was restated in order to record the District's compensated absences in accordance with GASB Statement No. 101 which supersedes GASB Statement No. 16 for the year ended June 30, 2025.*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Several economic and fiscal factors could influence the District's financial condition in the coming year, including continued enrollment declines, uncertain Federal and State revenues, high pension obligations, and a cooling California economy.

Long-Term Declining Enrollment

California's K–12 system continues to experience enrollment decline. Statewide enrollment fell another 0.5% in 2024–25 to about 5.8 million students, roughly 420,000 fewer than a decade ago. The Department of Finance projects an additional 586,000-student decline by 2033–34. Lower birth rates, high housing costs, and out-migration are key drivers, along with growing competition from charter and private schools. Because many costs—such as staffing and facilities—cannot easily adjust, revenue loss from declining Average Daily Attendance (ADA) creates structural fiscal challenges that require multi-year planning.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS, continued FOR THE YEAR ENDED JUNE 30, 2025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Revenue Uncertainties

- **Status of Proposition 98:** The 2025–26 State Budget sets the Proposition 98 guarantee at \$114.6 billion, slightly below earlier projections. To maintain K–12 funding commitments amid weaker tax receipts, the State relied on reserve drawdowns, internal borrowing, and limited deferrals. The outlook remains fragile since Proposition 98 revenues are highly sensitive to income-tax and capital-gains fluctuations. A market slowdown could trigger future adjustments. The Legislative Analyst's Office urges districts to budget cautiously and preserve flexibility given ongoing volatility.
- **Federal Funding Uncertainties:** Federal funding for K–12 education remains uncertain heading into 2025–26. Several large federal programs—including Title I, Title II, IDEA, and after-school and enrichment grants—face potential reductions or delays under current federal budget proposals and continuing appropriations negotiations. The U.S. Department of Education has also paused or delayed disbursement of certain previously approved formula and competitive grants, creating short-term cash-flow and planning challenges for districts. Analyses by nonpartisan agencies such as the Congressional Budget Office and the Learning Policy Institute note that up to \$5–6 billion in K-12 formula funds nationwide remain at risk of reduction or deferral if congressional appropriations are not finalized. While districts are expected to continue receiving baseline allocations during temporary funding resolutions, long-term federal support levels for education could decline modestly in real terms, requiring districts to plan for possible funding interruptions or reductions in future years.

Pension Liabilities and Employer Rates

The District participates in CalSTRS and CalPERS, both of which remain underfunded and continue to exert upward pressure on budgets. For 2025–26, the CalSTRS employer rate is 19.10%, and the CalPERS Schools Pool rate is 26.81%. These elevated rates—well above pre-2014 levels—will likely persist through the decade as both systems address unfunded liabilities. Districts must continue to account for escalating pension costs in long-range projections.

Economic and Market Conditions

California's economy has cooled following its post-pandemic rebound. High interest rates, weaker venture investment, and commercial-real-estate softness have slowed growth, especially in tech-dependent regions. The UCLA Anderson Forecast (Fall 2025) expects subdued growth into 2026, with unemployment near 5%. Inflation has eased, but interest-rate uncertainty continues to constrain housing and business investment.

Because the State's tax base depends heavily on capital-gains income, stock-market volatility remains a major risk to General Fund and Proposition 98 revenues. Fiscal advisors therefore recommend that districts maintain prudent reserves and avoid long-term commitments based on one-time revenue gains.

Summary

Declining enrollment, volatile revenues, persistent pension costs, and broader economic uncertainty all contribute to a challenging fiscal environment for California school districts. The District's 2025–26 budget reflects these conditions through conservative revenue assumptions, strong reserves, and continued monitoring of State fiscal trends.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Business Office, 525 White Cottage Rd. North, Angwin, CA 94508.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
ASSETS	
Cash and investments	\$ 2,821,370
Accounts receivable	129,344
Prepaid expenses	2,000
Capital assets:	
Capital assets, not depreciated	93,005
Capital assets, net of accumulated depreciation	2,982,873
Total Assets	<u>6,028,592</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	610,608
Total Deferred Outflows of Resources	<u>610,608</u>
LIABILITIES	
Accrued liabilities	367,029
Long-term liabilities, current portion	358,348
Long-term liabilities, non-current portion	3,517,574
Total Liabilities	<u>4,242,951</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	179,813
Total Deferred Inflows of Resources	<u>179,813</u>
NET POSITION	
Net investment in capital assets	2,266,831
Restricted:	
Capital projects	75,380
Debt service	644,630
Educational programs	563,679
Food service	74,097
Unrestricted	(1,408,181)
Total Net Position	<u>\$ 2,216,436</u>

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

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 1,273,632	\$ 1,943	\$ 248,753	\$ (1,022,936)
Instruction-related services				
Instructional supervision and administration	18,344	-	-	(18,344)
Instructional library, media, and technology	22,845	-	5,124	(17,721)
School site administration	278,444	-	32,238	(246,206)
Pupil services				
Home-to-school transportation	36,033	-	-	(36,033)
Food services	209,053	-	114,163	(94,890)
All other pupil services	168,963	31,945	6,184	(130,834)
General administration				
Centralized data processing	6,442	-	-	(6,442)
All other general administration	343,447	-	1,422	(342,025)
Plant services	305,320	99	5,594	(299,627)
Ancillary services	1,400	-	14,536	13,136
Community services	11,036	-	17,968	6,932
Interest on long-term debt	168,912			(168,912)
Other outgo	293,342	8,293	95,069	(189,980)
Total Governmental Activities	\$ 3,137,213	\$ 42,280	\$ 541,051	(2,553,882)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				2,185,931
Property taxes, levied for debt service				433,162
Federal and state aid not restricted for specific purposes				92,165
Interest and investment earnings				52,435
Interagency revenues				1,406
Miscellaneous				88,666
Subtotal, General Revenue				2,853,765
CHANGE IN NET POSITION				299,883
Net Position - Beginning, as Restated				1,916,553
Net Position - Ending				\$ 2,216,436

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

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2025**

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 2,028,937	\$ 644,626	\$ 147,807	\$ 2,821,370
Accounts receivable	115,313	4	14,027	129,344
Prepaid expenditures	2,000	-	-	2,000
Total Assets	\$ 2,146,250	\$ 644,630	\$ 161,834	\$ 2,952,714
LIABILITIES				
Accrued liabilities	\$ 354,672	\$ -	\$ 12,357	\$ 367,029
Total Liabilities	354,672	-	12,357	367,029
FUND BALANCES				
Nonspendable	2,000	-	-	2,000
Restricted	563,679	644,630	149,477	1,357,786
Assigned	269,421	-	-	269,421
Unassigned	956,478	-	-	956,478
Total Fund Balances	1,791,578	644,630	149,477	2,585,685
Total Liabilities and Fund Balances	\$ 2,146,250	\$ 644,630	\$ 161,834	\$ 2,952,714

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

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCES SHEET TO THE STATEMENT OF
NET POSITION
JUNE 30, 2025

Total Fund Balance - Governmental Funds \$ 2,585,685

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	\$ 5,423,970	
Accumulated depreciation	<u>(2,348,092)</u>	3,075,878

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:

Total general obligation bonds	\$ 2,366,652	
Compensated absences	94,558	
Net pension liability	<u>1,414,712</u>	(3,875,922)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 610,608	
Deferred inflows of resources related to pensions	<u>(179,813)</u>	430,795

Total Net Position - Governmental Activities		<u>\$ 2,216,436</u>
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**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025**

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 2,259,253	\$ -	\$ -	\$ 2,259,253
Federal sources	107,225	-	79,071	186,296
Other state sources	348,019	-	44,296	392,315
Other local sources	266,905	456,568	4,009	727,482
Total Revenues	2,981,402	456,568	127,376	3,565,346
EXPENDITURES				
Current				
Instruction	1,443,736	-	-	1,443,736
Instruction-related services				
Instructional supervision and administration	2,672	-	-	2,672
Instructional library, media, and technology	24,317	-	-	24,317
School site administration	306,783	-	-	306,783
Pupil services				
Home-to-school transportation	36,038	-	-	36,038
Food services	30,551	-	191,726	222,277
All other pupil services	175,359	-	-	175,359
General administration				
Centralized data processing	6,442	-	-	6,442
All other general administration	344,379	-	-	344,379
Plant services	314,069	-	3,589	317,658
Facilities acquisition and construction	36,632	-	-	36,632
Ancillary services	1,400	-	-	1,400
Community services	11,448	-	-	11,448
Transfers to other agencies	293,342	-	-	293,342
Debt service				
Principal	-	299,329	-	299,329
Interest and other	-	2,201	-	2,201
Total Expenditures	3,027,168	301,530	195,315	3,524,013
Excess (Deficiency) of Revenues Over Expenditures	(45,766)	155,038	(67,939)	41,333
Other Financing Sources (Uses)				
Transfers in	-	-	56,849	56,849
Transfers out	(56,849)	-	-	(56,849)
Net Financing Sources (Uses)	(56,849)	-	56,849	-
NET CHANGE IN FUND BALANCE	(102,615)	155,038	(11,090)	41,333
Fund Balance - Beginning	1,894,193	489,592	160,567	2,544,352
Fund Balance - Ending	\$ 1,791,578	\$ 644,630	\$ 149,477	\$ 2,585,685

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

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Net Change in Fund Balances - Governmental Funds **\$ 41,333**

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:	\$	52,398	
Depreciation expense:		(128,740)	(76,342)

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:

299,329

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.

(166,711)

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

134,587

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:

67,687

Change in Net Position of Governmental Activities	\$	299,883
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HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Howell Mountain Elementary School District (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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-8 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Non-Major Governmental Funds

Capital Project Funds: Capital project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

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. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

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 the 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 specific 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.

Unearned Revenue

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

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Unearned Revenue (continued)

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. 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.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

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. Fair values of investments in county and State investment pools are determined by the program sponsor.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation/amortization is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	20-25 years
Furniture and Equipment	5-10 years

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Compensated Absences

In accordance with GASB Statement No. 101, Compensated Absences, accumulated unpaid employee vacation and sick leave benefits are accrued as a liability in the government-wide financial statements as the benefits are earned, provided they accumulate and are more likely than not to be used or paid. The measurement of this liability includes estimated salary amounts and the employer's share of related taxes and benefits, as applicable, that are directly related to these compensated absences.

For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. For accumulated sick leave benefits, a liability is recognized for the portion that employees have earned and that are more likely than not to be used or paid. The District's policy for sick leave recognition aligns with this criterion, accruing the liability based on historical usage patterns and other relevant factors.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

Deferred Outflows/Deferred Inflows of Resources

In addition to assets, the District will sometimes report 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District 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 and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. 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.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, lease receivables (net of related deferred inflows), prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has implemented this Statement as of June 30, 2025.

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. This statement is effective for periods beginning after June 15, 2024. The District has implemented this Statement as of June 30, 2025.

GASB Statement No. 103 – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The statement is effective for periods beginning after June 15, 2025. The District has not yet determined the impact on the financial statements.

GASB Statement No. 104 – In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The statement is effective for periods beginning after June 15, 2025. The District has not yet determined the impact on the financial statements.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities
Investment in county treasury	\$ 2,821,370
Total	\$ 2,821,370

B. Policies and Practices

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; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Napa County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is 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 balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$2,810,473 and an amortized book value of \$2,821,370. The average weighted maturity for this pool is 391 days.

E. 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. The investments in the County Treasury are not required to be rated.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2025, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Napa County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2025 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	<u>\$ 2,810,473</u>
Total	<u>\$ 2,810,473</u>

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 3 – ACCOUNTS RECEIVABLES

Accounts receivable at June 30, 2025 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government				
Categorical aid	\$ 127	\$ -	\$ 7,808	\$ 7,935
State Government				
Apportionment	19,455	-	-	19,455
Categorical aid	43,888	-	5,894	49,782
Lottery	23,608	-	-	23,608
Local Government				
Other local sources	28,235	4	325	28,564
Total	\$ 115,313	\$ 4	\$ 14,027	\$ 129,344

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2024	Additions	Deletions	Balance June 30, 2025
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 93,005	\$ -	\$ -	\$ 93,005
Total capital assets not being depreciated	93,005	-	-	93,005
Capital assets being depreciated				
Land improvements	264,317	-	-	264,317
Buildings & improvements	4,730,111	36,632	-	4,766,743
Furniture & equipment	284,139	15,766	-	299,905
Total capital assets being depreciated	5,278,567	52,398	-	5,330,965
Less: Accumulated depreciation				
Land improvements	164,775	8,368	-	173,143
Buildings & improvements	1,983,964	98,793	-	2,082,757
Furniture & equipment	70,613	21,579	-	92,192
Total accumulated depreciation	2,219,352	128,740	-	2,348,092
Total capital assets being depreciated, net	3,059,215	(76,342)	-	2,982,873
Governmental Activities				
Capital Assets, net	\$ 3,152,220	\$ (76,342)	\$ -	\$ 3,075,878

Depreciation expense was allocated to the following functions for the year ended June 30, 2025:

Governmental Activities	
Instruction	\$ 97,943
Instructional supervision and administration	15,672
Food services	1,352
All other general administration	13,773
Total	\$ 128,740

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

During the year ended June 30, 2025, the General Fund transferred \$56,849 to the Cafeteria Fund to supplement cash flow and support program costs.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2025 consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Payroll	\$ 38,435	\$ -	\$ 38,435
Vendors payable	316,237	12,357	328,594
Total	\$ 354,672	\$ 12,357	\$ 367,029

NOTE 7 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2025 consisted of the following:

	Balance July 01, 2024	Additions	Deductions	Balance June 30, 2025	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 903,227	\$ -	\$ 94,180	\$ 809,047	\$ 93,637
Accreted interest	1,596,043	166,711	205,149	1,557,605	223,800
Total general obligation bonds	2,499,270	166,711	299,329	2,366,652	317,437
Compensated absences*	229,145	-	134,587	94,558	40,911
Net pension liability	1,510,507	-	95,795	1,414,712	-
Total	\$ 4,238,922	\$ 166,711	\$ 529,711	\$ 3,875,922	\$ 358,348

*The change in the compensated absences liability is presented as a net change.

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 7 – LONG-TERM LIABILITIES (continued)

A. Compensated Absences

The restated beginning total unpaid employee compensated absences was \$229,145 and decreased by a net amount of \$134,587 during the year ended June 30, 2025. The ending compensated absences at June 30, 2025 amounted to \$94,558. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. General Obligation Bonds

On November 8, 2005, the District received authorization from its voters to issue \$2.9 million of General Obligation Bonds. The first series was issued in December 2005 in the aggregate principal amount of \$1,699,055. On August 2, 2007, the District sold its second series of capital appreciation bonds in the aggregate amount of \$1,195,296. The proceeds of the bonds were used to acquire, expand, and construct school facilities throughout the District in accordance with the authorization.

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Additions	Deductions	Bonds	
					Outstanding	July 01, 2024			Outstanding	June 30, 2025
Election of 2005, Series 2005	2005	8/1/2030	5.10% - 5.33%	\$ 254,055	\$ 220,392		\$ -	\$ 33,264	\$ 187,128	
Election of 2005, Series 2007	2007	8/1/2032	5.36%	1,195,296	682,835		-	60,916	621,919	
					\$ 903,227		\$ -	\$ 94,180	\$ 809,047	

The annual requirements to amortize all general obligations bonds payable outstanding at June 30, 2025 are as follows:

Year Ended June 30,	Principal	Interest	Total
2026	\$ 93,637	\$ 223,800	\$ 317,437
2027	92,182	244,061	336,243
2028	92,226	262,773	354,999
2029	93,277	286,923	380,200
2030	92,387	308,141	400,528
2031 - 2033	345,338	1,007,613	1,352,951
Total	\$ 809,047	\$ 2,333,311	\$ 3,142,358

Debt service payments are made from property tax levy authorized by the voters.

C. Net Pension Liability

The District's beginning net pension liability was \$1,510,507 and decreased by \$95,795 during the year ended June 30, 2025. The ending net pension liability at June 30, 2025 was \$1,414,712. See Note 9 for additional information regarding the net pension liability.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 8 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2025:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Prepaid expenditures	\$ 2,000	\$ -	\$ -	\$ 2,000
Total non-spendable	2,000	-	-	2,000
Restricted				
Educational programs	563,679	-	-	563,679
Food service	-	-	74,097	74,097
Capital projects	-	-	75,380	75,380
Debt service	-	644,630	-	644,630
Total restricted	563,679	644,630	149,477	1,357,786
Assigned				
Deferred Maintenance	269,421	-	-	269,421
Total assigned	269,421	-	-	269,421
Unassigned	956,478	-	-	956,478
Total	\$ 1,791,578	\$ 644,630	\$ 149,477	\$ 2,585,685

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 5 percent of General Fund expenditures and other financing uses.

NOTE 9 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
CalSTRS Pension	\$ 939,743	\$ 443,908	\$ 120,117	\$ 131,411
CalPERS Pension	474,969	166,700	59,696	57,324
Total	\$ 1,414,712	\$ 610,608	\$ 179,813	\$ 188,735

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 9 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate annual comprehensive financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, CA 95851-0275.

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2025, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2025 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$158,489 for the year ended June 30, 2025.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$87,055 to CalSTRS.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 9 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

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

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	939,743
State's proportionate share of the net pension liability associated with the District		782,371
Total	\$	1,722,114

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023 and rolling forward the total pension liability to June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2024, the District's proportion was 0.002 percent, an increase of .001 percent from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the District recognized pension expense of \$131,411. In addition, the District recognized pension expense and revenue of \$(41,195) for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 3,792
Differences between expected and actual experience	106,297	41,094
Changes in assumptions	4,114	64,181
Changes in proportion and differences between District contributions and proportionate share of contributions	175,008	11,050
District contributions subsequent to the measurement date	158,489	-
Total	\$ 443,908	\$ 120,117

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 9 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The \$158,489 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2026	\$ 56,740	\$ 99,542
2027	56,741	(52,322)
2028	61,742	26,976
2029	52,391	24,500
2030	35,863	10,690
2031	21,942	10,731
Total	\$ 285,419	\$ 120,117

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Growth	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2021 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2022.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 9 – PENSION PLANS (continued)

A. California State Teachers’ Retirement System (CalSTRS) (continued)

Actuarial Assumptions (continued)

The actuarial investment rate of return assumption was adopted by the board in January 2024 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS’ independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Public Equity	38%	5.25%
Real Estate	15%	4.05%
Private Equity	14%	6.75%
Fixed Income	14%	2.45%
Risk Mitigating Strategies	10%	2.25%
Inflation Sensitive	7%	3.65%
Cash/Liquidity	2%	0.05%
	<u>100%</u>	

*Real return is net of assumed 2.75% inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense 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.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 1,952,969	\$ 939,743	\$ 509,163

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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 Laws. CalPERS issues a separate annual comprehensive financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 8.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2025 was 27.05% of annual payroll. Contributions to the plan from the District were \$97,933 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of \$474,969 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023 and rolling forward the total pension liability to June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2024, the District's proportion was .002 percent, an increase of .001 percent from its proportion measured as of June 30, 2023.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2025, the District recognized pension expense of \$57,324. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 18,450	\$ -
Differences between expected and actual experience	39,819	3,399
Changes in assumptions	10,498	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	56,297
District contributions subsequent to the measurement date	97,933	-
Total	<u>\$ 166,700</u>	<u>\$ 59,696</u>

The \$97,933 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2026	\$ 26,428	\$ 49,576
2027	43,531	10,120
2028	4,645	-
2029	(5,837)	-
Total	<u>\$ 68,767</u>	<u>\$ 59,696</u>

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Discount Rate	6.90%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees’ Retirement System (CalPERS) (continued)

Actuarial Assumptions (continued)

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period from 2000 to 2019.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*
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)%
	<u>100.0%</u>	

*An expected inflation of 2.30% used for this period. Figures are based on the 2021-22 CalPERS Asset Liability Management Study

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, 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 (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	\$ 833,367	\$ 474,969	\$ 364,075

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2025.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2025.

C. Construction Commitments

The District had no outstanding commitments with respect to capital projects at June 30, 2025.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 11 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in two joint ventures under joint powers authorities (JPAs), the North Bay Schools Insurance Authority (NBSIA) for workers compensation and property and liability, and the Schools Self-Insurance Authority of Contra Costa County (SSICCC) for dental and vision. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

NOTE 12 – RISK MANAGEMENT

The District is self-insured for workers' compensation and property/liability exposures through its membership in North Bay Schools Insurance Authority (NBSIA). Workers' compensation benefits are provided at statutory limits. Property coverage limit is \$300 million with a \$5,000 deductible per occurrence. General liability protection is provided to \$20 million per occurrence with no deductible excepting those activities identified as "high risk" events, which incur a \$7,500 deductible should they result in a covered loss.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, the District contracted with North Bay Schools Insurance Authority for property, liability and theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past five years. There has not been a significant change in coverage from the prior year.

NOTE 13 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 9. At June 30, 2025, total deferred outflows related to pensions was \$610,608 and total deferred inflows related to pensions was \$179,813.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 14 – RESTATEMENT OF NET POSITION

The beginning net position of the Governmental Activities has been restated due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. GASB 101 establishes recognition and measurement guidance for liabilities related to compensated absences, requiring that the liability be recognized when leave is attributable to services already rendered and it is probable that the leave will be used or paid. This standard supersedes certain provisions of GASB Statement No. 16.

The cumulative effect of applying GASB 101 required a restatement of the beginning net position, as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ 2,145,698
Restatement	(229,145)
Net Position - Beginning, as Restated	<u>\$ 1,916,553</u>

REQUIRED SUPPLEMENTARY INFORMATION

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 2,147,989	\$ 2,271,954	\$ 2,259,253	\$ (12,701)
Federal sources	92,733	118,887	107,225	(11,662)
Other state sources	314,059	329,648	348,019	18,371
Other local sources	54,647	108,847	193,678	84,831
Total Revenues	2,609,428	2,829,336	2,908,175	78,839
EXPENDITURES				
Certificated salaries	829,414	834,000	871,486	(37,486)
Classified salaries	285,037	352,293	354,972	(2,679)
Employee benefits	542,832	532,391	561,510	(29,119)
Books and supplies	134,309	162,759	109,860	52,899
Services and other operating expenditures	630,742	751,272	783,600	(32,328)
Capital outlay	47,388	62,469	15,766	46,703
Other outgo				
Excluding transfers of indirect costs	166,583.00	342,137	293,342	48,795
Total Expenditures	2,636,305	3,037,321	2,990,536	46,785
Excess (Deficiency) of Revenues				
Over Expenditures	(26,877)	(207,985)	(82,361)	125,624
Other Financing Sources (Uses)				
Transfers out	67,749	73,115	(106,849)	(179,964)
Net Financing Sources (Uses)	67,749	73,115	(106,849)	(179,964)
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	1,249,033	1,249,033	1,249,033	-
Fund Balance - Ending	\$ 1,289,905	\$ 1,114,163	\$ 1,059,823	\$ (54,340)

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other than Capital Outlay Projects and Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2025**

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
District's proportion of the net pension liability	0.002%	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%
District's proportionate share of the net pension liability	\$ 939,743	\$ 1,038,227	\$ 845,370	\$ 547,978	\$ 1,081,532	\$ 1,013,719	\$ 1,103,440	\$ 931,858	\$ 1,012,069	\$ 946,412
State's proportionate share of the net pension liability associated with the District	782,371	497,452	423,363	275,727	455,163	553,056	631,774	551,283	576,238	500,546
Total	\$ 1,722,114	\$ 1,535,679	\$ 1,268,733	\$ 823,705	\$ 1,536,695	\$ 1,566,775	\$ 1,735,214	\$ 1,483,141	\$ 1,588,307	\$ 1,446,958
District's covered payroll	\$ 919,039	\$ 818,814	\$ 716,542	\$ 648,180	\$ 613,343	\$ 605,628	\$ 660,407	\$ 516,099	\$ 640,720	\$ 603,187
District's proportionate share of the net pension liability as a percentage of its covered payroll	102.25%	126.80%	117.98%	84.54%	176.33%	167.38%	167.08%	180.56%	157.96%	156.90%
Plan fiduciary net position as a percentage of the total pension liability	83.60%	80.60%	81.20%	87.20%	71.80%	72.60%	71.00%	69.46%	70.04%	74.02%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
District's proportion of the net pension liability	0.002%	0.001%	0.001%	0.001%	0.001%	0.001%	0.002%	0.002%	0.003%	0.003%
District's proportionate share of the net pension liability	\$ 474,969	\$ 472,280	\$ 395,495	\$ 303,510	\$ 457,590	\$ 409,606	\$ 499,388	\$ 512,219	\$ 545,830	\$ 464,499
District's covered payroll	\$ 262,131	\$ 225,201	\$ 175,862	\$ 214,139	\$ 200,626	\$ 200,188	\$ 252,127	\$ 281,903	\$ 346,258	\$ 566,256
District's proportionate share of the net pension liability as a percentage of its covered payroll	181.20%	209.71%	224.89%	141.74%	228.08%	204.61%	198.07%	181.70%	157.64%	82.03%
Plan fiduciary net position as a percentage of the total pension liability	72.30%	70.00%	69.80%	81.00%	70.00%	70.00%	70.80%	71.87%	73.90%	79.43%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Contractually required contribution	\$ 158,489	\$ 173,979	\$ 156,473	\$ 120,909	\$ 102,428	\$ 104,260	\$ 97,776	\$ 95,381	\$ 65,112	\$ 66,936
Contributions in relation to the contractually required contribution*	(158,489)	(173,979)	(156,473)	(120,909)	(102,428)	(104,260)	(97,776)	(95,381)	(65,112)	(66,936)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 834,572	\$ 919,039	\$ 818,814	\$ 716,542	\$ 648,180	\$ 613,343	\$ 605,628	\$ 660,407	\$ 516,099	\$ 640,720
Contributions as a percentage of covered payroll	18.99%	18.93%	19.11%	16.87%	15.80%	17.00%	16.14%	14.44%	12.62%	10.45%

*Amounts do not include on-behalf contributions

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2025**

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Contractually required contribution	\$ 97,933	\$ 69,937	\$ 57,301	\$ 40,360	\$ 43,445	\$ 42,894	\$ 36,641	\$ 38,443	\$ 37,912	\$ 39,249
Contributions in relation to the contractually required contribution*	(97,933)	(69,937)	(57,301)	(40,360)	(43,445)	(42,894)	(36,641)	(38,443)	(37,912)	(39,249)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 362,931	\$ 262,131	\$ 225,201	\$ 175,862	\$ 214,139	\$ 200,626	\$ 200,188	\$ 252,127	\$ 281,903	\$ 346,258
Contributions as a percentage of covered payroll	26.98%	26.68%	25.44%	22.95%	20.29%	21.38%	18.30%	15.25%	13.45%	11.34%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

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

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of the District's Proportionate Share of the Net Pension Liability

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

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

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS or CalPERS.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2025, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 834,000	\$ 871,486	\$ 37,486
Classified salaries	\$ 352,293	\$ 354,972	\$ 2,679
Employee benefits	\$ 532,391	\$ 561,510	\$ 29,119

SUPPLEMENTARY INFORMATION

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2025**

	Second Period Report	Annual Report	Revised* Annual Report
SCHOOL DISTRICT			
TK/K through Third			
Regular ADA	39.63	39.98	41.31
Total TK/K through Third	39.63	39.98	41.31
Fourth through Sixth			
Regular ADA	16.01	16.30	16.84
Total Fourth through Sixth	16.01	16.30	16.84
Seventh through Eighth			
Regular ADA	14.77	14.80	15.28
Total Seventh through Eighth	14.77	14.80	15.28
TOTAL SCHOOL DISTRICT	70.41	71.08	73.43

**Revised annual totals have not yet been submitted by the district.*

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2025**

Grade Level	Minutes Requirement	Actual Instructional Minutes	Number of Days	Status
Kindergarten	36,000	36,900	180	Complied
Grade 1	50,400	54,900	180	Complied
Grade 2	50,400	54,900	180	Complied
Grade 3	50,400	54,900	180	Complied
Grade 4	54,000	54,900	180	Complied
Grade 5	54,000	54,900	180	Complied
Grade 6	54,000	54,900	180	Complied
Grade 7	54,000	54,900	180	Complied
Grade 8	54,000	54,900	180	Complied

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

	2026 (Budget)	2025	2024	2023
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 2,888,071	\$ 2,908,175	\$ 2,633,423	\$ 3,027,418
Expenditures And Other Financing Uses	3,068,784	3,097,385	2,858,980	2,432,489
Net change in Fund Balance	\$ (180,713)	\$ (189,210)	\$ (225,557)	\$ 594,929
Ending Fund Balance	\$ 879,110	\$ 1,059,823	\$ 1,249,033	\$ 1,474,590
Available Reserves*	\$ 384,776	\$ 956,478	\$ 1,003,604	\$ 1,046,834
Available Reserves As A Percentage Of Outgo	12.54%	30.88%	35.10%	43.04%
Long-term Liabilities	\$ 3,517,574	\$ 3,875,922	\$ 4,009,777	\$ 3,855,817
Average Daily Attendance At P-2	70	70	85	95

The General Fund ending fund balance has decreased by \$414,767 over the past two years. The fiscal year 2025-26 budget projects a decrease of \$180,713. For a District this size, the State recommends available reserves of at least 5% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficit in two of the past three years and anticipates incurring an operating deficit during the 2025-26 fiscal year. Total long-term obligations have increased by \$20,105 over the past two years.

Average daily attendance has decreased by 25 ADA over the past two years. ADA is projected to remain the same during the 2025-26 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund and Special Reserve Fund for Other Than Capital Outlay Projects.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other than Capital Outlay Projects and Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

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

	General Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects
June 30, 2025, annual financial and budget report fund balance	\$ 1,059,823	\$ 269,421	\$ 462,334
Adjustments and reclassifications:			
Increase (decrease) in total fund balances:			
Fund balance transfer (GASB 54)	731,755	(269,421)	(462,334)
Net adjustments and reclassifications	731,755	(269,421)	(462,334)
June 30, 2025, audited financial statement fund balance	<u>\$ 1,791,578</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to supplementary information.

HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2025

	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds
ASSETS			
Cash and investments	\$ 72,427	\$ 75,380	\$ 147,807
Accounts receivable	14,027	-	14,027
Total Assets	\$ 86,454	\$ 75,380	\$ 161,834
LIABILITIES			
Accrued liabilities	\$ 12,357	\$ -	\$ 12,357
Total Liabilities	12,357	-	12,357
FUND BALANCES			
Restricted	74,097	75,380	149,477
Total Fund Balances	74,097	75,380	149,477
Total Liabilities and Fund Balances	\$ 86,454	\$ 75,380	\$ 161,834

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025**

	Cafeteria Fund	Capital Facilities Fund	Non-Major Governmental Funds
REVENUES			
Federal sources	\$ 79,071	\$ -	\$ 79,071
Other state sources	44,296	-	44,296
Other local sources	(8,204)	12,213	4,009
Total Revenues	115,163	12,213	127,376
EXPENDITURES			
Current			
Pupil services			
Food services	191,726	-	191,726
Plant services	-	3,589	3,589
Total Expenditures	191,726	3,589	195,315
Excess (Deficiency) of Revenues Over Expenditures	(76,563)	8,624	(67,939)
Other Financing Sources (Uses)			
Transfers in	56,849	-	56,849
Net Financing Sources (Uses)	56,849	-	56,849
NET CHANGE IN FUND BALANCE	(19,714)	8,624	(11,090)
Fund Balance - Beginning	93,811	66,756	160,567
Fund Balance - Ending	\$ 74,097	\$ 75,380	\$ 149,477

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2025**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) 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.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

OTHER INFORMATION

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2025**

The Howell Mountain Elementary School District was established in 1892 and is located northeast of St. Helena in Napa County, California. There were no changes in the boundaries of the District during the current year. The District operates one K-8 elementary school site.

GOVERNING BOARD

Member	Office	Term Expires
Ivana Verduzco	President	2029
Autumn Duarte	Vice President	2028
Ryan Hackett	Board Secretary	2027
Jeff Kresge	Member	2027
Dr. Jean Buller	Member	2027

DISTRICT ADMINISTRATOR

Joshua Munoz, M.Ed., M.S.Ed.
Superintendent/Principal

OTHER INDEPENDENT AUDITORS' REPORTS

**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 Auditors' Report

Governing Board
Howell Mountain Elementary School District
Angwin, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Howell Mountain Elementary School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Howell Mountain Elementary School District's basic financial statements, and have issued our report thereon dated December 14, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Howell Mountain Elementary School 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 Howell Mountain Elementary School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Howell Mountain Elementary School 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Howell Mountain Elementary School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Christy White, Inc.

San Diego, California

December 14, 2025

**REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER
COMPLIANCE FOR STATE PROGRAMS**Independent Auditors' Report

Governing Board
Howell Mountain Elementary School District
Angwin, California

Report on State Compliance***Opinion on State Compliance***

We have audited Howell Mountain Elementary School District's compliance with the requirements specified in the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to Howell Mountain Elementary School District's state program requirements as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report for the year ended June 30, 2025.

In our opinion, Howell Mountain Elementary School District complied, in all material respects, with the laws and regulations of the applicable laws and regulations of the applicable state programs for the year ended June 30, 2025.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Howell Mountain Elementary School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide 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 Howell Mountain Elementary School District's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, 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 Howell Mountain Elementary School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of Howell Mountain Elementary School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Howell Mountain Elementary School District's internal control over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine Howell Mountain Elementary School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools or Programs	Not Applicable
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes

Auditor's Responsibilities for the Audit of State Compliance (continued)

PROGRAM NAME	PROCEDURES PERFORMED
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not Applicable
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	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

The term "Not Applicable" is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

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 #2025-001 and #2025-002. Our opinion on state compliance is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Howell Mountain Elementary School District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Howell Mountain Elementary School 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 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 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 State Compliance section 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 K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
December 14, 2025

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2025**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

The District was not subject to Uniform Guidance Single Audit for the year ended June 30, 2025 because federal award expenditures did not exceed \$750,000.

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2024-25 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no financial statement findings for the year ended June 30, 2025.

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

FINDING #2025-001: HOME-TO-SCHOOL TRANSPORTATION REIMBURSEMENT (40000)

Criteria: Education Code Section 39800.1 requires school districts to adopt a Transportation Services Plan that describes how Home-to-School (HTS) transportation services will be provided, including how transportation supports unduplicated pupils, students with disabilities, and safety considerations. LEAs are also required to complete and submit the Home-to-School Transportation Reimbursement Supplemental Worksheet as part of the audit documentation.

Condition: During testing of the Home-to-School Transportation Program for fiscal year 2024–25, we inquired with District administration regarding the Transportation Services Plan. District administration indicated that 2025–26 will be the first year Howell will have an adopted Transportation Services Plan; therefore, no plan existed for 2024–25. As a result, the District was unable to provide the required Home-to-School Transportation Reimbursement Supplemental Worksheet.

Cause: The District had not yet developed or implemented a Transportation Services Plan during 2024–25, as planning efforts had not been completed until the subsequent fiscal year.

Effect: Without an approved Transportation Services Plan for 2024–25, the District was not in compliance with the requirements of Education Code Section 39800.1 and was unable to provide the documentation necessary to support HTS transportation reimbursement reporting.

Questioned Costs: The questioned cost for this program is the total reimbursement amount of \$3,970.

Repeat Finding: This is a repeat finding of Finding #2024-003.

Recommendation: The District should ensure that the Transportation Services Plan is formally adopted and implemented in accordance with Education Code requirements. The District should also prepare and maintain the Home-to-School Transportation Reimbursement Supplemental Worksheet annually to ensure compliance and to support amounts reported for reimbursement.

Corrective Action Plan: The District will communicate with attendance staff to ensure that 180 days are correctly entered as the District’s instructional school days with students. Based on the District’s review of the reports provided, it appears that 186 days were inadvertently entered instead of the required 180 instructional days.

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2025**

FINDING #2025-002: ATTENDANCE REPORTING (10000)

Criteria: Education Code Sections 41601 and 46300, along with the California School Accounting Manual (CSAM) and the Principal Apportionment Attendance Software instructions, require local educational agencies (LEAs) to accurately calculate annual attendance using the correct instructional day divisor applicable to each program type (e.g., regular school year, multitrack, extended year, or alternative education programs). LEAs must ensure all attendance calculations are supported, properly documented, and consistent with state-defined rules.

Condition: During our audit of the District's 2024–25 attendance reporting, we noted that the District calculated annual attendance using an incorrect divisor of 186 school days instead of 180 school days. As a result, the annual ADA reported in the Unaudited Actuals did not reflect the correct number of instructional days applicable to the program. Auditor recalculated annual attendance below (see original annual reported ADA and revised annual report column). As of the report date, the annual attendance report was not revised.

	Annual Report	Revised Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	39.98	41.31
Total TK/K through Third	39.98	41.31
Fourth through Sixth		
Regular ADA	16.30	16.84
Total Fourth through Sixth	16.30	16.84
Seventh through Eighth		
Regular ADA	14.80	15.28
Total Seventh through Eighth	14.80	15.28
TOTAL SCHOOL DISTRICT	71.08	73.43

Cause: This occurred because the District relied on a system-generated report that use the incorrect instructional day count when preparing its annual ADA calculation. The District did not have a secondary review process in place to verify the divisor used in attendance submissions.

Effect: Use of an incorrect divisor resulted in inaccurate annual attendance reporting. This may lead to adjustments to the District's ADA and potential apportionment corrections.

Questioned Cost: Since the district's funding is based on P2 attendance reporting, differences in the annual attendance report will not lead to questioned costs.

Repeat Finding: This is not a repeat finding.

Recommendation: The District should implement procedures to ensure annual attendance is calculated using the correct divisor for each applicable program. A secondary review should be performed prior to submission of attendance reports to verify instructional day counts, divisors, and ADA calculations for accuracy. We also recommend the District revise its annual attendance report.

Corrective Action Plan: Regarding the transportation plan, the prior administration did not have the opportunity to develop a transportation plan. Since the start of the current administration, the District has ensured that a transportation plan was developed in coordination with Napa County Office of Education. Moving forward, the District will maintain a transportation plan that can be provided to those requesting a copy.

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

FINDING #2024-001: CONTROLS OVER DISTRICT CREDIT CARDS (30000)

Criteria: The District should establish, maintain, and enforce credit card policies that contain procedures for proper approvals and uses of District credit cards. District credit card policies and procedures should enforce the following:

- Deadlines for submitting proper expenditure support are met.
- Prior approvals for purchases are obtained and documented.
- The Business Services Department is receiving all appropriate supporting documentation and monitoring monthly expenditures for appropriateness, reasonableness, and adherence to credit card policy.

Condition: 25 credit card transactions were tested. Through our test of internal controls over credit cards, we noted the following deficiencies:

- 25 of 25 credit card transactions tested had no evidence of prior approval.
- 9 of 25 credit card transactions tested indicated they were purchases for either conferences or staff meetings, but no flyers or related meeting sign in sheets were provided as confirmation
- 5 of 25 transactions indicate these purchases were made for district transportation purposes, but no additional documentation was maintained to support the specific nature of the transportation purchase such as a receipt.

Cause: An approved credit card policy and relevant procedures are not in place.

Effect: There is a risk of fraud and abuse of District funds through unauthorized credit card purchases.

Repeat Finding: This is not a repeat finding.

Recommendations: We recommend that the District develop and implement a credit card policy and all policy holders sign the credit card policy. Credit card holders should be aware of the requirements for use of credit cards including the pre-approval of credit card purchases, submission of original credit card receipts, and monthly reconciliations and monitoring of the credit card purchases by the Business Office.

Corrective Action Plan: Based on the findings, the Superintendent has now mandated that all conferences receive prior approval before they are paid for by the District credit card. The District credit card will no longer be used for staff meetings without a sign in sheet, agenda, and receipts.

To hold all credit card holders accountable, the superintendent will expect that all credit card purchases receive prior approval. There must be an original credit card receipt for purchases. When monthly statements arrive to the business office, the admin assistant will review all purchases and verify that all purchases have prior approval with an original receipt.

Current Status: Implemented.

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2024**

FINDING #2024-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as free or reduced-price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b).

Condition: 1 out of 1 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who was classified as FRPM was not eligible for a FRPM designation. The error rate of 1/1 or 100% was extrapolated to the entire population of students only classified as free or reduced. The total extrapolated error rate indicated that a total of 6 students that were incorrectly classified.

Effect: The District is not in compliance with applicable State requirements.

Cause: Clerical oversight.

Questioned Costs: \$17,402, as calculated on the following page.

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2024**

FINDING #2024-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

Questioned Costs: (continued)

Item Number	Calculating the Cost of LCFF Unduplicated Pupil Count Audit Finding	Data Input and Calculated Fields
1	Total Adjusted Enrollment from the UPP exhibit as of P-2	295
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	184
3	Audit Adjustment - Number of Enrollment	
4	Audit Adjustment - Number of Unduplicated Pupil Count	(6)
5	Revised Adjusted Enrollment	295
6	Revised Adjusted Unduplicated Pupil Count	178
7	UPP calculated as of P-2	0.6237
8	Revised UPP for audit finding	0.6034
9	Charter Schools Only: Determinative School District Concentration Cap	
10	Revised UPP adjusted for Concentration Cap	0.6034
11	Supplemental and Concentration Grant TK/K-3 ADA	46.81
12	Supplemental and Concentration Grant 4-6 ADA	27.57
13	Supplemental and Concentration Grant 7-8 ADA	21.06
14	Supplemental and Concentration Grant 9-12 ADA	0.00
15	Adjusted Base Grant per TK/K-3 ADA	\$ 10,951
16	Adjusted Base Grant per 4-6 ADA	\$ 10,069
17	Adjusted Base Grant per 7-8 ADA	\$ 10,367
18	Adjusted Base Grant per 9-12 ADA	\$ 12,327
19	Supplemental Grant Funding calculated as of P-2	\$ 125,806
20	Revised Supplemental Grant Funding for audit finding	\$ 121,712
21	Supplemental Grant Funding audit adjustment	\$ (4,094)
22	Concentration Grant Funding calculated as of P-2	\$ 48,315
23	Revised Concentration Grant Funding for audit finding	\$ 35,007
24	Concentration Grant Funding audit adjustment	\$ (13,308)
25	Total Supplemental and Concentration audit adjustment	\$ (17,402)

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District maintain supporting documentation to support student classification as free or reduced on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report. Additionally, the CALPADS reporting should be revised for any students lacking supporting documentation to support their classification as free or reduced before the close of the Fall I Amendment Window.

Corrective Action Plan: Moving forward, the Superintendent will work with the District secretary to maintain records of all students that qualify for free and reduced lunch. Since the office went through a transition, there were many records missing during the audit.

Current Status: Implemented

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2024**

FINDING #2024-003: HOME-TO-SCHOOL TRANSPORTATION REIMBURSEMENT (40000)

Criteria: Per Education Code Section 39800.1(a), the LEA must have adopted, and/or updated if applicable, a plan by the date prescribed.

Condition: The District did not adopt a Home-to-School Transportation plan.

Cause: There were changes in personnel during this time.

Effect: The District is not in compliance with California Education Code Section 39800.1(a).

Questioned Costs: The questioned cost for this program is the total reimbursement amount of \$10,903.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District comply with Education Code Section 39800.1(a) in the future and ensure that a Home-to-School Transportation Reimbursement plan is adopted.

Corrective Action Plan: Moving forward, the District will have a transportation plan in writing. It will be adopted at the next board meeting.

Current Status: Not implemented, see Finding #2025-001.

FINDING #2024-004: INSTRUCTIONAL MATERIALS (70000)

Criteria: Per Education Code Section 60119, the instructional materials public hearing must be posted in three locations in the District.

Condition: The District's notice of public hearing for instructional materials was only posted at two locations.

Cause: There were changes in personnel during this time which may have contributed to the late timing of the hearing.

Effect: The District is not in compliance with California Education Code Section 60119.

Questioned Costs: Funding for this program has ended, thus there are no questioned costs related to instructional materials.

Repeat Finding: This is not a repeat finding.

**HOWELL MOUNTAIN ELEMENTARY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2024**

FINDING #2024-004: INSTRUCTIONAL MATERIALS (70000) (continued)

Recommendation: We recommend that the District comply with Education Code Section 60119 in the future and ensure that the notice public hearing for instructional materials gets posted to three District locations.

Corrective Action Plan: Moving forward, the District will post all Instructional Materials Notices in three locations. These locations will be:

- 1) District Office Display Case (Outside DO)
- 2) District Website
- 3) Peach Jar

Current Status: Implemented.