



Spencer Valley School District

County of San Diego
Santa Ysabel, California

Audit Report

June 30, 2025



Spencer Valley School District

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June 30, 2025

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Independent Auditor's Report

To the Board of Education
Spencer Valley School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Spencer Valley School District (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financials statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements.

The accompanying supplementary information, identified in the table of contents, as required by the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations, Section 19810* are presented for purposes of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 accompanying supplementary information as identified in the table of contents, are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the audit report. The other information comprises the Other Information section of the audit report as identified on the table of contents, 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 2, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



El Cajon, California
December 2, 2025

SPENCER VALLEY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2025
(Unaudited)

The discussion and analysis of Spencer Valley School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report, the District's financial statements and notes to the basic financial statements.

The Management's Discussion and Analysis (MD & A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD & A.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2025, Spencer Valley School District continued to demonstrate strong financial stewardship and stability. The District's total net position increased by \$396,260 (2.38%) to \$17,056,689, reflecting prudent fiscal management and a continued commitment to maintaining healthy reserves. The General Fund balance grew by \$587,000 to \$9,729,155, and available reserves reached 197% of total outgo, significantly exceeding the state-recommended minimum of 5%.
- Total revenues for 2024-25 were \$2,398,967, a decrease of 13.24% from the prior year. This decline was primarily due to a reduction in unrestricted federal and state aid, partially offset by increases in charges for services, operating grants, and investment earnings. Despite the revenue decrease, the District's total expenses increased modestly by 2.44% to \$1,999,707, with notable increases in pupil support services and general administration, while instruction and plant services expenses declined. The District also introduced transfers of apportionment as a new expense category during the year.
- The District's liquidity and financial flexibility improved, as evidenced by an increase in cash balances to \$9,960,248 and a rise in unrestricted net position to \$6,917,438. Restricted reserves, however, declined to \$2,197,395, reflecting the use of funds for designated purposes.
- A significant audit adjustment during the year reduced charter school oversight fee revenue by \$508,527 due to a lack of support for actual costs, which impacted reported revenues. Despite this, the District ended the year with no long-term debt and stable average daily attendance of 40 students, maintaining a strong financial position for future operations.

Overall, the District's financial condition improved in 2024-25, with robust reserves, careful management of expenditures, and a continued focus on long-term fiscal health.

Overview of the Financial Statements

This annual report consists of the following parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, other supplementary information, and findings and recommendations. These statements are organized so the reader can understand the Spencer Valley School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Basic Financial Statements

The first two statements are district-wide financial statements, the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the whole School District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the district's more significant funds with all other non-major funds presented in total in one column.

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

Reporting the district as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using methods similar to those used by private-sector companies. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. This basis of accounting takes in account all the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2024-25?"

The change in net position is important because it tells the reader that, for the district as a whole, the financial position of the district has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many non-financial factors, such as the quality of education provided to assess the overall health of the District.

- Increases or decreases in the net position of the District over time are indications of whether its financial position is improving or deteriorating, respectively.
- Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

Reporting the district's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

Governmental Funds

Most of the district's activities are reported in governmental funds. The District only has two governmental funds, the General Fund and the Special Reserve Fund for Capital Outlay Projects. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Enterprise Funds

The District also operates one Enterprise Fund, the Preschool Services Fund. This fund reflects the activity of the preschool program for which the District charges fees for services provided. The fund is reported using full accrual accounting which includes all assets and liabilities, including those that are long-term in nature.

FINANCIAL ANALYSIS OF THE GOVERNMENT WIDE STATEMENTS

Comparative Statement of Net Position

The District's net position as of June 30, 2025, reflects continued financial stability and prudent fiscal management. Total assets increased by \$504,037 (2.9%) to \$18,082,916, primarily due to a significant increase in cash balances, which rose by \$1,083,944 (12.2%) to \$9,960,248. This increase in cash was partially offset by a substantial decrease in accounts receivable, which declined by \$412,247 (69.5%) to \$180,812, indicating improved collections or a reduction in outstanding receivables at year-end. Net capital assets decreased by \$167,660 (2.1%) to \$7,941,856, reflecting normal depreciation and limited new capital investment during the year.

Deferred outflows of resources related to pensions increased slightly by \$8,348 (1.5%), consistent with ongoing pension obligations.

On the liabilities side, total liabilities increased by \$104,354 (7.7%) to \$1,461,361. This was driven by a \$118,289 (40.7%) increase in accounts payable and other current liabilities, suggesting higher year-end obligations or timing differences in payments. Long-term liabilities decreased modestly by \$13,935 (1.3%) to \$1,052,560, indicating the District's continued efforts to manage and reduce long-term obligations.

Deferred inflows of resources also increased by \$11,771 (9.4%), primarily related to pension activities.

The District's net position components shifted during the year. Unrestricted net position increased by \$987,096 (16.6%) to \$6,917,438, reflecting the District's strong operating results and increased financial flexibility. Restricted net position decreased by \$423,176 (16.1%) to \$2,197,395, as restricted resources were utilized for their intended purposes. Net investment in capital assets declined by \$167,660 (2.1%) to \$7,941,856, consistent with the decrease in capital assets.

Overall, total net position increased by \$396,260 (2.4%) to \$17,056,689, underscoring the District's sound financial condition and its ability to meet both current and future obligations. The increase in unrestricted net position, in particular, positions the District well to address unforeseen needs and maintain fiscal stability in the coming year.

(Table 1)
Comparative Statement of Net Position

	Primary Government			
	6/30/2025	6/30/2024	Change	% Change
Assets				
Cash	\$ 9,960,248	\$ 8,876,304	\$ 1,083,944	12.21%
Accounts receivable	180,812	593,059	(412,247)	-69.51%
Capital assets, net	7,941,856	8,109,516	(167,660)	-2.07%
Total Assets	\$ 18,082,916	\$ 17,578,879	\$ 504,037	2.87%
Deferred Outflows of Resources				
Deferred outflows of resources - pensions	\$ 571,771	\$ 563,423	\$ 8,348	1.48%
Total Deferred Outflows of Resources	\$ 571,771	\$ 563,423	\$ 8,348	1.48%
Liabilities				
Accounts payable and other current liabilities	\$ 408,801	\$ 290,512	\$ 118,289	40.72%
Long-term liabilities	1,052,560	1,066,495	(13,935)	-1.31%
Total Liabilities	\$ 1,461,361	\$ 1,357,007	\$ 104,354	7.69%
Deferred Inflows of Resources				
Deferred inflows of resources - pensions	\$ 136,637	\$ 124,866	\$ 11,771	9.43%
Total Deferred Inflows of Resources	\$ 136,637	\$ 124,866	\$ 11,771	9.43%
Net Position				
Net investment in capital assets	\$ 7,941,856	\$ 8,109,516	\$ (167,660)	-2.07%
Restricted	2,197,395	2,620,571	(423,176)	-16.15%
Unrestricted	6,917,438	5,930,342	987,096	16.64%
Total Net Position	\$ 17,056,689	\$ 16,660,429	\$ 396,260	2.38%

Comparative Statement of Activities

For the fiscal year ended June 30, 2025, Spencer Valley School District experienced notable shifts in both revenues and expenses compared to the prior year. Total revenues decreased by \$366,138 (13.2%), from \$2,765,105 in 2024 to \$2,398,967 in 2025. The most significant factor contributing to this decline was a \$539,198 (33.6%) reduction in federal and state aid not restricted to specific programs. Miscellaneous revenues also fell sharply by \$7,552 (84.4%). These decreases were partially offset by increases in operating grants and contributions, which rose by \$68,010 (10.3%), and interest and investment earnings, which increased by \$78,097 (18.1%). Charges for services also saw a modest increase of \$4,654 (9.2%) over the prior year.

On the expense side, total expenses increased by \$47,617 (2.4%), from \$1,952,090 in 2024 to \$1,999,707 in 2025. The largest increase was in transfers of apportionment, which rose from \$0 in 2024 to \$207,950 in 2025, reflecting a new or expanded programmatic or intergovernmental transfer. General administration and preschool services also saw notable increases of \$27,126 (21.7%) and \$10,554 (13.9%), respectively. Conversely, plant services expenses decreased significantly by \$164,479 (39.2%), and both instruction and instruction-related services saw moderate decreases.

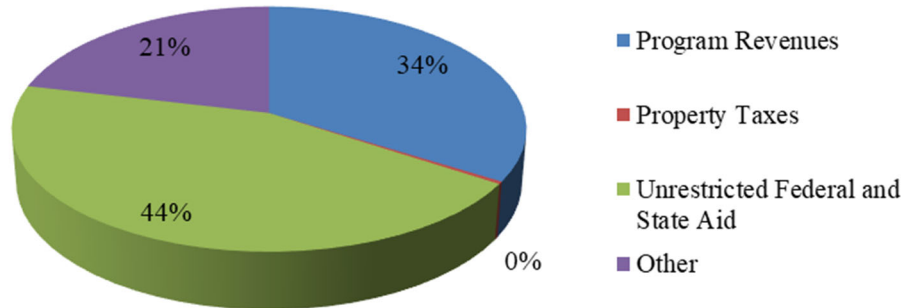
As a result of these changes, the increase in net position for 2025 was \$399,260, a decrease of \$413,755 (50.9%) compared to the prior year's increase of \$813,015. The District's ending net position at June 30, 2025, was \$17,059,689, representing a 2.4% increase from the prior year.

In summary, the District's financial activities for 2024-25 were characterized by a significant reduction in unrestricted federal and state aid, modest growth in certain other revenue streams, and a slight overall increase in expenses, particularly due to new transfers of apportionment. Despite these challenges, the District maintained a positive change in net position and continued to demonstrate sound fiscal management.

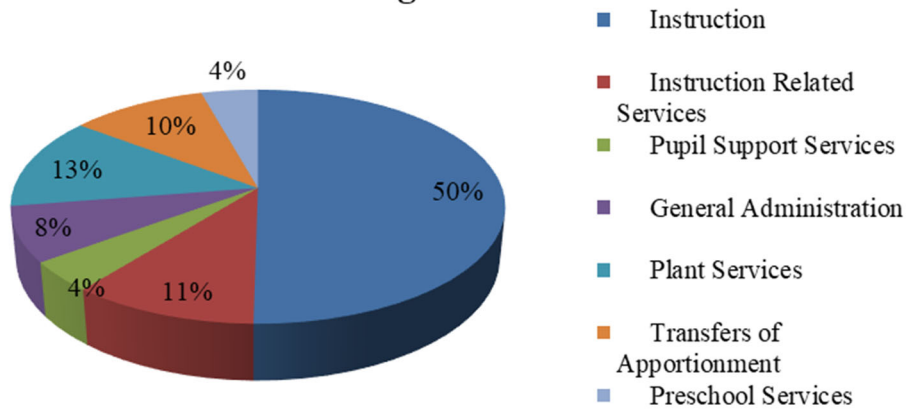
(Table 2)
Comparative Statement of Change in Net Position

	Primary Government			
	Year Ended	Year Ended		
	6/30/2025	6/30/2024	Change	% Change
Revenues				
Program revenues				
Charges for services	\$ 85,374	\$ 50,799	\$ 34,575	68.06%
Operating grants and contributions	727,633	659,623	68,010	10.31%
General revenues				
Taxes levied for general purposes	7,630	7,700	(70)	-0.91%
Federal and state aid not restricted	1,067,235	1,606,433	(539,198)	-33.56%
Interest and investment earnings	509,700	431,603	78,097	18.09%
Miscellaneous	1,395	8,947	(7,552)	-84.41%
Total Revenues	<u>2,398,967</u>	<u>2,765,105</u>	<u>(366,138)</u>	<u>-13.24%</u>
Expenses				
Instruction	1,004,684	1,033,339	(28,655)	-2.77%
Instruction Related Services	210,588	222,811	(12,223)	-5.49%
Pupil Support Services	82,962	75,618	7,344	9.71%
General Administration	152,241	125,115	27,126	21.68%
Plant Services	254,774	419,253	(164,479)	-39.23%
Transfers of Apportionment	207,950	-	207,950	100.00%
Preschool Services	86,508	75,954	10,554	13.90%
Total Expenses	<u>1,999,707</u>	<u>1,952,090</u>	<u>47,617</u>	<u>2.44%</u>
Increase (Decrease) in Net Position	399,260	813,015	(413,755)	-50.89%
Net Position - Beginning Balance	16,660,429	15,847,414	813,015	5.13%
Net Position - Ending Balance	<u>\$ 17,059,689</u>	<u>\$ 16,660,429</u>	<u>\$ 399,260</u>	<u>2.40%</u>

Sources of Revenue for the 2024-25 Fiscal Year
Figure 1



Expenses for the 2024-25 Fiscal Year
Figure 2



FINANCIAL ANALYSIS OF THE FUND STATEMENTS

For the fiscal year ended June 30, 2025, Spencer Valley School District's fund financial statements reflect continued fiscal strength and prudent management. The General Fund ended the year with a fund balance of \$9,729,155, an increase of \$587,000 from the prior year. This growth was driven by conservative spending and higher-than-budgeted revenues from interest and local sources, which offset shortfalls in Local Control Funding Formula (LCFF) sources and property taxes. General Fund revenues totaled \$2,400,725, with the largest sources being state apportionment, Education Protection Account funds, and other state and local revenues. Expenditures were \$1,767,425, with instruction, plant services, and general administration as the largest categories. The General Fund also transferred \$46,300 to the Preschool Services Fund as a program contribution.

The Special Reserve Fund for Capital Outlay Projects ended the year with a fund balance of \$2,609, a planned decrease of \$34,014 due to capital outlay expenditures. Total governmental fund balances increased to \$9,701,843, with total governmental fund revenues of \$2,372,792 and expenditures of \$1,803,427. The net change in fund balances for all governmental funds was \$523,065 after accounting for transfers.

General Fund Budgetary Highlights

Budgetary highlights for the General Fund show that actual revenues were \$43,113 less than the final budget, mainly due to lower-than-expected LCFF sources and property taxes, but this was offset by higher interest income and other local revenues. Actual expenditures were \$287,223 less than the final budget, primarily due to savings in services, supplies, and salaries. The net positive variance in fund balance was \$245,526 above the final budget projection, reflecting effective budget management and cost controls.

Available reserves in the General Fund (unassigned fund balance) were \$3,779,114, representing 197.47% of total outgo, far exceeding the state-recommended minimum of 5%. This strong reserve position demonstrates the District's commitment to maintaining fiscal stability and readiness for future obligations.

In summary, the District's fund financial statements and budgetary performance for 2024-25 highlight strong financial management, with positive variances in both revenues and expenditures leading to a higher-than-anticipated ending fund balance in the General Fund and robust reserves.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

For the fiscal year ended June 30, 2025, Spencer Valley School District's capital assets, net of accumulated depreciation, decreased from \$8,109,516 at June 30, 2024, to \$7,941,856 at June 30, 2025. The District began the year with \$9,063,423 in total capital assets. During the year, \$36,002 was added as work in progress, reflecting ongoing investment in District facilities or infrastructure. The District also retired \$36,076 in equipment, which reduced the total capital assets to \$9,063,349 at year-end.

Accumulated depreciation increased by \$198,264, consistent with the District's ongoing use of its capital assets. The largest component of depreciation was related to buildings and improvements (\$192,409), with additional depreciation for land improvements and equipment. The retirement of equipment resulted in a reduction of \$30,678 in accumulated depreciation for that category, partially offsetting the overall increase.

The net result of these activities was a decrease in net capital assets of \$167,660 (2.1%) for the year. This change reflects the combined effects of normal depreciation, limited new capital investment, and the retirement of fully or partially depreciated equipment. The addition of work in progress indicates that the District continues to invest in its facilities, though at a modest level for the year.

Overall, the District's capital asset position remains strong, with the majority of assets invested in land, buildings, and improvements. The decrease in net capital assets is consistent with the District's depreciation schedule and asset management practices, and the ongoing investment in work in progress demonstrates a commitment to maintaining and improving District facilities for the future.

(Table 3)
Comparative Schedule of Capital Assets
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Net \$ Change</u>	<u>Net % Change</u>
Land	\$ 263,977	\$ 263,977	\$ -	0.0%
Work in Progress	36,002	0	36,002	100.0%
Land Improvements	82,890	82,890	-	0.0%
Buildings & Improvements	8,533,302	8,533,302	-	0.0%
Equipment	147,178	183,254	(36,076)	-19.7%
Less Accumulated Depreciation for				
Land Improvements	(81,443)	(78,548)	(2,895)	3.7%
Buildings & Improvements	(900,861)	(708,452)	(192,409)	27.2%
Equipment	(139,189)	(166,907)	27,718	-16.6%
Total	<u>\$ 7,941,856</u>	<u>\$ 8,109,516</u>	<u>\$ (167,660)</u>	<u>-2.1%</u>

Long-Term Debt

The District does not have any long-term debt.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The 2025-26 California enacted budget, and requisite trailer bills approved new and or augmented funding streams for transitional kindergarten add-on in the Local Control Funding Formula, the Student Support and Professional Development Discretionary Block Grant, the Learning Recovery Emergency Block Grant and additional appropriations for local education agencies (LEA) participating in the Expanded Learning Opportunities Program Tier 2.

Funded average daily attendance (ADA) has changed drastically in recent years as the Governor and Legislature provided additional relief to combat the significant declining enrollment. Those policies provided an off-ramp rather than a fiscal cliff, which ended last year. The 2024-25 fiscal year was the final year for LEAs to benefit from the positive impact of the 2021-22 hold harmless policies; however, moving forward, LEAs will continue to be able to claim ADA based on current-year, prior-year, or a three-year average, whichever is greater.

Beginning in 2025-26, LEAs are allowed to recover up to ten absences per year through the inaugural Attendance Recovery program. This program is available to LEAs serving classroom-based student populations and can be offered before and after school, as well as during weekends and intersessions.

Cash deferrals are back for a second consecutive year with \$1.9 billion scheduled to be deferred from June 2026 to July 2026. Although state revenues are trending ahead of projections, it is still prudent to plan as if the deferrals will occur as planned.

Despite positive outlooks for school funding, costs of salaries, pensions, and other employee benefits continue to rise. The District is monitoring the budget closely to ensure all financial obligations are met and the District remains fiscally strong.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, 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 additional financial information, please contact the Business Office, at Spencer Valley School District, in person at 4414 Highway 78/79, Santa Ysabel, CA 92070, by mail at P.O. Box 159, Santa Ysabel, CA 92070, or by email at kathleen@svesd.net.

Basic Financial Statements

Spencer Valley School District

Statement of Net Position

June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 9,957,920	\$ 2,328	\$ 9,960,248
Accounts Receivable	180,599	213	180,812
Interfund Receivables & Payables	(2,300)	2,300	-
Capital Assets:			
Land	263,977	-	263,977
Land Improvements	82,890	-	82,890
Buildings & Improvements	8,533,302	-	8,533,302
Equipment	147,178	-	147,178
Work in Progress	36,002	-	36,002
Less Accumulated Depreciation	(1,121,493)	-	(1,121,493)
Total Assets	18,078,075	4,841	18,082,916
Deferred Outflows of Resources	455,703	116,068	571,771
Liabilities			
Accounts Payable and Other Current Liabilities	404,455	4,346	408,801
Long-Term Liabilities:			
Due Within One Year	18,527	-	18,527
Due In More Than One Year	936,110	97,923	1,034,033
Total Liabilities	1,359,092	102,269	1,461,361
Deferred Inflows of Resources	135,936	701	136,637
Net Position			
Net Investment in Capital Assets	7,941,856	-	7,941,856
Restricted For:			
Capital Projects	54	-	54
Educational Programs	380,666	-	380,666
Other Purposes (Expendable)	1,806,675	-	1,806,675
Other Purposes (Nonexpendable)	10,000	-	10,000
Unrestricted	6,899,499	17,939	6,917,438
Total Net Position	\$ 17,038,750	\$ 17,939	\$ 17,056,689

The accompanying notes to the financial statements are an integral part of this statement.

Spencer Valley School District

Statement of Activities

For the Year Ended June 30, 2025

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Type Activities	Total
Governmental Activities							
Instruction	\$ 1,004,684	\$ 31,482	\$ 256,977	\$ -	\$ (716,225)		\$ (716,225)
Instruction-Related Services:							
Instructional Supervision and Administration	77,653	4,573	204,810	-	131,730		131,730
Instructional Library, Media and Technology	903	-	-	-	(903)		(903)
School Site Administration	132,032	-	(401)	-	(132,433)		(132,433)
Pupil Services:							
Food Services	73,204	-	-	-	(73,204)		(73,204)
All Other Pupil Services	9,758	-	3,518	-	(6,240)		(6,240)
General Administration:							
All Other General Administration	155,241	-	-	-	(155,241)		(155,241)
Plant Services	254,774	-	-	-	(254,774)		(254,774)
Transfers of Apportionments	207,950	5,866	262,729	-	60,645		60,645
Total Governmental Activities	<u>1,916,199</u>	<u>41,921</u>	<u>727,633</u>	<u>-</u>	<u>(1,146,645)</u>		<u>(1,146,645)</u>
Business Type Activities							
Child Care Services	86,508	43,453	-	-		(43,055)	(43,055)
Total Business Type Activities	<u>86,508</u>	<u>43,453</u>	<u>-</u>	<u>-</u>		<u>(43,055)</u>	<u>(43,055)</u>
Total Primary Government	<u>\$ 2,002,707</u>	<u>\$ 85,374</u>	<u>\$ 727,633</u>	<u>\$ -</u>	<u>(1,146,645)</u>	<u>(43,055)</u>	<u>(1,189,700)</u>

General Revenues

Taxes and Subventions:

Property Taxes, Levied for General Purposes	\$ 7,630	\$ -	\$ 7,630
Federal and State Aid Not Restricted for Specific Purposes	1,067,235	-	1,067,235
Interest and Investment Earnings	509,506	194	509,700
Miscellaneous	1,395	-	1,395
Internal Transfers	(46,300)	46,300	-
Total General Revenues	<u>1,539,466</u>	<u>46,494</u>	<u>1,585,960</u>

Change in Net Position	392,821	3,439	396,260
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Net Position - Beginning of Year	16,645,929	14,500	16,660,429
Net Position - Ending	<u>\$ 17,038,750</u>	<u>\$ 17,939</u>	<u>\$ 17,056,689</u>

The accompanying notes to the financial statements are an integral part of this statement.

Spencer Valley School District

Balance Sheet – Governmental Funds

June 30, 2025

	General Fund	Special Reserve for Capital Outlay	Total
Assets			
Cash and Cash Equivalents	\$ 9,919,844	\$ 38,076	\$ 9,957,920
Accounts Receivable	180,064	535	180,599
Total Assets	<u>\$ 10,099,908</u>	<u>\$ 38,611</u>	<u>\$ 10,138,519</u>
Liabilities and Fund Balance:			
Liabilities:			
Accounts Payable	\$ 368,453	\$ 36,002	\$ 404,455
Due to Other Funds	2,300	-	2,300
Total Liabilities	<u>370,753</u>	<u>36,002</u>	<u>406,755</u>
Fund Balance:			
Nonspendable	10,000	-	10,000
Restricted	2,187,341	54	2,187,395
Assigned	3,752,700	2,555	3,755,255
Unassigned	3,779,114	-	3,779,114
Total Fund Balance	<u>9,729,155</u>	<u>2,609</u>	<u>9,731,764</u>
Total Liabilities and Fund Balances	<u>\$ 10,099,908</u>	<u>\$ 38,611</u>	<u>\$ 10,138,519</u>

The accompanying notes to the financial statements are an integral part of this statement.

Spencer Valley School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2025

Total fund balances governmental funds: \$ 9,731,764

Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 relating to governmental activities, at historical cost	9,063,349	
Accumulated depreciation	<u>(1,121,493)</u>	
Net		7,941,856

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

Net pension liability	936,110	
Compensated absences	<u>18,527</u>	
Total		(954,637)

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 relating to pensions	455,703	
Deferred inflows of resources relating to pensions	<u>(135,936)</u>	
Net		<u>319,767</u>

Total net position governmental activities: \$ 17,038,750

Spencer Valley School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Year Ended June 30, 2025

	General Fund	Special Reserve for Capital Outlay	Total
Revenues			
State Apportionment	\$ 1,395,180	\$ -	\$ 1,395,180
Education Protection Account Funds	198,294	-	198,294
Property Taxes	7,630	-	7,630
Federal Revenue	42,593	-	42,593
Other State Revenue	188,471	-	188,471
Interest	367,672	1,417	369,089
Fair Market Value Adjustment	139,846	571	140,417
Other Local Revenue	61,039	-	61,039
Total Revenues	<u>\$ 2,400,725</u>	<u>\$ 1,988</u>	<u>\$ 2,402,713</u>
Expenditures			
Current Expenditures:			
Instruction	895,619	-	895,619
Instruction - Related Services	214,318	-	214,318
Pupil Services	83,202	-	83,202
General Administration	148,922	-	148,922
Plant Services	217,414	-	217,414
Transfers of Apportionments	207,950	-	207,950
Capital Outlay	-	36,002	36,002
Total Expenditures	<u>1,767,425</u>	<u>36,002</u>	<u>1,803,427</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>633,300</u>	<u>(34,014)</u>	<u>599,286</u>
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfers Out	<u>(46,300)</u>	<u>-</u>	<u>(46,300)</u>
Total Other Financing Sources (Uses)	<u>(46,300)</u>	<u>-</u>	<u>(46,300)</u>
Net Change in Fund Balance	587,000	(34,014)	552,986
Fund Balance, Beginning of Year	<u>9,142,155</u>	<u>36,623</u>	<u>9,178,778</u>
Fund Balance, End of Year	<u>\$ 9,729,155</u>	<u>\$ 2,609</u>	<u>\$ 9,731,764</u>

The accompanying notes to the financial statements are an integral part of this statement.

Spencer Valley School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2025

Total change in fund balances, governmental funds: \$ 552,986

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	36,002	
Depreciation expense	<u>(198,264)</u>	
Net		(162,262)

Gain or loss from disposal of capital assets: In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss is: (5,398)

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 amounts earned. The difference between compensated absences paid and compensated absences earned was: (9,922)

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: 17,417

Change in net position of governmental activities: \$ 392,821

Spencer Valley School District

Statement of Net Position – Enterprise Fund

June 30, 2025

	Enterprise Fund Preschool Services Fund
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 2,328
Accounts Receivable	213
Due from Other Funds	2,300
Total Current Assets	4,841
Total Assets	\$ 4,841
Deferred Outflows of Resources	
Pension Related	\$ 116,068
Total Deferred Outflows of Resources	\$ 116,068
Liabilities	
Current Liabilities	
Accounts Payable	\$ 4,346
Total Current Liabilities	4,346
Noncurrent Liabilities	
Net Pension Liability	97,923
Total Noncurrent Liabilities	97,923
Total Liabilities	\$ 102,269
Deferred Inflows of Resources	
Pension Related	\$ 701
Total Deferred Inflows of Resources	\$ 701
Net Position	
Unrestricted (Deficit)	17,939
Total Net Position	\$ 17,939

The accompanying notes to the financial statements are an integral part of this statement.

Spencer Valley School District

Statement of Revenues, Expenses and Changes in Net Position – Enterprise Fund

June 30, 2025

	Enterprise Fund
	Preschool Services Fund
Operating Revenues	
Child Care Service Fees	\$ 43,453
Total Operating Revenues	<u>43,453</u>
Operating Expenses	
Classified Salaries	60,667
Employee Benefits	25,337
Books and Supplies	262
Services and Other Operating Expenses	<u>242</u>
Total Operating Expenses	<u>86,508</u>
Operating Income (Loss)	<u>(43,055)</u>
Non-Operating Revenues/(Expenses)	
Interest and Investment Income	194
Interfund Transfers In	<u>46,300</u>
Total Nonoperating Revenues/(Expenses)	<u>46,494</u>
Change in Net Position	3,439
Total Net Position - Beginning	<u>14,500</u>
Total Net Position - Ending	<u>\$ 17,939</u>

The accompanying notes to the financial statements are an integral part of this statement.

Spencer Valley School District

Statement of Cash Flows – Enterprise Fund

June 30, 2025

	Enterprise Fund
	Preschool Services Fund
Cash Flows from Operating Activities	
Cash Received from Services Provided	\$ 43,453
Cash Payments for Salaries & Benefits	(89,021)
Cash Payments to Other Suppliers for Goods and Services	2,123
Net Cash Provided (Used) by Operating Activities	<u>(43,445)</u>
Cash Flows from Investing Activities	
Cash Received from Investment Income	47
Net Cash Provided (Used) by Investing Activities	<u>47</u>
Cash Flows from Non-Capital Financing Activities	
Cash Received From Interfund Transfer	44,000
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>44,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	602
Cash and Cash Equivalents - Beginning of Year	1,726
Cash and Cash Equivalents - End of Year	<u><u>\$ 2,328</u></u>
Reconciling of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (43,055)
Change in Assets and Liabilities:	
Decrease (Increase) in Deferred Outflows of Resources	(101,641)
Increase (Decrease) in Accounts Payable	2,627
Increase (Decrease) in Net Pension Liability	97,923
Increase (Decrease) in Deferred Inflows of Resources	701
Total Adjustments	<u>(390)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (43,445)</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

Spencer Valley School District

Notes to the Financial Statements

For the Year Ended June 30, 2025

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The District operates under a locally elected Board of Education 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, capital projects funds, and a preschool enterprise fund.

2. 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 component units. Additionally, the District is not a component unit of any other reporting entity as defined by GASB.

3. 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 general revenues of the District.

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

Fund Financial Statements. The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds, if any, 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 programs, construction and maintenance of school facilities, and repayment of long-term debt.

Major Governmental Funds

The District reports the following major governmental funds:

General Fund: The general fund is the primary 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.

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code §42840*). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to other capital projects funds. Other authorized resources that may be deposited into this fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code §17462*) and rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code §41003*).

Proprietary Funds

Enterprise Fund: Enterprise funds are used to account for an activity for which a fee is charged to external users for goods or services. An enterprise fund is accounted for on the accrual basis. Capital assets and long-term liabilities are recorded in the fund. All revenues and expenses are recorded, regardless of when they are received or paid. The District reports the following enterprise fund:

Preschool Services Fund: This fund accounts for the activities of the Districts fee based community care licensed preschool.

4. Basis of Accounting – Measurement Focus

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

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

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

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

5. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid or at year end, whichever is sooner.

6. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1st. A public hearing must be conducted to receive comments prior to adoption. The District's governing board has satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts.

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

7. Revenues and Expenses

a. Revenues – Exchange and Non-Exchange

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not 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 districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, property taxes, interest, certain grants, and other local sources.

Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

b. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide financial statements.

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

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Depositary Insurance Corporation (FDIC). All cash held by the financial institutions is fully insured or collateralized. For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

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

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

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

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued using the first-in/first-out (FIFO) method and consist of expendable supplies held for consumption. Reported inventories are equally offset by a non-spendable fund balance designation, which indicates that these amounts are not “available for appropriation and expenditure” even though they are a component of net current assets.

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

c. Capital Assets

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

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

Asset Class	Estimated Useful Life
Buildings & Improvements	20 - 50 Years
Land Improvements	10 - 25 Years
Equipment	5 - 15 Years

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

d. Lease Assets & Lease Liabilities

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles and equipment. In accordance with GASB Statement 87, the District records lease assets and lease liabilities with a capitalization threshold of \$5,000. Lease assets are amortized over the shorter of the useful life of the underlying asset (as defined in capital assets policy) or the lease term. Lease liabilities are reduced as principal payments on the lease are made.

e. Subscription Assets & Subscription Liabilities

A subscription based information technology arrangement (SBITA) is a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. SBITAs result in a subscription asset and subscription liability on the date of inception in accordance with GASB Statement 96 which are recorded at present value using an imputed interest rate based on the best available borrowing rate for the District in the year of inception. The District has established a capitalization threshold for subscription assets and liabilities of \$5,000. The subscription assets are amortized over the subscription term. The subscription liabilities are reduced as principal payments on the agreements are paid.

f. Compensated Absences

Employees of the District are granted vacation, sick leave, and other types of compensated absences in accordance with District policy and labor agreements. Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and certain types of sabbatical leave when agreed upon in contracts or labor agreements. Under the District's policies, vacation leave and sick leave may be carried forward from year to year, subject to limits established by policy.

A liability for compensated absences is recognized when earned by employees if (a) the leave is attributable to services already rendered, (b) the leave accumulates and may be carried forward to future periods, and (c) it is more likely than not that the leave will be used for time off or otherwise paid in cash or settled through noncash means. The liability is measured using the pay or salary rates in effect as of the financial statement date, plus salary-related payments that are directly and incrementally associated with payments for compensated absences, as required by GASB Statement No. 101.

In accordance with GASB Statement No. 101, unused sick leave that, upon retirement, is converted to provide or enhance a defined benefit pension is excluded from the compensated absences liability. The value of such converted leave is instead included in the measurement of the District's net pension liability in accordance with applicable GASB standards.

In governmental funds, only the portion of the liability that is expected to be liquidated with expendable available financial resources is reported as a fund liability; the remainder is reported in the government-wide financial statements.

The District measured the liability based on a historic look back period of three years with a last-in-first-out flows assumption for use of accrued balances.

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

g. Unearned Revenue

Unearned revenue represents amounts received in advance of the period in which the District is legally entitled to the resources. In the governmental funds, unearned revenue is reported as a liability until the underlying revenue recognition criteria have been met. Typical sources of unearned revenue include advance payments for services and grant proceeds received before all eligibility requirements have been satisfied.

h. Interfund Activity

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

i. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

Restricted Fund Balance represents amounts that are subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations, or may be imposed by law through constitutional provisions or enabling legislation.

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

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

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

j. Minimum Fund Balance Policy

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 unexpected expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties (REU), consisting of unassigned amounts, equal to 5% of general fund expenditures and other outgo or \$80,000, whichever is greater. In the event the balance drops below the established minimum level, the District's governing board will develop a plan to replenish the fund balance to the established minimum level within the time frames and guidelines set forth by the California Department of Education.

k. GASB 54 Fund Presentation

GASB Statement No. 54 defines a special revenue fund as a fund that has a special revenue source that is either restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. The Special Reserve Fund for Other than Capital Outlay (Fund 17) does not have continuing revenue sources that are either restricted or committed in nature. As such, this fund does not meet the definition of special revenue funds under the provisions of GASB Statement No. 54. This fund has been combined with the general fund for reporting purposes.

l. Deferred Inflows and Deferred Outflows of Resources

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

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

9. Pensions

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

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain timeframes. For this report, the following time frames are used:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

10. Property Taxes

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.

11. Use of 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.

12. Fair Value Measurements

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

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

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

13. New Accounting Pronouncements

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2025. Those newly implemented pronouncements are as follows:

Description	Date Issued
GASB Statement No. 99 <i>Omnibus 2022</i> (Portions related to financial guarantees and derivative instruments)	Apr-22
GASB Statement No. 100 <i>Accounting Changes and Error Corrections</i> (Amendment of GASB Statement No. 62)	Jun-22
GASB Statement No. 101 <i>Compensated Absences</i>	Jun-22
GASB Statement No. 102 <i>Certain Risk Disclosures</i>	Dec-23
GASB Implementation Guide No. 2023-1 <i>Implementation Guidance Update 2023</i>	Jun-23
GASB Implementation Guide No. 2025-1 <i>Implementation Guidance Update 2025 (Question 4.16 ONLY)</i>	Jun-25

The adoption of GASB Statement No. 99, GASB Statement No. 101, GASB Statement No. 102, GASB Implementation Guide No. 2023-1 and GASB Implementation Guide No. 2025-1 did not have a material impact on the District's financial position, results of operations, or disclosures in the financial statements.

The adoption of GASB Statement No. 100 resulted in enhanced note disclosures and financial statement presentation but did not result in a material change to the District's financial position.

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

B. Compliance and Accountability

1. Finance Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None	Not Applicable	Not Applicable

C. Fair Value Measurements

The District's investments at June 30, 2025, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

		<u>Fair Value Measurement Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
	<u>Amount</u>			
External investment pools measured at fair value				
San Diego County Treasury	\$ 9,950,248	\$ -	\$ 9,950,248	\$ -
Total investments by fair value level	<u>\$ 9,950,248</u>	<u>\$ -</u>	<u>\$ 9,950,248</u>	<u>\$ -</u>

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code §41001). The fair value of the District's investments in the pool is reported in the accounting financial statements as amounts 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 the 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.

The San Diego County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

D. Cash and Investments

As of June 30, 2025, the District held the following cash and cash equivalents:

	General Fund	Special Reserve for Capital Outlay Projects	Total Governmental Funds
Cash in County Treasury	\$ 9,905,119	\$ 38,058	\$ 9,943,177
Cash in County Treasury - FMV Adjustment	4,725	18	4,743
Cash in Revolving Fund	10,000	-	10,000
Total Cash and Cash Equivalents	<u>\$ 9,919,844</u>	<u>\$ 38,076</u>	<u>\$ 9,957,920</u>

	Preschool Services Fund
Cash in County Treasury	\$ 2,326
Cash in County Treasury - FMV Adjustment	2
Total Cash and Cash Equivalents	<u>\$ 2,328</u>

1. Cash in County Treasury

In accordance with Education Code §41001, the District maintains substantially all of its cash in the San Diego County Treasury as part of the common investment pool (\$9,945,503 as of June 30, 2025). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$9,950,248. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

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

Cash balances in revolving fund (\$10,000 as of June 30, 2025) are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC).

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

3. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

4. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county treasury is restricted by Government Code §53635 pursuant to §53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of risk.

At June 30, 2025, credit risk for the District's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
County Treasurer's Investment Pool	Unrated	Not Applicable	\$ 9,950,248

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: 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 (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

At June 30, 2025, the District's bank balances, including revolving cash, were not exposed to custodial credit risk.

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District maintains pooled investments with the San Diego County Treasury with a fair value of \$9,950,248. The average weighted maturity for this pool was 562 days at June 30, 2025.

e. Foreign Currency Risk

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

5. Investment Accounting Policy

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

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

E. Accounts Receivable

There are no significant receivables which are not scheduled for collection within one year of year end. Accounts receivable balances as of June 30, 2025 consisted of:

	General Fund	Special Reserve for Capital Outlay Projects	Total
Federal Government:			
Special Education	\$ 16,401	\$ -	\$ 16,401
State Government:			
Lottery	1,999	-	1,999
Special Education	6,054	-	6,054
Community Engagement	17,500	-	17,500
Other State	471	-	471
Local Sources			
Interest	137,639	535	138,174
Total Accounts Receivable	<u>\$ 180,064</u>	<u>\$ 535</u>	<u>\$ 180,599</u>
	Preschool Services Fund		
Local Sources			
Interest	\$ 213		
Total Accounts Receivable	<u>\$ 213</u>		

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

F. Interfund Balances and Activities

1. Interfund Payables & Receivables

Due to/Due from other funds at June 30, 2025 consisted of the following:

<u>Interfund Receivable (Due From Other Funds)</u>	<u>Interfund Payable (Due To Other Funds)</u>	<u>Amount</u>	<u>Purpose</u>
Preschool Services Fund	General Fund	\$ 2,300	Program contribution
	Total	<u>\$ 2,300</u>	

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2025 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
Preschool Services Fund	General Fund	\$ 46,300	Program contribution
	Total	<u>\$ 46,300</u>	

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

G. Capital Assets

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

<u>Governmental activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated:				
Land	\$ 263,977	\$ -	\$ -	\$ 263,977
Work in progress	-	36,002	-	36,002
Total capital assets not being depreciated	<u>263,977</u>	<u>36,002</u>	<u>-</u>	<u>299,979</u>
Capital assets being depreciated:				
Land improvements	82,890	-	-	82,890
Buildings and improvements	8,533,302	-	-	8,533,302
Equipment	183,254	-	36,076	147,178
Total capital assets being depreciated	<u>8,799,446</u>	<u>-</u>	<u>36,076</u>	<u>8,763,370</u>
Less accumulated depreciation for:				
Land improvements	(78,548)	(2,895)	-	(81,443)
Buildings and improvements	(708,452)	(192,409)	-	(900,861)
Equipment	<u>(166,907)</u>	<u>(2,960)</u>	<u>(30,678)</u>	<u>(139,189)</u>
Total accumulated depreciation	<u>(953,907)</u>	<u>(198,264)</u>	<u>(30,678)</u>	<u>(1,121,493)</u>
Total capital assets being depreciated, net	<u>7,845,539</u>	<u>(198,264)</u>	<u>5,398</u>	<u>7,641,877</u>
Governmental activities capital assets, net	<u>\$ 8,109,516</u>	<u>\$ (162,262)</u>	<u>\$ 5,398</u>	<u>\$ 7,941,856</u>

Depreciation was charged to functions as follows:

	<u>Depreciation by Function</u>
Instruction	\$ 157,386
Pupil Services	587
General Administration	1,290
Plant Services	<u>39,001</u>
Total	<u>\$ 198,264</u>

H. Short Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as other financing sources. During the year ended June 30, 2025, the District did not enter into any short-term debt agreements.

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

I. Accounts Payable

Accounts payable balances as of June 30, 2025, consisted of:

	General Fund	Special Reserve for Capital Outlay	Total Governmental Funds
Vendors payable	\$ 34,984	\$ 36,002	\$ 70,986
Payroll and benefits	43,301	-	43,301
Apportionment repayment	35	-	35
Charter schools oversight fees	269,159	-	269,159
Charter schools in lieu of property taxes	20,974	-	20,974
Total Accounts Payable	<u>\$ 368,453</u>	<u>\$ 36,002</u>	<u>\$ 404,455</u>

	Preschool Services Fund
Payroll and benefits	\$ 4,346
Total Accounts Payable	<u>\$ 4,346</u>

J. Long Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2025, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u><i>Governmental Activities:</i></u>					
Net Pension Liability*	\$ 1,057,890	\$ -	\$ 121,780	\$ 936,110	\$ -
Compensated Absences*	8,605	9,922	-	18,527	18,527
Total Governmental Activities	<u>\$ 1,066,495</u>	<u>\$ 9,922</u>	<u>\$ 121,780</u>	<u>\$ 954,637</u>	<u>\$ 18,527</u>

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<u><i>Business-Type Activities</i></u>					
Net Pension Liability*	\$ -	\$ 97,923	\$ -	\$ 97,923	\$ -
Total Governmental Activities	<u>\$ -</u>	<u>\$ 97,923</u>	<u>\$ -</u>	<u>\$ 97,923</u>	<u>\$ -</u>

*Other long-term liabilities

- Payments for pension contributions are made from the general fund and the enterprise fund.
- Payments for compensated absences are made from the general fund.

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

K. Fund Balance Classifications of the Governmental Funds

Ending fund balance classifications of the governmental funds for the year ended June 30, 2025, consisted of:

	General Fund	Special Reserve for Capital Outlay Projects	Total
Nonspendable Fund Balance			
Revolving Cash	\$ 10,000	\$ -	\$ 10,000
Total Nonspendable Fund Balance	10,000	-	10,000
Restricted Fund Balance			
Capital Projects	-	54	54
Educational Programs	380,666	-	380,666
Other Restricted	1,806,675	-	1,806,675
Total Restricted Fund Balance	2,187,341	54	2,187,395
Assigned Fund Balance			
Capital Projects	-	2,555	2,555
Educational Programs	3,752,700	-	3,752,700
Total Assigned Fund Balance	3,752,700	2,555	3,755,255
Unassigned Fund Balance			
For Economic Uncertainties	95,686	-	95,686
Other Unassigned	3,653,507	-	3,653,507
Total Unassigned Fund Balance	3,749,193	-	3,749,193
Total Fund Balance	\$ 9,699,234	\$ 2,609	\$ 9,701,843

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

L. Pension Plans

1. General Information about the Pension Plans

a. Plan Descriptions

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

b. Benefits Paid

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

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

Hire Date	CalSTRS	
	Before Jan. 1, 2013	After Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	55 - 60	55 - 62
Monthly Benefits as a % of Eligible Compensation	1.1 - 2.4%*	1.0 - 2.4%*
Required Employee Contribution Rates (2024-25)	10.250%	10.205%
Required Employer Contribution Rates (2024-25)	19.100%	19.100%
Required State Contribution Rates (2024-25)	10.828%	10.828%

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

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

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

<u>Hire Date</u>	CalPERS	
	Before	After
	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62**
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50 - 62	52 - 67
Monthly Benefits as a % of Eligible Compensation	1.1 - 2.5%*	1.0 - 2.5%*
Required Employee Contribution Rates (2024-25)	7.000%	8.000%
Required Employer Contribution Rates (2024-25)	27.050%	27.050%

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

**The rate imposed on CalPERS 2% at 62 members is based on the normal cost of benefits.

c. Contributions

CalSTRS

For the fiscal year ended June 30, 2025, California Education Code §22950 requires members to contribute monthly to the system 10.205% (if hired on or after January 1, 2013) or 10.25% (if hired before January 1, 2013) of the creditable compensation upon which members' contributions under this part are based. In addition, the employer required rates established by the CalSTRS board have been established at 19.10% of creditable compensation for the fiscal year ended June 30, 2025. The CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary. Those adjustments are limited to 1% annually, not to exceed 20.25% of creditable compensation.

CalPERS

California Public Employees' Retirement Law §20814(c) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. For the fiscal year ended June 30, 2025, the employee contribution rate was 7.00% for employees hired prior to January 1, 2013 and 8.00% for employees hired on or after January 1, 2013, and the employer contribution rate was 27.05% of covered payroll.

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

On Behalf Payments

Consistent with California Education Code §22955.1, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the fiscal year ended June 30, 2025 the State contributed 10.828% of salaries creditable to CalSTRS. Consistent with the requirements of generally accepted accounting principles, the District has recorded these contributions as revenue and expense in the fund financial statements (current financial resources measurement focus). The government-wide financial statements have recorded revenue and expense for pension expense paid on behalf of the District (economic resources measurement focus). Contributions reported for on behalf payments are based on the District's proportionate share of the State's contribution for the fiscal year. Contributions made by the state on behalf of the District and the State's pension expense associated with District employees for the past three fiscal years are as follows:

CalSTRS			
Year Ended	On Behalf	On Behalf	On Behalf
June 30,	Contribution	Contribution	Pension
	Rate	Amount	Expense
2023	10.828%	\$ 42,785	\$ 130,377
2024	10.828%	37,199	(11,862)
2025	10.828%	38,000	(6,320)

d. Contributions Recognized

For the fiscal year ended June 30, 2025 (measurement period June 30, 2024), the contributions recognized for each plan were:

Governmental Fund Financial Statements (Current Financial Resources Measurement Focus)

<i>Governmental Funds</i>	CalSTRS	CalPERS	Total
Contributions - Employer	\$ 84,637	\$ 88,669	\$ 173,306
Contributions - State On Behalf Payments	41,073	-	41,073
Total Governmental Funds	<u>\$ 125,710</u>	<u>\$ 88,669</u>	<u>\$ 214,379</u>

Enterprise Fund Financial Statements (Economic Resources Measurement Focus)

<i>Enterprise Funds</i>	CalSTRS	CalPERS	Total
Contributions - Employer	\$ -	\$ 14,427	\$ 14,427
Total Enterprise Funds	<u>\$ -</u>	<u>\$ 14,427</u>	<u>\$ 14,427</u>

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

	Government-Wide Financial Statements (Economic Resources Measurement Focus)		
	CalSTRS	CalPERS	Total
<i>Governmental Activities</i>			
Contributions - Employer	\$ 82,824	\$ 72,548	\$ 155,372
Contributions - State On Behalf Payments	38,000	-	38,000
Total Governmental Activities	<u>\$ 120,824</u>	<u>\$ 72,548</u>	<u>\$ 193,372</u>
<i>Business-Type Activities</i>			
Contributions - Employer	\$ -	\$ 14,427	\$ 14,427
Total Business-Type Activities	<u>\$ -</u>	<u>\$ 14,427</u>	<u>\$ 14,427</u>
Total Government-Wide Financial Statements	<u>\$ 120,824</u>	<u>\$ 86,975</u>	<u>\$ 207,799</u>

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

As of June 30, 2024 (measurement date) the District reported net pension liabilities for its proportionate share of the net pension liability of each plan as follows:

	Proportionate Share of the Net Pension Liability		
	Governmental Activities	Business-Type Activities	Total
CalSTRS	\$ 443,273	\$ -	\$ 443,273
CalPERS	492,837	97,923	590,760
Total	<u>\$ 936,110</u>	<u>\$ 97,923</u>	<u>\$ 1,034,033</u>

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

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

The District's proportionate share of the net pension liability for each Plan as of June 30, 2024 and June 30, 2025 were as follows:

	CalSTRS			CalPERS
		State's Proportionate Share for District Employees	Total for District Employees	District's Proportionate Share
	District's Proportionate Share			
<i>Governmental Activities</i>				
Proportion June 30, 2024	0.000668%	0.000324%	0.000992%	0.001517%
Proportion June 30, 2025	0.000660%	0.000303%	0.000963%	0.001379%
Change in Proportion	-0.000008%	-0.000021%	-0.000029%	-0.000138%
<i>Business-Type Activities</i>				
Proportion June 30, 2024	0.000000%	0.000000%	0.000000%	0.000000%
Proportion June 30, 2025	0.000000%	0.000000%	0.000000%	0.000274%
Change in Proportion	0.000000%	0.000000%	0.000000%	0.000274%

*Represents State's Proportionate Share on behalf of District employees.

a. Pension Expense

	<i>Governmental Activities</i>		
	CalSTRS	CalPERS	Total
Change in Net Pension Liability	\$ (65,481)	\$ (56,301)	\$ (121,782)
State On Behalf Pension Expense	(6,320)	-	(6,320)
Employer Contributions	84,637	88,669	173,306
Change in Deferrals for:			
Experience Differences	(17,979)	(26,182)	(44,161)
Changes in Assumptions	1,006	14,406	15,412
Changes in Proportionate Share	(6,260)	110,651	104,391
Subsequent Contributions	(495)	(14,260)	(14,755)
Earnings Differences	3,964	39,512	43,476
Total Pension Expense	\$ (6,928)	\$ 156,495	\$ 149,567

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

	<i>Business-Type Activities</i>		
	CalSTRS	CalPERS	Total
Change in Net Pension Liability	\$ -	\$ 97,923	\$ 97,923
Employer Contributions	-	15,304	15,304
Change in Deferrals for:			
Experience Differences	-	(7,508)	(7,508)
Changes in Assumptions	-	(2,164)	(2,164)
Changes in Proportionate Share	-	(86,587)	(86,587)
Subsequent Contributions	-	(877)	(877)
Earnings Differences	-	(3,804)	(3,804)
Total Pension Expense	<u>\$ -</u>	<u>\$ 12,287</u>	<u>\$ 12,287</u>
 Total Pension Expense Government-Wide	 <u>\$ (6,928)</u>	 <u>\$ 168,782</u>	 <u>\$ 161,854</u>

b. Deferred Outflows and Inflows of Resources

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
<i>Governmental Activities</i>			
Subsequent Contributions	\$ 84,637	\$ 88,669	\$ 173,306
Experience Differences	50,146	41,316	91,462
Changes in Assumptions	1,940	10,893	12,833
Changes in Proportionate Share	67,672	91,286	158,958
Earnings Differences	-	19,144	19,144
Total Governmental Activities	<u>204,395</u>	<u>251,308</u>	<u>455,703</u>
<i>Business-Type Activities</i>			
Subsequent Contributions	-	15,304	15,304
Experience Differences	-	8,209	8,209
Changes in Assumptions	-	2,164	2,164
Changes in Proportionate Share	-	86,587	86,587
Earnings Differences	-	3,804	3,804
Total Business-Type Activities	<u>-</u>	<u>116,068</u>	<u>116,068</u>
Total Deferred Outflows of Resources	<u>\$ 204,395</u>	<u>\$ 367,376</u>	<u>\$ 571,771</u>

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
<i>Governmental Activities</i>			
Experience Differences	\$ (19,398)	\$ (3,528)	\$ (22,926)
Changes in Proportionate Share	(67,310)	(43,890)	(111,200)
Earnings Differences	(1,810)	-	(1,810)
Total Governmental Activities	(88,518)	(47,418)	(135,936)
<i>Business-Type Activities</i>			
Experience Differences	-	(701)	(701)
Total Business-Type Activities	-	(701)	(701)
Total Deferred Inflows of Resources	\$ (88,518)	\$ (48,119)	\$ (136,637)

Pension contributions made subsequent to the measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2026. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a multi-year period.

Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Governmental Activities					
Year Ended June 30,	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect on Expenses
	CalSTRS	CalPERS	CalSTRS	CalPERS	
2026	\$ 110,117	\$ 166,806	\$ (64,493)	\$ (18,847)	\$ 193,583
2027	25,480	85,739	7,755	(15,038)	103,936
2028	24,510	4,819	(22,559)	(13,533)	(6,763)
2029	24,511	(6,056)	(7,419)	-	11,036
2030	16,906	-	(901)	-	16,005
Thereafter	2,871	-	(901)	-	1,970
Total	\$ 204,395	\$ 251,308	\$ (88,518)	\$ (47,418)	\$ 319,767

	<i>Business-Type Activities</i>				
	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>		
Year Ended					Net Effect
June 30,	CalSTRS	CalPERS	CalSTRS	CalPERS	on Expenses
2026	\$ -	\$ 50,610	\$ -	\$ (701)	\$ 49,909
2027	-	38,832	-	-	38,832
2028	-	27,828	-	-	27,828
2029	-	(1,202)	-	-	(1,202)
Total	\$ -	\$ 116,068	\$ -	\$ (701)	\$ 115,367

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

c. Actuarial Assumptions

Total pension liabilities for the fiscal year ended June 30, 2025, were based on actuarial valuations determined using the following actuarial assumptions:

	<u>CalSTRS</u>	<u>CalPERS</u>
Fiscal Year	6/30/2025	6/30/2025
Measurement Date	6/30/2024	6/30/2024
Valuation Date	6/30/2023	6/30/2023
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Experience Study Period	2007 - 2022	2000 - 2019
Actuarial Assumptions:		
Discount Rate	7.10%	6.90%
Inflation	2.75%	2.30%
Wage Growth	3.50%	Varies ⁽³⁾
Payroll Growth	3.25%	Varies ⁽³⁾
Investment Rate of Return	7.10%	6.90%
Post Retirement Benefit Increase	2.00% Simple ⁽¹⁾	2.00% - 2.30% ⁽⁴⁾
Mortality	CalSTRS Data ⁽²⁾	CalPERS Data ⁽⁵⁾

(1) CalSTRS post-retirement benefit increases assumed at 2% simple (annually) maintaining 85% purchasing power level.

(2) CalSTRS base mortality tables are custom tables derived to best fit the patterns of mortality among CalSTRS members. The projection scale was set to equal 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.

(3) Varies by entry age and service.

(4) CalPERS post retirement benefit increases assumes 2.00% until PPPA floor on purchasing power applies, 2.50% thereafter.

(5) CalPERS mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90% of scale MP-2016. For more details on this table, please refer to the December 2021 experience study report (based on CalPERS demographic data from 2000 to 2019) that can be found on the CalPERS website.

d. Discount Rate

The discount rate used to measure the total pension liability was 7.10% for CalSTRS and 6.90% for CalPERS. The projection of cash flows used to determine the discount rates assumed the contributions from the plan members, employers, and state contributing agencies (where applicable) will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate, and the use of the discount bond rate calculations is not necessary for either plan. The stress test results are presented in detailed reports that can be obtained from CalPERS and CalSTRS respective websites.

The CalPERS discount rate was increased from 7.50% to 7.65% at measurement date June 30, 2015 (Fiscal year June 30, 2016) to correct for an adjustment to exclude administrative expenses. Subsequently CalPERS discount rate was decreased from 7.65% to 7.15% at measurement date June 30, 2017 (Fiscal year June 30, 2018) to adjust for changes resulting from actuarially determined amounts. Finally, the CalPERS discount rate was decreased from 7.15% to 6.90% at measurement date June 30, 2022 (fiscal year June 30, 2023) resulting from a new actuarial experience study completed.

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

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

CalSTRS and CalPERS are scheduled to review actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle. CalSTRS completed their ALM November 2019 with new policies in effect on July 1, 2021. CalPERS completed their ALM in 2021 with new policies in effect on July 1, 2022. Both CalSTRS and CalPERS conduct new ALM's every 4 years.

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

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

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

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

CalSTRS

Asset Class	Assumed Asset Allocation	Long-Term Expected Rate of Return ⁽¹⁾	Long-Term Expected Real Rate of Return ⁽²⁾
Public Equity	38.00%	8.00%	5.25%
Real Estate	15.00%	6.80%	4.05%
Private Equity	14.00%	9.50%	6.75%
Fixed Income	14.00%	5.20%	2.45%
Risk Mitigation Strategies	10.00%	5.00%	2.25%
Inflation Sensitive	7.00%	6.40%	3.65%
Cash/Liquid	2.00%	2.80%	0.05%

⁽¹⁾ 20 to 30 year geometric average.

⁽²⁾ Real rates of return are net of assumed 2.75% inflation

CalPERS

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return ^{(3),(4)}
Global Equity - cap weighted	30.00%	4.54%
Global Equity - non-cap weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-Backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

⁽³⁾ An expected price inflation of 2.30% used for this period.

⁽⁴⁾ Figures are based on the 2021-22 Asset Liability Management Study.

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

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

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

CalSTRS			
	Governmental	Business-Type	
	Activities	Activities	Total
1% Decrease	6.10%	6.10%	6.10%
Net Pension Liability	\$ 788,443	\$ -	\$ 788,443
Current Discount Rate	7.10%	7.10%	7.10%
Net Pension Liability	\$ 443,273	\$ -	\$ 443,273
1% Increase	8.10%	8.10%	8.10%
Net Pension Liability	\$ 155,047	\$ -	\$ 155,047

CalPERS			
	Governmental	Business-Type	
	Activities	Activities	Total
1% Decrease	5.90%	5.90%	5.90%
Net Pension Liability	\$ 732,115	\$ 145,467	\$ 877,582
Current Discount Rate	6.90%	6.90%	6.90%
Net Pension Liability	\$ 492,837	\$ 97,923	\$ 590,760
1% Increase	7.90%	7.90%	7.90%
Net Pension Liability	\$ 295,176	\$ 58,650	\$ 353,826

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

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

CalSTRS Governmental Activities

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2024					
(Previously Reported)	\$ 3,899,354	\$ 3,143,839	\$ 755,515	\$ 246,761	\$ 508,754
Changes for the year					
Change in proportionate share	(113,993)	(91,907)	(22,086)	(15,994)	(6,092)
Service cost	83,839	-	83,839	26,379	57,460
Interest	268,253	-	268,253	84,404	183,849
Experience differences	29,323	-	29,323	9,226	20,097
Change in assumptions	(51,530)	-	(51,530)	(16,214)	(35,316)
Change in benefits	318	-	318	100	218
Contributions:					
Employer	-	82,678	(82,678)	(26,014)	(56,664)
Employee	-	45,598	(45,598)	(14,347)	(31,251)
State on behalf	-	38,000	(38,000)	(11,956)	(26,044)
Net investment income	-	252,046	(252,046)	(79,304)	(172,742)
Other income	-	3,765	(3,765)	(1,185)	(2,580)
Benefit payments ⁽¹⁾	(184,780)	(184,780)	-	-	-
Administrative expenses	-	(1,955)	1,955	615	1,340
Borrowing costs	-	(3,207)	3,207	1,009	2,198
Other expenses	-	(67)	67	21	46
Net changes	31,430	140,171	(108,741)	(43,260)	(65,481)
Balance at June 30, 2025	\$ 3,930,784	\$ 3,284,010	\$ 646,774	\$ 203,501	\$ 443,273

(1) – Includes refunds of employee contributions

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

CalPERS Governmental Activities

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2024			
(Previously Reported)	\$ 1,828,191	\$ 1,279,053	\$ 549,138
Changes for the year			
Change in proportionate share	(166,309)	(116,354)	(49,955)
Service cost	42,737	-	42,737
Interest	116,068	-	116,068
Experience differences	39,947	-	39,947
Contributions:			
Employer	-	74,037	(74,037)
Employee	-	21,156	(21,156)
Net investment income	-	110,867	(110,867)
Benefit payments ⁽¹⁾	(82,104)	(82,104)	-
Administrative expenses	-	(962)	962
Net changes	(49,661)	6,640	(56,301)
Balance at June 30, 2025	<u>\$ 1,778,530</u>	<u>\$ 1,285,693</u>	<u>\$ 492,837</u>

(1) – Includes refunds of employee contributions

CalPERS Business Type Activities

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2024			
(Previously Reported)	\$ -	\$ -	\$ -
Changes for the year			
Change in proportionate share	330,207	231,022	99,185
Service cost	8,492	-	8,492
Interest	23,062	-	23,062
Experience differences	7,937	-	7,937
Contributions:			
Employer	-	14,711	(14,711)
Employee	-	4,204	(4,204)
Net investment income	-	22,029	(22,029)
Benefit payments ⁽¹⁾	(16,314)	(16,314)	-
Administrative expenses	-	(191)	191
Net changes	353,384	255,461	97,923
Balance at June 30, 2025	<u>\$ 353,384</u>	<u>\$ 255,461</u>	<u>\$ 97,923</u>

(1) – Includes refunds of employee contributions

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

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

M. Risk Management

The District is exposed to risk of losses due to:

- Torts,
- Theft of, damage to, or destruction of assets,
- Business interruption,
- Errors or omissions,
- Job related illness or injuries to employees,
- Natural disasters,
- Other risks associated with public entity risk pools

Risk management is the process of managing the District's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention, risk transfer to and from an insurer, and risk transfer to a non-insurer.

The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property & liability insurance as well as workers compensation insurance to cover any losses resulting from the risks identified above.

There have been no significant changes in property and liability or workers compensation coverage during the current fiscal year.

N. Participation in Joint Powers Authorities

The District is a member of the San Diego County Schools Risk Management Joint Powers Authority and the California Schools VEBA for the operation of a common risk management and insurance program for property and liability coverage, workers compensation, and other insurance needs. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year. The relationship between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities 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 entities and the District are included in these statements. Audited financial statements are available from the respective entities.

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

O. Commitments and Contingencies

1. State and Federal Allowances, Awards, and Grants

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

2. Litigation

The District is not involved in any litigation as of June 30, 2025.

3. Construction Commitments

As of June 30, 2025, the District had the following commitments with respect to unfinished capital projects:

Construction in Process	Remaining Commitment	Expected Completion*
Solar Project	\$ 324,011	June 2026

*Expected date of completion subject to change.

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

P. Deferred Outflows of Resources

In accordance with GASB Statement No. 68 & 71, payments made subsequent to the pension plan measurement date and other items as outlined in the GASB pronouncement have been recorded as deferred outflows of resources.

A summary of the deferred outflows of resources as of June 30, 2025, is as follows:

Description	Beginning Balance	Additions/ Adjustments	Amortization	Ending Balance
<i>Governmental Activities</i>				
Pension Related				
CalSTRS	\$ 211,951	\$ 17,924	\$ 25,480	\$ 204,395
CalPERS	337,045	13,159	98,896	251,308
Total Governmental Activities	<u>548,996</u>	<u>31,083</u>	<u>124,376</u>	<u>455,703</u>
<i>Business Type Activities</i>				
Pension Related				
CalPERS	14,427	138,023	36,382	116,068
Total Deferred Outflows of Resources	<u>\$ 563,423</u>	<u>\$ 169,106</u>	<u>\$ 160,758</u>	<u>\$ 571,771</u>

Future amortization of deferred outflows is as follows:

Year Ending June 30,	Pension Related		
	<i>Governmental Activities</i>	<i>Business Type Activities</i>	<i>Total</i>
2026	\$ 276,923	\$ 50,610	\$ 327,533
2027	111,219	38,832	150,051
2028	29,329	27,828	57,157
2029	18,455	(1,202)	17,253
2030	16,906	-	16,906
Thereafter	2,871	-	2,871
Total	<u>\$ 455,703</u>	<u>\$ 116,068</u>	<u>\$ 571,771</u>

Spencer Valley School District

Notes to the Financial Statements, Continued

June 30, 2025

Q. Deferred Inflows of Resources

In accordance with GASB Statement No. 68 & 71, items as outlined in the GASB pronouncement have been recorded as deferred inflows of resources.

A summary of the deferred inflows of resources as of June 30, 2025, is as follows:

Description	Beginning Balance	Additions/ Adjustments	Amortization	Ending Balance
<i>Governmental Activities</i>				
Pension Related				
CalSTRS	\$ (115,838)	\$ (28,564)	\$ (55,884)	\$ (88,518)
CalPERS	(9,028)	(57,880)	(19,490)	(47,418)
Total Governmental Activities	<u>(124,866)</u>	<u>(86,444)</u>	<u>(75,374)</u>	<u>(135,936)</u>
<i>Business Type Activities</i>				
Pension Related				
CalPERS	-	(1,524)	(823)	(701)
Total Deferred Inflows of Resources	<u>\$ (124,866)</u>	<u>\$ (87,968)</u>	<u>\$ (76,197)</u>	<u>\$ (136,637)</u>

Future amortization of deferred inflows is as follows:

	Pension Related		
Year Ending June 30,	<i>Governmental Activities</i>	<i>Business Type Activities</i>	<i>Total</i>
2026	\$ (83,340)	\$ (701)	\$ (84,041)
2027	(7,283)	-	(7,283)
2028	(36,092)	-	(36,092)
2029	(7,419)	-	(7,419)
2030	(901)	-	(901)
Thereafter	(901)	-	(901)
Total	<u>\$ (135,936)</u>	<u>\$ (701)</u>	<u>\$ (136,637)</u>

R. Upcoming Accounting Guidance

The Governmental Accounting Standards Board (GASB) issues pronouncements and additional guidance for governmental agencies to establish consistent accounting across all governments in the United States. The following table represents items that have been issued by GASB that will become effective in future periods:

Description	Date Issued	Year Effective
GASB Statement No. 103 <i>Financial Reporting Model Improvements</i>	Apr-24	2025-26
GASB Statement No. 104 <i>Disclosure of Certain Capital Assets</i>	Sep-24	2025-26
GASB Implementation Guide No. 2025-1 <i>Implementation Guidance Update 2025 (Except Question 4.16)</i>	Jun-25	2025-26

The effects of the upcoming guidance and pronouncements on the District’s financial statements has not yet been determined.

Required Supplementary Information

Spencer Valley School District

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2025

	Budgeted Amounts		Variance Original to Final Budget Positive/ (Negative)		Variance to Final Budget Positive (Negative)
	Original	Final		Actual	
Revenues					
LCFF Sources					
State Apportionment	\$ 1,398,673	\$ 1,468,847	\$ 70,174	\$ 1,395,180	\$ (73,667)
Education Protection Account	194,594	106,559	(88,035)	198,294	91,735
Property Taxes	7,668	25,555	17,887	7,630	(17,925)
Federal Revenue	33,853	33,611	(242)	42,593	8,982
Other State Revenue	117,308	184,051	66,743	188,471	4,420
Interest Income	50,000	50,000	-	233,724	183,724
Fair Market Value Adjustment	-	-	-	86,809	86,809
Other Local Revenue	409,003	388,230	(20,773)	61,039	(327,191)
Total Revenues	2,211,099	2,256,853	45,754	2,213,740	(43,113)
Expenditures					
Current Expenditures:					
Certificated Salaries	486,265	487,390	(1,125)	463,092	24,298
Classified Salaries	393,824	393,824	-	356,309	37,515
Employee Benefits	429,485	425,380	4,105	380,209	45,171
Books and Supplies	74,780	101,325	(26,545)	88,583	12,742
Services and Other Operating	497,657	418,779	78,878	271,282	147,497
Transfers of Apportionment	-	207,950	(207,950)	207,950	-
Capital Outlay	20,000	20,000	-	-	20,000
Total Expenditures	1,902,011	2,054,648	(152,637)	1,767,425	287,223
Excess (Deficiency) of Revenues Over Expenditures					
	309,088	202,205	(106,883)	446,315	244,110
Other Financing Sources (Uses)					
Transfers Out	(147,716)	(147,716)	-	(146,300)	1,416
Net Financing Sources (Uses)	(147,716)	(147,716)	-	(146,300)	1,416
Net Change in Fund Balance	161,372	54,489	(106,883)	300,015	245,526
Fund Balance - Beginning of Year	5,676,440	5,676,440	-	5,676,440	-
Fund Balance - End of Year	\$ 5,837,812	\$ 5,730,929	\$ (106,883)	\$ 5,976,455	\$ 245,526

See Accompanying Notes to Required Supplementary Information.

Spencer Valley School District

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

Last Ten Fiscal Years

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability (asset)	0.000660%	0.000668%	0.000587%	0.000470%	0.000571%	0.000629%	0.000667%	0.000669%	0.000700%	0.000736%
District's proportionate share of the net pension liability (asset)	\$443,273	\$508,753	\$407,881	\$213,884	\$553,351	\$ 568,098	\$ 613,020	\$ 618,693	\$ 566,042	\$ 495,741
State's proportionate share of the net pension liability (asset) associated with the District	203,501	246,760	248,759	158,365	282,077	290,823	271,892	280,215	253,967	167,637
Total	<u>\$ 646,774</u>	<u>\$ 755,513</u>	<u>\$ 656,640</u>	<u>\$ 372,249</u>	<u>\$ 835,428</u>	<u>\$ 858,921</u>	<u>\$ 884,912</u>	<u>\$ 898,908</u>	<u>\$ 820,009</u>	<u>\$ 663,378</u>
District's covered payroll*	\$ 433,634	\$ 401,377	\$ 374,746	\$ 275,895	\$ 351,205	\$ 338,237	\$ 354,096	\$ 353,768	\$ 347,707	\$ 340,282
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	102.22%	126.75%	108.84%	77.52%	157.56%	167.96%	173.12%	174.89%	162.79%	145.69%
Plan fiduciary net position as a percentage of the total pension liability	83.55%	80.62%	81.20%	87.21%	71.82%	72.56%	70.99%	69.46%	70.04%	74.02%

*Covered payroll on this schedule is based on measurement date, as such covered payroll represented for each fiscal year is the covered payroll from the prior year as identified on the schedule of contributions.

See Accompanying Notes to Required Supplementary Information.

Spencer Valley School District

Schedule of the District's Contributions - CalSTRS

Last Ten Fiscal Years

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 84,637	\$ 82,824	\$ 76,663	\$ 63,407	\$ 44,557	\$ 60,056	\$ 69,112	\$ 51,096	\$ 44,504	\$ 37,309
Contributions in relation to the contractually required contribution	(84,637)	(82,824)	(76,663)	(63,407)	(44,557)	(60,056)	(69,112)	(51,096)	(44,504)	(37,309)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll*	\$ 443,126	\$ 433,634	\$ 401,377	\$ 374,746	\$ 275,895	\$ 351,205	\$ 424,518	\$ 354,096	\$ 353,768	\$ 347,707
Contributions as a percentage of covered payroll	19.10%	19.10%	19.10%	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%

*Covered payroll on this schedule is based on the fiscal year.

See Accompanying Notes to Required Supplementary Information.

Spencer Valley School District

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

Last Ten Fiscal Years

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability (asset)	0.001653%	0.001517%	0.001045%	0.000845%	0.000896%	0.000881%	0.000941%	0.000726%	0.000787%	0.000713%
District's proportionate share of the net pension liability (asset)	\$ 590,760	\$ 549,137	\$ 357,510	\$ 212,495	\$ 259,272	\$ 261,132	\$ 234,902	\$ 224,642	\$ 143,435	\$ 116,062
District's covered payroll*	\$ 325,993	\$ 262,562	\$ 161,362	\$ 150,111	\$ 122,788	\$ 125,396	\$ 117,507	\$ 120,917	\$ 87,946	\$ 87,563
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	181.22%	209.15%	221.56%	141.56%	211.15%	208.25%	199.90%	185.78%	163.09%	132.55%
Plan fiduciary net position as a percentage of the total pension liability	72.29%	69.96%	69.76%	80.97%	70.00%	70.05%	70.85%	71.87%	73.90%	79.43%

*Covered payroll on this schedule is based on measurement date, as such covered payroll represented for each fiscal year is the covered payroll from the prior year as identified on the schedule of contributions.

See Accompanying Notes to Required Supplementary Information.

Spencer Valley School District

Schedule of the District's Contributions - CalPERS

Last Ten Fiscal Years

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 103,973	\$ 86,975	\$ 66,612	\$ 36,968	\$ 31,073	\$ 24,215	\$ 22,649	\$ 18,250	\$ 16,793	\$ 10,419
Contributions in relation to the contractually required contribution	(103,973)	(86,975)	(66,612)	(36,968)	(31,073)	(24,215)	(22,649)	(18,250)	(16,793)	(10,419)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll*	\$ 384,373	\$ 325,993	\$ 262,562	\$ 161,362	\$ 150,111	\$ 122,788	\$ 125,396	\$ 117,507	\$ 120,917	\$ 87,946
Contributions as a percentage of covered payroll	27.050%	26.680%	25.370%	22.910%	20.700%	19.721%	18.062%	15.531%	13.888%	11.847%

*Covered payroll on this schedule is based on the fiscal year.

See Accompanying Notes to Required Supplementary Information.

Spencer Valley School District

Schedule of the District's Total OPEB Liability and Related Ratios

Last Ten Fiscal Years**

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB liability:										
Service cost	N/A	-	(5,402)	\$ 7,988	\$ -	\$ -	\$ -	\$ -	N/A	N/A
Interest	N/A	-	522	622	-	-	-	-	N/A	N/A
Changes of benefit terms	N/A	-	-	-	-	-	-	-	N/A	N/A
Experience differences	N/A	-	-	-	-	-	-	-	N/A	N/A
Changes of assumptions	N/A	-	-	-	(21,313)	6,520	(12,332)	(8,841)	N/A	N/A
Benefit payments	N/A	(10,776)	(10,468)	(13,596)	-	-	-	-	N/A	N/A
Net change in total OPEB liability	N/A	(10,776)	(15,348)	(4,986)	(21,313)	6,520	(12,332)	(8,841)	N/A	N/A
Total OPEB liability - beginning	N/A	10,776	26,124	31,110	52,423	45,903	58,235	67,076	N/A	N/A
Total OPEB liability - ending	N/A	\$ -	\$ 10,776	\$ 26,124	\$ 31,110	\$ 52,423	\$ 45,903	\$ 58,235	N/A	N/A
Covered payroll	N/A	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A	N/A
Total OPEB liability as a percentage of covered payroll	N/A	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A	N/A

*The OPEB Plan was not administered through a trust and contributions were not made based on a measure of pay. Therefore, no measure of payroll is presented.

**This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Final benefit payments on the OPEB plan were made in the fiscal year ended June 30, 2024. The District no longer holds an OPEB plan.

Spencer Valley School District

Notes to Required Supplementary Information

For the Year Ended June 30, 2025

A. Budgetary Comparison Schedule – General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Other than Capital Outlay (Fund 17) was included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

General Fund - Basic Financial Statements Ending Fund Balance	\$ 9,699,234
Less Fund 17 Fund Balance	<u>(3,752,700)</u>
General Fund - Budgetary Comparison Schedule Ending Fund Balance	<u><u>\$ 5,946,534</u></u>
 General Fund - Basic Financial Statements Net Change in Fund Balance	 \$ 557,079
Less Fund 17 Net Change in Fund Balance	<u>(286,985)</u>
General Fund - Budgetary Comparison Schedule Net Change in Fund Balance	<u><u>\$ 270,094</u></u>

B. Excess of Expenditures Over Appropriations

As of June 30, 2025, the District did not have any expenditures which exceeded appropriations.

Spencer Valley School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2025

C. Schedule of District's Proportionate Share – CalSTRS

1. Benefit Changes: Changes in benefits reflect changes enacted by law for benefits offered and eligibility criteria.
2. Changes in Assumptions: Assumptions used in determining the total pension liability of the CalSTRS Plan changed due to actuarial experience studies performed by CalSTRS.

D. Schedule of District's Contributions – CalSTRS

The total pension liability for California State Teachers' Retirement System (CalSTRS) for measurement date June 30, 2024, was determined with a valuation completed June 30, 2023. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Reporting Period	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Measurement Date	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Valuation Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Experience Study	2006 - 2010	2006 - 2010	2010 - 2015	2010 - 2015	2010 - 2015
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return ⁽¹⁾	7.60%	7.60%	7.10%	7.10%	7.10%
Consumer Price Inflation	3.00%	3.00%	2.75%	2.75%	2.75%
Wage Growth (Average)	3.75%	3.75%	3.50%	3.50%	3.50%
Post-Retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple	2.00% Simple	2.00% Simple

Reporting Period	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025
Measurement Date	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024
Valuation Date	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Experience Study	2010 - 2015	2015 - 2018	2015 - 2018	2015 - 2018	2007 - 2022
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return ⁽¹⁾	7.10%	7.10%	7.10%	7.10%	7.10%
Consumer Price Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Wage Growth (Average)	3.50%	3.50%	3.50%	3.50%	3.50%
Post-Retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple	2.00% Simple	2.00% Simple

(1) – Net of investment expenses but gross of administrative expenses.

CalSTRS uses a generational mortality assumption, which involves the use of base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among CalSTRS members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.

Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on the CalSTRS website.

Spencer Valley School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2025

E. Schedule of District's Proportionate Share – CalPERS

1. Benefit Changes: Changes in benefits reflect changes enacted by law for benefits offered and eligibility criteria.
2. Changes in Assumptions: Assumptions used in determining the total pension liability of the CalPERS Plan changed due to actuarial experience studies performed by CalPERS.

F. Schedule of District's Contributions – CalPERS

The total pension liability for California Public Employees Retirement System – School Pool (CalPERS) for measurement date June 30, 2024, was determined with a valuation completed June 30, 2023. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Reporting Period	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Measurement Date	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019
Valuation Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Experience Study	1997 - 2011	1997 - 2011	1997 - 2011	1997 - 2015	1997 - 2015
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return ⁽¹⁾	7.65%	7.65%	7.15%	7.15%	7.15%
Consumer Price Inflation	2.75%	2.75%	2.75%	2.50%	2.50%
Wage Growth (Average)	3.00%	3.00%	3.00%	3.00%	3.00%
Post-Retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple	2.00% Simple	2.00% Simple

Reporting Period	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025
Measurement Date	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024
Valuation Date	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023
Experience Study	1997 - 2015	1997 - 2015	2000 - 2019	2000 - 2019	2000 - 2019
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return ⁽¹⁾	7.15%	7.15%	6.90%	6.90%	6.90%
Consumer Price Inflation	2.50%	2.50%	2.50%	2.50%	2.30%
Wage Growth (Average)	2.75%	2.75%	2.75%	2.75%	Varies by Age
Post-Retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple	2.00% Simple	2.00 - 2.30%

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the December 2021 experience study report (based on demographic data from 2000 to 2019) available on the CalPERS website.

Spencer Valley School District

Notes to Required Supplementary Information, Continued

For the Year Ended June 30, 2025

G. Schedule of Changes in the District's Net OPEB Liability and Related Ratios

- 1) Benefit Changes: The District no longer holds an OPEB plan, there were no changes during the fiscal year ended June 30, 2025.
- 2) Changes in Assumptions: The District no longer holds an OPEB plan, there were no changes during the fiscal year ended June 30, 2025.
- 3) The following are the discount rates used for each period:

<u>Year</u>	<u>Discount Rate</u>
2018	2.00%
2019	2.00%
2020	2.00%
2021	2.00%
2022	2.00%
2023	2.00%
2024	2.00%
2025	N/A

Additional information can be obtained by contacting the District's business office.

Other Supplementary Information

Spencer Valley School District
Schedule of Average Daily Attendance
Year Ended June 30, 2025

	Second Period Report		Annual Report	
	Original 1F18B45	Revised	Original 9AC363F	Revised
TK/K-3				
Regular ADA	19.45	N/A	19.52	N/A
Total TK/K-3	19.45	N/A	19.52	N/A
Grades 4-6				
Regular ADA	14.61	N/A	14.73	N/A
Total Grades 4-6	14.61	N/A	14.73	N/A
Grades 7-8				
Regular ADA	5.68	N/A	5.66	N/A
Total Grades 7-8	5.68	N/A	5.66	N/A
Total ADA	39.74	N/A	39.91	N/A

N/A – There were no audit findings which resulted in revisions to average daily attendance (ADA).

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts and charter schools. This schedule provides information regarding the attendance of students by grade span and adjustments to the attendance as a result of an audit finding when applicable.

Spencer Valley School District

Schedule of Instructional Time

Year Ended June 30, 2025

Grade Level	Annual Minutes Requirement	Actual Minutes Offered	J-13A Minutes	Total Minutes	Number of Actual Days Offered (Traditional)	J-13A Days	Total Instructional Days	Status
Transitional Kindergarten	36,000	55,015	335	55,350	179	1	180	Complied
Kindergarten	36,000	55,015	335	55,350	179	1	180	Complied
1st Grade	50,400	55,015	335	55,350	179	1	180	Complied
2nd Grade	50,400	55,015	335	55,350	179	1	180	Complied
3rd Grade	50,400	55,015	335	55,350	179	1	180	Complied
4th Grade	54,000	55,015	335	55,350	179	1	180	Complied
5th Grade	54,000	55,015	335	55,350	179	1	180	Complied
6th Grade	54,000	55,015	335	55,350	179	1	180	Complied
7th Grade	54,000	55,015	335	55,350	179	1	180	Complied
8th Grade	54,000	55,015	335	55,350	179	1	180	Complied

This schedule provides the information necessary to determine if the District has complied with Article 8 (commencing with Section 46200) of Chapter 2 of Part 26 of the Education Code. The requirements are as follows:

- 1) EC §46207: As a condition of apportionment the following annual instructional minutes must be offered:
 - To pupils in Kindergarten 36,000 minutes
 - To pupils in grades 1 to 3 50,400 minutes
 - To pupils in grades 4 to 8 54,000 minutes
- 2) EC §46208: As a condition of apportionment 180 school days must be offered for traditional calendars. In order to qualify as a school day the following minimum daily minutes must be met:
 - EC §46112: Grades 1 to 3 230 minutes
 - EC §46113: Grades 4 to 8 240 minutes
 - EC §46114: Kindergarten 180 minutes

The District received approval of a J-13A waiver of 335 minutes and 1 school day for school emergency closure on March 14, 2025. The J-13A waiver was approved by the California Department of Education on June 2, 2025.

Spencer Valley School District

Schedule of Financial Trends and Analysis

Year Ended June 30, 2025

<u>General Fund</u>	<u>Budget 2026 (See Note 1)</u>	<u>2025</u>	<u>2024 (See Note 1)</u>	<u>2023 (See Note 1)</u>
Revenues and Other Financing Sources	\$ 2,401,385	\$ 2,213,740	\$ 2,619,115	\$ 6,362,497
Expenditures and Other Financing Uses	<u>2,361,828</u>	<u>1,913,725</u>	<u>1,920,756</u>	<u>6,154,710</u>
Net Change in Fund Balance	<u>39,557</u>	<u>300,015</u>	<u>698,359</u>	<u>207,787</u>
Ending Fund Balance	<u>\$ 6,016,012</u>	<u>\$ 5,976,455</u>	<u>\$ 5,676,440</u>	<u>\$ 4,978,081</u>
Available Reserves (See Note 2)	<u>\$ 3,416,546</u>	<u>3,779,114</u>	<u>\$ 3,055,923</u>	<u>\$ 2,624,403</u>
Available Reserves as a Percentage of Total Outgo	<u>144.66%</u>	<u>197.47%</u>	<u>159.10%</u>	<u>42.64%</u>
Long Term Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Average Daily Attendance at P2	<u>37</u>	<u>40</u>	<u>45</u>	<u>40</u>

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

The general fund balance has increased by \$968,453 (19.45%) over the past two years. The fiscal year 2025-26 budget projects an increase of \$39,557 (0.67%). For a district of this size, the State recommends available reserves of 5% of total general fund expenditures and other financing uses (total outgo) or \$80,000, whichever is greater.

Average daily attendance (ADA) has not changed over the past two years.

Spencer Valley School District

Schedule of Financial Trends and Analysis, Continued

Year Ended June 30, 2025

Notes:

1. AU-C §725.05 requires the following conditions be met to provide an opinion on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole:
 - a) The supplementary information was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements.
 - b) The supplementary information relates to the same period as the financial statements.
 - c) The auditor issued an audit report on the financial statements that contained neither an adverse opinion nor a disclaimer of opinion.
 - d) The supplementary information will accompany the audited financial statements or such audited financial statements will be made readily available by the District.

Three of the above columns are not related to the same period as the financial statements and as such we do not provide an opinion on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. Additionally, the analysis presented utilizes information from periods outside the period of the financial statements and as such we do not provide an opinion on whether the analysis is fairly stated, in all material respects, to the financial statements as a whole. The information has been presented for analysis only and has not been audited.

2. Available reserves consist of all unassigned fund balances contained within the general fund.
3. GASB Statement No. 54 requires the inclusion of the Special Reserve Fund for Other Than Capital Outlay (Fund 17) with the General Fund for reporting purposes only. This schedule has been prepared without the inclusion of Fund 17.

Spencer Valley School District

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements Year Ended June 30, 2025

	General Fund (Fund 01)	Special Reserve Fund for Other than Capital Outlay (Fund 17)	Special Reserve For Capital Outlay (Fund 40)	Childcare Enterprise Fund (Fund 63)
June 30, 2025, annual financial and budget report fund balances	<u>\$ 6,484,982</u>	<u>\$ 3,752,700</u>	<u>\$ 2,609</u>	<u>\$ 14,922</u>
Adjustments and reclassifications:				
Increasing (decreasing) the fund balance:				
Overstatement of Charter School Oversight Fees	(508,527)	-	-	-
Understatement of Deferred Outflows of Resources	-	-	-	101,641
Understatement of Net Pension Liability	-	-	-	(97,923)
Understatement of Deferred Inflows of Resources	-	-	-	(701)
GASB 54 Fund Presentation	<u>3,752,700</u>	<u>(3,752,700)</u>	<u>-</u>	<u>-</u>
Net adjustments and reclassifications	<u>3,244,173</u>	<u>(3,752,700)</u>	<u>-</u>	<u>3,017</u>
June 30, 2025, audited financial statement fund balances	<u><u>\$ 9,729,155</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,609</u></u>	<u><u>\$ 17,939</u></u>

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

Spencer Valley School District

Schedule of Charter Schools

Year Ended June 30, 2025

Charter Schools	Charter Number	Included in Audit?
California Virtual Academy @ San Diego	#0493	No
Insight @ San Diego	#1371	No

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

Other Information

Spencer Valley School District

Local Education Agency Organization Structure

June 30, 2025

The Spencer Valley School District was established in 1876 and consists of an area comprising approximately 9.9 square miles and serves students in transitional kindergarten through grade eight as well as operating a licensed preschool program. There were no changes in the boundaries of the district during the current year. Spencer Valley School District is a single school district.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term and Term Expiration</u>
Lucinda Arntson	President/Clerk	Four Year Term Expires December 2026
James Beau Cseri	Member	Four Year Term Expires December 2026
Kathy Finley	Member	Four Year Term Expires December 2028

ADMINISTRATION

Kelly Baas
Superintendent/Principal

Kathleen McKenzie, Ph.D.
Assistant Superintendent
Human Resources and
Business Services

Other Independent Auditors' Reports

Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Education
Spencer Valley School District

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, the business-type activities, and each major fund of the Spencer Valley School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 2, 2025.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any items which we consider to be significant deficiencies. However, significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2025-002.

The District's Response to Findings

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

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



El Cajon, California
December 2, 2025

Independent Auditor's Report on State Compliance and on
Internal Control over State Compliance

To the Board of Education
Spencer Valley School District

Report on Compliance for Applicable State Programs

Opinion on Each Applicable State Program

We have audited the Spencer Valley School District's (the District) compliance with the requirements specified in the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 identified below for the year ended June 30, 2025.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above on each of its applicable state programs for the year ended June 30, 2025.

Basis for Opinion on Each Applicable State Program

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 audit requirements of *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810 (the Audit Guide). Our responsibilities under those standards and the Audit Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Audit Guide will always detect material noncompliance when it exists.

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the 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 the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over state 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 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following programs:

		Procedures Performed
<u>Local Education Agencies Other than Charter Schools</u>		
A.	Attendance.....	Yes
B.	Teacher Certification and Misassignments.....	Yes
C.	(Reserved).....	N/A
D.	Independent Study.....	N/A
E.	Continuation Education.....	N/A
F.	Instructional Time.....	Yes
G.	Instructional Materials.....	Yes
H.	Ratio of Administrative Employees to Teachers.....	Yes
I.	Classroom Teacher Salaries.....	Yes
J.	Early Retirement Incentive.....	N/A
K.	Gann Limit Calculation.....	Yes
L.	School Accountability Report Card.....	Yes
M.	Juvenile Court Schools.....	N/A
N.	Middle or Early College High Schools.....	N/A
O.	K-3 Grade Span Adjustment.....	Yes
P.	(Reserved).....	N/A
Q.	Apprenticeship: Related and Supplemental Instruction.....	N/A
R.	Comprehensive School Safety Plan.....	Yes
S.	District of Choice.....	N/A
TT.	Home to School Transportation Reimbursement.....	N/A

School Districts, County Offices of Education, and Charter Schools		Procedures Performed
T.	Proposition 28 Arts & Music in Schools.....	Yes
U.	After/Before School Education and Safety Program.....	N/A
V.	Proper Expenditure of Education Protection Account Funds.....	Yes
W.	Unduplicated Local Control Funding Formula Pupil Counts.....	Yes
X.	Local Control and Accountability Plan.....	Yes
Y.	Independent Study - Course Based.....	N/A
Z.	Immunizations.....	No
AZ.	Educator Effectiveness.....	Yes
BZ.	Expanded Learning Opportunities Grant (ELO-G).....	Yes
CZ.	Career Technical Education Incentive Grant.....	N/A
DZ.	Expanded Learning Opportunities Program (ELO-P).....	Yes
EZ.	Transitional Kindergarten.....	Yes
FZ.	Kindergarten Continuance.....	No

N/A – The School District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform procedures for Immunizations because the school site for the District did not appear on the California Department of Public Health list of LEAs that are subject to the audit of immunizations.

We did not perform the procedures for Kindergarten Continuance because there were no enrolled kindergarten students that turned six years old by September 1, 2024.

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

Report on Internal Control over State Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over state compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over state 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 *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, Section 19810. Accordingly, this report is not suitable for any other purpose.



El Cajon, California
December 2, 2025

Auditor's Results, Findings & Recommendations

Spencer Valley School District

Schedule of Auditor's Results

Year Ended June 30, 2025

FINANCIAL STATEMENTS

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weakness(es) identified?

 X

Yes

 No

One or more significant deficiencies identified that are
not considered material weakness(es)?

 Yes

 X

No

Noncompliance material to financial statements noted?

 X

Yes

 No

STATE AWARDS

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

Unmodified

Internal control over applicable state programs:

One or more material weakness(es) identified?

 Yes

 X

No

One or more significant deficiencies identified that are
not considered material weakness(es)?

 Yes

 X

No

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?

 Yes

 X

No

Spencer Valley School District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

Findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*, or the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Finding codes as identified in the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are as follows:

Five Digit Code	AB 3627 Finding Type
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities
43000	Apprenticeship: Related and Supplemental Instruction
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

A. Financial Statement Findings

Finding Number: 2025-001
Repeat Finding: No
Description: Pension Liability in Enterprise Fund
Type of Finding: Internal Control – Material Weakness (30000)

Criteria or Specific Requirement

Governmental Accounting Standards Board (GASB) Statement No. 68 requires that net pension liability be measured and reported in accordance with the actuarial valuation as of the measurement date.

Condition

The childcare services enterprise fund did not record net pension liability and the related changes in deferred outflows of resources, deferred inflows of resources, and pension expense. The resulting misstatements were determined to be material to the opinion unit.

Cause

The District did not have a process in place to record changes in pension liability in the enterprise fund prior to closing the financial statements.

Effect

The net pension liability was understated by \$97,923, deferred outflows of resources were understated by \$101,641, deferred inflows of resources were understated by \$701, and pension expense was overstated by \$3,017 in the enterprise fund. Audit adjustments were posted to correct these items.

Spencer Valley School District

Schedule of Findings and Questioned Costs, Continued

Year Ended June 30, 2025

Recommendation

We recommend the District establish procedures to ensure that changes in pension liability and the related deferred outflows of resources, deferred inflows of resources, and pension expense are recorded in the childcare services enterprise fund prior to close of the books.

Views of Responsible Officials

See Corrective Action Plan

Finding Number: 2025-002
Repeat Finding: No
Description: Charter School Oversight Fees
Type of Finding: Noncompliance Material to Financial Statements (60000)

Criteria or Specific Requirement

Education Code §47613 states that a chartering authorizer may charge for the actual costs of supervisorial oversight of a charter school not to exceed one percent of the local control funding formula revenue of the charter school.

Condition

In our review of charter school oversight fees charged by the District, we noted that the District charged a flat one percent of each charter schools local control funding formula revenue without consideration of the actual costs of supervisorial oversight. Upon review of actual costs, the District was able to substantiate \$29,921 in costs.

Cause

The District was not reviewing actual costs of supervisorial oversight and charged the maximum allowable under education code.

Effect

Revenue recognition criteria has not been met for a portion of charter school oversight fees. As a result, charter school oversight fee revenue was overstated on the financial statements by \$508,527 and an audit adjustment was recorded to reflect the correction to revenue.

Recommendation

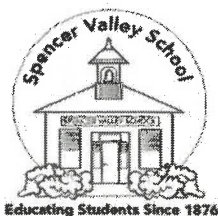
We recommend the District return oversight fees charged to the charter schools without support for actual costs of supervisorial oversight. Additionally, we recommend that the District establish a process to track actual costs of supervisorial oversight, including time tracking for any employees time being charged to charter school oversight.

Views of Responsible Officials

See Corrective Action Plan

B. State Award Findings

None



Spencer Valley School District

4414 Highway 78/79
P.O. Box 159
Santa Ysabel, CA 92070
Phone 760-765-0336
Fax 760-765-3135

December 1, 2025

To Whom it May Concern:

The accompanying Corrective Action Plan has been prepared as required by the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

A handwritten signature in blue ink, appearing to be "Kathleen McKenzie", is written over a horizontal line.

Kathleen McKenzie, Ph.D.
Assistant Superintendent, Human Resources & Business Services

Spencer Valley School District

Corrective Action Plan

For the Year Ended June 30, 2025

Financial Statement Findings

Finding Number: 2025-001
Program Name: Pension Liability in Enterprise Fund
Contact Person: Kathleen McKenzie
Anticipated Completion Date: Prior to closing the books for 2025-26

Planned Corrective Action: We will add full accrual entries, such as pension liability, to our closing checklist to ensure the entries are made prior to closing the books. Additionally, we will attend training specific to pension accounting and add verification processes to our year end close.

Finding Number: 2025-002
Program Name: Charter School Oversight Fees
Contact Person: Kathleen McKenzie
Anticipated Completion Date: October 9, 2025

Planned Corrective Action: We are currently tracking actual costs and will monitor to ensure charter schools are charged the lesser of actual costs or 1% of their LCFF funding.

Spencer Valley School District
Schedule of Prior Year Audit Findings
Year Ended June 30, 2025

Finding/Recommendation	Status	Explanation if Not Implemented
There were no audit findings reported in the 2023-24 audit.		