

Financial Statements
June 30, 2025

Laguna Beach Unified School District

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Independent Auditor's Report

To the Governing Board
Laguna Beach Unified School District
Laguna Beach, California

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

Adoption of New Accounting Standard

As discussed in Note 17 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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, budgetary comparison information, schedule of changes in the District's net OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability – CalSTRS, schedule of the District's proportionate share of the net pension liability - CalPERS, schedule of the District's contributions – CalSTRS, and schedule of the District's contributions - CalPERS be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 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, 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 3, 2025



LAGUNA BEACH UNIFIED SCHOOL DISTRICT

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This section of Laguna Beach Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025, with comparative information for the fiscal year ending on June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Total assets increased slightly by year-end, reflecting stable cash balances and ongoing investment in capital assets to support instructional programs.

Deferred outflows of resources decreased \$1.1 million (5%) to \$20.5 million, primarily due to changes in pension-related actuarial data.

Total liabilities rose modestly by \$0.2 million to \$75.9 million. The District's net pension liability decreased from \$55.5 million to \$50.2 million as a result of favorable actuarial and market performance, while long-term liabilities other than OPEB and pensions increased from \$13.1 million to \$17.3 million following the implementation of GASB 101, which requires recognition of compensated absences. Current liabilities increased \$1.3 million, primarily reflecting the timing of year-end accruals and vendor payments recorded at fiscal closing.

Deferred inflows of resources increased, reflecting year-over-year changes in pension and OPEB actuarial assumptions.

As a result, the District's net position increased by \$0.2 million (0.35%) to \$65.7 million, reflecting balanced revenues and expenditures and a continuation of the District's stable financial position. Of this total, \$51.3 million represents net investment in capital assets, \$7.7 million is restricted for specific purposes, and \$6.7 million is unrestricted and available for operations.

Detailed information and analysis of the changes in net position and fund balances can be found in the subsequent sections and reflect the impact of these major financial highlights.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities. These statements include all assets of the District (including capital assets), deferred outflows, as well as all liabilities (including long-term liabilities) and deferred inflows. Additionally, certain eliminations have occurred as prescribed by the statement in regard to interfund activity, payables, and receivables.

The Fund Financial Statements include statements for each of the two categories of activities: governmental, and fiduciary.

- The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.
- *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Laguna Beach Unified School District

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position and the Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - All of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, and the on-going effort to improve and maintain buildings and sites. Property taxes, State aid revenues, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds 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 financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, such as our funds for community facility district (CFD) activities. The District's fiduciary activities are reported in the Fiduciary Fund Financial Statements. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position was more on June 30, 2025, than it was in the prior year, an increase of 0.3% to \$65,736,349. Of this amount, \$6,699,102 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use those net positions for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

| | Governmental Activities | |
|--|-------------------------|---------------|
| | 2025 | 2024* |
| Assets | | |
| Current and other assets | \$ 67,554,278 | \$ 64,489,153 |
| Capital assets | 60,088,818 | 60,049,620 |
| Total assets | 127,643,096 | 124,538,773 |
| Deferred Outflows of Resources | 20,471,267 | 21,557,376 |
| Liabilities | | |
| Current liabilities | 6,070,507 | 4,763,593 |
| Long-term liabilities other than OPEB and pensions | 17,310,947 | 13,060,035 |
| Net other postemployment benefits (OPEB) liability | 2,286,931 | 2,331,245 |
| Aggregate net pension liability | 50,186,836 | 55,492,426 |
| Total liabilities | 75,855,221 | 75,647,299 |
| Deferred Inflows of Resources | 6,522,793 | 4,940,022 |
| Net Position | | |
| Net investment in capital assets | 51,324,515 | 48,686,712 |
| Restricted | 7,712,732 | 8,702,384 |
| Unrestricted | 6,699,102 | 8,119,732 |
| Total net position | \$ 65,736,349 | \$ 65,508,828 |

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 17 for further information.

The \$6,699,102 in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased by 17.5% (\$6,699,102 compared to \$8,119,732).

Changes in Net Position

The District's total revenues were \$94,589,613 (See Table 2), an increase of \$1,741,622, or 1.9%. This increase was due primarily to changes in property taxes and other general revenue sources. Table 2 takes the information from the Statement of Activities and rearranges them slightly to indicate total revenues for the year. Property taxes account for most of the District's revenue, about 82 cents of every dollar received or recognized for accounting purposes.

Table 2

| | Governmental Activities | |
|------------------------------------|-------------------------|--------------|
| | 2025 | 2024* |
| Revenues | | |
| Program revenues | | |
| Charges for services and sales | \$ 998,902 | \$ 558,470 |
| Operating grants and contributions | 7,756,770 | 9,271,630 |
| General revenues | | |
| Property taxes | 77,375,699 | 73,830,576 |
| Other general revenues | 8,458,242 | 9,187,315 |
| Total revenues | 94,589,613 | 92,847,991 |
| Expenses | | |
| Instruction-related | 58,225,812 | 58,569,494 |
| Pupil services | 10,483,369 | 11,130,577 |
| Administration | 7,321,051 | 6,933,921 |
| Plant services | 6,989,214 | 6,794,740 |
| All other services | 4,011,957 | 3,134,667 |
| Total expenses | 87,031,403 | 86,563,399 |
| Change in net position | \$ 7,558,210 | \$ 6,284,592 |

* The expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 17 for further information.

The total cost of all programs and services was \$87,031,403. The District's expenses are predominantly related to educating and caring for students (78.9%). The purely administrative activities of the District accounted for 8.4% of total costs.

Total revenues for governmental activities surpassed expenses, increasing the net position by \$7,558,210 over last year, contributing to the District's fiscal status.

Governmental Activities

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction-related, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

| | 2025 | | 2024* | |
|---------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Instruction-related | \$ 58,225,812 | \$ (53,023,030) | \$ 58,569,494 | \$ (52,208,789) |
| Pupil services | 10,483,369 | (8,507,704) | 11,130,577 | (8,671,560) |
| Administration | 7,321,051 | (7,280,332) | 6,933,921 | (6,846,278) |
| Plant services | 6,989,214 | (6,920,142) | 6,794,740 | (6,723,776) |
| All other services | 4,011,957 | (2,544,523) | 3,134,667 | (2,282,896) |
| Total | \$ 87,031,403 | \$ (78,275,731) | \$ 86,563,399 | \$ (76,733,299) |

* The expenses for the year ended June 30, 2024 were not restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 17 for further information.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" 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 by State law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (e.g., capital facilities) or to show that it is properly using certain revenues (e.g., cafeteria revenues).

Financial Analysis of the District's Funds

The strong financial performance of the District as a whole is reflected in its governmental funds as well. The main day-to-day operating fund of the District is the General Fund. The monies deposited into the General Fund represent the Federal, State, and local revenues available for the ongoing cost related to instruction, school and district administration, student transportation, and regular maintenance and operations. During 2024-2025, the General Fund had revenues and other financing sources of \$91,308,394 and expenditures and other financing uses of \$90,392,880 for an increase of \$915,514 or 1.9% over last year. Excluding other financing sources and uses, General Fund revenues exceeded expenditures by \$3,285,978. The District achieves a financial balance between revenues and expenditures for its ongoing day-to-day operations.

The total of all governmental funds saw an increase in fund balance of \$1,720,711. As the District completed the year, its governmental funds reported combined fund balance of \$61,611,938. Expenditures and other financing uses for the General Fund reflect a transfer of \$1,200,000 to the Special Reserve Fund for Capital Outlay Projects for the Capital Improvement Plan, a transfer of \$900,000 to the Special Reserve Fund for Capital Outlay Projects for the Facilities Repair and Replacement Program, and a transfer of \$300,000 to the Cafeteria Non-Major Governmental Fund to cover program costs.

Table 4

| | Balances and Activity | | | June 30, 2025 |
|---|-----------------------|--|---|---------------|
| | July 1, 2024 | Revenues and Other Financing Sources | Expenditures and Other Financing Uses | |
| General Fund | \$ 47,367,768 | \$ 91,308,394 | \$ 90,392,880 | \$ 48,283,282 |
| Special Reserve Fund for Capital Outlay Projects | 9,208,290 | 2,668,427 | 1,996,711 | 9,880,006 |
| Student Activity Fund | 199,966 | 252,647 | 234,156 | 218,457 |
| Adult Education Fund | 20,878 | 138,846 | 130,285 | 29,439 |
| Cafeteria Fund | 222,387 | 1,550,597 | 1,498,578 | 274,406 |
| Capital Facilities Fund | 305,675 | 151,982 | 208,389 | 249,268 |
| Bond Interest and Redemption Fund | 2,566,263 | 2,713,417 | 2,602,600 | 2,677,080 |
| Total | \$ 59,891,227 | \$ 98,784,310 | \$ 97,063,599 | \$ 61,611,938 |

General Fund Budgetary Highlights

The Board approves the initial budget in early to mid-June. The State adopts its budget at the end of June, and the District revises its budget throughout the year as changes occur in revenue projections, enrollment and attendance, staffing, and programs. These adjustments are made in response to regulations, student demographics, educational and social-emotional needs, and Board priorities. Updated budgets are then presented to the Board for approval two to three times a year: at the First Interim (December), the Second Interim (March), and the Estimated Actuals (June).

For fiscal year 2024–2025, actual General Fund revenues exceeded the final budget by approximately \$2.35 million, while expenditures were \$1.02 million below budget, resulting in a favorable variance of \$3.38 million. Property tax revenues were in line with projections, and the positive results were primarily driven by higher local revenues from interest income and support from parent and community organizations, along with lower spending in supplies, services, and capital outlay.

The District ended the year with a general fund balance of \$48.28 million, \$3.4 million higher than projected. A schedule displaying the District’s original and final budget amounts compared with amounts actually paid and received is provided in this annual financial report in the Required Supplementary Information section.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2025, the District had \$60,088,818 in a broad range of capital assets (net of depreciation and amortization), including land and construction in process, land improvements, buildings and improvements, furniture and equipment, right-to-use leased furniture and equipment, and right-to-use subscription IT assets. This amount represents a net increase (including additions, deductions, depreciation, and amortization) of \$39,198, or 0.1%, from last year (Table 5).

Table 5

| | Governmental Activities | |
|---|-------------------------|---------------|
| | 2025 | 2024 |
| Land and construction in process | \$ 3,586,383 | \$ 2,053,608 |
| Land improvements | 6,695,893 | 7,343,293 |
| Buildings and improvements | 42,206,904 | 42,575,637 |
| Furniture and equipment | 7,462,161 | 7,914,553 |
| Right-to-use leased furniture and equipment | 5,158 | 7,737 |
| Right-to-use subscription IT assets | 132,319 | 154,792 |
| Total | \$ 60,088,818 | \$ 60,049,620 |

The District’s capital assets represent approximately 47% of total assets, with the remaining assets consisting mainly of investments, cash, grants, receivables, inventories, and prepaid assets.

During the year, the District added approximately \$4.8 million in new capital assets, reflecting continued investment in facilities, technology, and site improvements. Major projects included the Theater Lighting Modernization at Laguna Beach High School and preschool and transitional kindergarten upgrades. No debt was issued to finance these additions.

Construction in progress additions totaled \$1.6 million, primarily related to design work for the high school pool modernization project. Remaining construction commitments include the Stadium Turf and Track Replacement and pre-construction costs associated with the pool project. These projects are consistent with the District’s Facilities Master Plan and ongoing capital renewal priorities.

These investments align with the District’s long-term commitment to maintaining safe, sustainable, and modern learning environments.

We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Liabilities other than Other Postemployment Benefits (OPEB) and Pensions

At year-end, the District had \$17,310,947 in long-term liabilities other than OPEB and pensions outstanding versus \$13,060,035, an increase of \$4,250,912, or 32.5%. Those obligations consisted of:

Table 6

| | Governmental Activities | |
|------------------------------------|-------------------------|---------------|
| | 2025 | 2024* |
| General obligation bonds | \$ 7,690,000 | \$ 9,940,000 |
| Premium on issuance | 913,133 | 1,217,510 |
| Leases | 6,272 | 8,800 |
| Subscription-based IT arrangements | 73,683 | 88,313 |
| Early retirement incentive | 990,154 | 1,401,710 |
| Compensated absences | 7,637,705 | 403,702 |
| Total | \$ 17,310,947 | \$ 13,060,035 |

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 17 for further information.

We provide more detailed information regarding long-term liabilities in Note 9 to the financial statements.

OPEB and Pension Liabilities

At year end, the District had a net other postemployment benefit (OPEB) liability of \$2,286,931 versus \$2,331,245 last year, a decrease of \$44,314 or 1.9%. We provide more detailed information regarding OPEB liabilities in Note 10 to the financial statements.

In addition, at year-end, the District has an aggregate net pension liability of \$50,186,836 versus \$55,492,426 last year, a decrease of \$5,305,590, or 9.6%. We provide more detailed information regarding pension liabilities in Note 14 to the financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District’s outlook for 2025–2026 remains stable, supported by a strong local property tax base as a Basic Aid (Community-Funded) district. Assessed valuation growth for 2025–2026 is projected at approximately 5.34%, reflecting modest but steady increases in real estate values despite a higher interest rate environment relative to the record lows of prior years. This demonstrates continued resilience in the local property market, which remains the primary source of General Fund revenue.

At the regional level, the UCLA Anderson Forecast (October 2025) reports that both the U.S. and California economies are experiencing a period of slower growth, with recovery not expected until late 2026. The state economy has entered a mild employment contraction, with unemployment projected to peak at 6.2% in early 2026 before improving in subsequent years. Inflationary pressures and higher borrowing costs continue to affect construction, housing, and consumer spending, though long-term growth prospects remain positive as monetary conditions begin to ease.

For Laguna Beach USD, these broader economic conditions are mitigated by the District's strong fiscal position and property-tax-based funding model.

The District will continue to monitor cost drivers such as pension obligations, labor market pressures, and inflation, which may influence future operating budgets. Despite a slower state and national economy, the District's conservative financial management, stable tax base, and long-range planning position it well to maintain educational excellence and fiscal stability through the forecast period.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Manoj Roychowdhury, Assistant Superintendent-Business Services, Laguna Beach Unified School District, 550 Blumont Street, Laguna Beach, California 92651.

Laguna Beach Unified School District
Statement of Net Position
June 30, 2025

| | Governmental Activities |
|---|----------------------------|
| Assets | |
| Deposits and investments | \$ 64,692,134 |
| Receivables | 2,825,581 |
| Prepaid expenses | 22,890 |
| Stores inventories | 13,673 |
| Capital assets not depreciated or amortized | 3,586,383 |
| Capital assets, net of accumulated depreciation and amortization | 56,502,435 |
| Total assets | 127,643,096 |
| Deferred Outflows of Resources | |
| Deferred outflows of resources related to OPEB | 2,226,309 |
| Deferred outflows of resources related to pensions | 18,244,958 |
| Total deferred outflows of resources | 20,471,267 |
| Liabilities | |
| Accounts payable | 5,749,580 |
| Accrued interest | 128,167 |
| Unearned revenue | 192,760 |
| Long-term liabilities | |
| Long-term liabilities other than OPEB and pensions due within one year | 4,286,028 |
| Long-term liabilities other than OPEB and pensions due in more than one year | 13,024,919 |
| Net other postemployment benefits (OPEB) liability due in more than one year | 2,286,931 |
| Aggregate net pension liability | 50,186,836 |
| Total liabilities | 75,855,221 |
| Deferred Inflows of Resources | |
| Deferred charge on refunding | 81,215 |
| Deferred inflows of resources related to OPEB | 972,705 |
| Deferred inflows of resources related to pensions | 5,468,873 |
| Total deferred inflows of resources | 6,522,793 |
| Net Position | |
| Net investments in capital assets | 51,324,515 |
| Restricted for | |
| Debt service | 2,548,913 |
| Capital projects | 249,268 |
| Educational programs | 4,407,804 |
| Other activities | 506,747 |
| Unrestricted | 6,699,102 |
| Total net position | \$ 65,736,349 |

Laguna Beach Unified School District
Statement of Activities
Year Ended June 30, 2025

| Functions/Programs | Expenses | Program Revenues | | Net (Expenses) Revenues and Changes in Net Position |
|---|----------------------|--------------------------------------|--|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | |
| Instruction | \$ 49,958,808 | \$ 10,163 | \$ 4,709,465 | \$ (45,239,180) |
| Instruction-related activities | | | | |
| Supervision of instruction | 2,076,536 | 11,634 | 392,043 | (1,672,859) |
| Instructional library, media, and technology | 1,819,585 | - | 14,497 | (1,805,088) |
| School site administration | 4,370,883 | - | 64,980 | (4,305,903) |
| Pupil services | | | | |
| Home-to-school transportation | 2,707,133 | - | - | (2,707,133) |
| Food services | 1,589,557 | 40,540 | 1,210,056 | (338,961) |
| All other pupil services | 6,186,679 | 3,375 | 721,694 | (5,461,610) |
| General administration | | | | |
| Data processing | 1,233,984 | - | 3,641 | (1,230,343) |
| All other general administration | 6,087,067 | 435 | 36,643 | (6,049,989) |
| Plant services | 6,989,214 | 44,192 | 24,880 | (6,920,142) |
| Ancillary services | 2,315,622 | 249,814 | 8,703 | (2,057,105) |
| Community services | 399,861 | 86,830 | 48,709 | (264,322) |
| Interest on long-term liabilities | (11,049) | - | - | 11,049 |
| Other outgo | 1,307,523 | 551,919 | 521,459 | (234,145) |
| Total governmental activities | <u>\$ 87,031,403</u> | <u>\$ 998,902</u> | <u>\$ 7,756,770</u> | <u>(78,275,731)</u> |
| General Revenues and Subventions | | | | |
| Property taxes, levied for general purposes | | | | 74,766,277 |
| Property taxes, levied for debt service | | | | 2,609,422 |
| Federal and State aid not restricted to specific purposes | | | | 2,814,138 |
| Interest and investment earnings | | | | 3,379,035 |
| Miscellaneous | | | | <u>2,265,069</u> |
| Subtotal, general revenues and subventions | | | | <u>85,833,941</u> |
| Change in Net Position | | | | 7,558,210 |
| Net Position - Beginning, as previously reported | | | | 65,508,828 |
| Adjustments (Note 17) | | | | (7,330,689) |
| Net Position - Beginning, as restated | | | | <u>58,178,139</u> |
| Net Position - Ending | | | | <u>\$ 65,736,349</u> |

Laguna Beach Unified School District

Balance Sheet – Governmental Funds

June 30, 2025

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total Governmental Funds |
|--|-----------------------------|--|------------------------------------|--------------------------------|
| Assets | | | | |
| Deposits and investments | \$ 51,162,152 | \$ 10,204,213 | \$ 3,325,769 | \$ 64,692,134 |
| Receivables | 2,474,635 | 35,056 | 315,890 | 2,825,581 |
| Prepaid expenditures | 21,008 | - | 1,882 | 22,890 |
| Stores inventories | - | - | 13,673 | 13,673 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 53,657,795</u> | <u>\$ 10,239,269</u> | <u>\$ 3,657,214</u> | <u>\$ 67,554,278</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 5,181,753 | \$ 359,263 | \$ 208,564 | \$ 5,749,580 |
| Unearned revenue | 192,760 | - | - | 192,760 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>5,374,513</u> | <u>359,263</u> | <u>208,564</u> | <u>5,942,340</u> |
| Fund Balances | | | | |
| Nonspendable | 71,008 | - | 15,555 | 86,563 |
| Restricted | 4,407,804 | - | 3,433,095 | 7,840,899 |
| Committed | 24,000,605 | 9,880,006 | - | 33,880,611 |
| Assigned | 15,303,865 | - | - | 15,303,865 |
| Unassigned | 4,500,000 | - | - | 4,500,000 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>48,283,282</u> | <u>9,880,006</u> | <u>3,448,650</u> | <u>61,611,938</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and fund balances | <u>\$ 53,657,795</u> | <u>\$ 10,239,269</u> | <u>\$ 3,657,214</u> | <u>\$ 67,554,278</u> |

Laguna Beach Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

| | | |
|--|---------------------|----------------------|
| Total Fund Balances - Governmental Funds | | \$ 61,611,938 |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. | | |
| The cost of capital assets is | \$ 115,808,063 | |
| Accumulated depreciation and amortization is | <u>(55,719,245)</u> | |
| Net capital assets | | 60,088,818 |
| In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred. | | |
| | | (128,167) |
| Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to | | |
| Net other postemployment benefits (OPEB) liability | 2,226,309 | |
| Aggregate net pension liability | <u>18,244,958</u> | |
| Total deferred outflows of resources | | 20,471,267 |
| Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to | | |
| Deferred charge on refunding | (81,215) | |
| Net other postemployment benefits (OPEB) liability | (972,705) | |
| Aggregate net pension liability | <u>(5,468,873)</u> | |
| Total deferred inflows of resources | | (6,522,793) |
| Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. | | |
| | | (50,186,836) |
| The District's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds. | | |
| | | (2,286,931) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of | | |
| General obligation bonds | (7,690,000) | |
| Premium on issuance | (913,133) | |
| Leases | (6,272) | |
| Subscription-based IT arrangements | (73,683) | |
| Early retirement incentive program | (990,154) | |
| Compensated absences | <u>(7,637,705)</u> | |
| Total long-term liabilities | | <u>(17,310,947)</u> |
| Total net position - governmental activities | | <u>\$ 65,736,349</u> |

Laguna Beach Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2025

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total Governmental Funds |
|--|----------------------|--|------------------------------------|--------------------------------|
| Revenues | | | | |
| Local Control Funding Formula (LCFF) | \$ 75,782,036 | \$ - | \$ - | \$ 75,782,036 |
| Federal sources | 935,994 | - | 296,676 | 1,232,670 |
| Other State sources | 6,459,980 | - | 1,042,201 | 7,502,181 |
| Other local sources | 8,100,848 | 568,427 | 3,168,612 | 11,837,887 |
| Total revenues | <u>91,278,858</u> | <u>568,427</u> | <u>4,507,489</u> | <u>96,354,774</u> |
| Expenditures | | | | |
| Current | | | | |
| Instruction | 49,270,147 | - | 80,317 | 49,350,464 |
| Instruction-related activities | | | | |
| Supervision of instruction | 2,224,217 | - | - | 2,224,217 |
| Instructional library, media, and technology | 1,929,965 | - | - | 1,929,965 |
| School site administration | 4,393,263 | - | - | 4,393,263 |
| Pupil services | | | | |
| Home-to-school transportation | 2,709,238 | - | - | 2,709,238 |
| Food services | 183,523 | - | 1,498,578 | 1,682,101 |
| All other pupil services | 6,353,070 | - | 46,072 | 6,399,142 |
| General administration | | | | |
| Data processing | 1,431,349 | - | - | 1,431,349 |
| All other general administration | 6,499,534 | - | 3,896 | 6,503,430 |
| Plant services | 6,181,280 | - | - | 6,181,280 |
| Ancillary services | 2,114,475 | - | 234,156 | 2,348,631 |
| Community services | 409,449 | - | - | 409,449 |
| Other outgo | 1,307,523 | - | - | 1,307,523 |
| Facility acquisition and construction | 2,933,855 | 1,996,711 | 208,389 | 5,138,955 |
| Debt service | | | | |
| Principal | 46,694 | - | 2,250,000 | 2,296,694 |
| Interest and other | 5,298 | - | 352,600 | 357,898 |
| Total expenditures | <u>87,992,880</u> | <u>1,996,711</u> | <u>4,674,008</u> | <u>94,663,599</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>3,285,978</u> | <u>(1,428,284)</u> | <u>(166,519)</u> | <u>1,691,175</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | 2,100,000 | 300,000 | 2,400,000 |
| Other sources - SBITAs | 29,536 | - | - | 29,536 |
| Transfers out | (2,400,000) | - | - | (2,400,000) |
| Net Financing Sources (Uses) | <u>(2,370,464)</u> | <u>2,100,000</u> | <u>300,000</u> | <u>29,536</u> |
| Net Change in Fund Balances | 915,514 | 671,716 | 133,481 | 1,720,711 |
| Fund Balances - Beginning | <u>47,367,768</u> | <u>9,208,290</u> | <u>3,315,169</u> | <u>59,891,227</u> |
| Fund Balances - Ending | <u>\$ 48,283,282</u> | <u>\$ 9,880,006</u> | <u>\$ 3,448,650</u> | <u>\$ 61,611,938</u> |

Laguna Beach Unified School District

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

Total Net Change in Fund Balances - Governmental Funds \$ 1,720,711

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expense in the Statement of Activities. This is the amount by which capital outlay exceed depreciation and amortization expense in the period.

| | |
|---------------------------------------|--------------------|
| Capital outlay | \$ 4,800,198 |
| Depreciation and amortization expense | <u>(4,617,289)</u> |

| | |
|------------------------|---------|
| Net expense adjustment | 182,909 |
|------------------------|---------|

A loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (143,711)

Right-to-use subscription IT assets acquired this year were financed with Subscription-Based IT Arrangements (SBITAs). The amount financed by the SBITAs is reported in the governmental funds as a source of financing. On the other hand, the SBITAs are not revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position. (29,536)

In the Statement of Activities, certain operating expenses - compensated absences and special termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits earned were less than the amounts paid by \$411,556. Compensated absences earned was less than the amounts used by \$98,686. 508,242

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows/inflows of resources and net aggregate pension liability during the year. 2,812,604

In the governmental funds, OPEB costs are based on benefit payments made for OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows/inflows of resources and net OPEB liability during the year. (158,650)

Laguna Beach Unified School District

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

Governmental funds report the effect of premiums and deferred charge on refunding when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

| | |
|---|------------|
| Premium amortization | \$ 304,377 |
| Deferred charge on refunding amortization | 27,070 |

Payments of principal on long-term liabilities is an expenditure in the governmental funds, but reduce long-term liabilities in the Statement of net position and does not affect the Statement of Activities

| | |
|------------------------------------|-----------|
| General obligation bonds | 2,250,000 |
| Leases | 2,528 |
| Subscription-based IT arrangements | 44,166 |

Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

37,500

Change in net position of governmental activities

\$ 7,558,210

Laguna Beach Unified School District
Statement of Net Position – Fiduciary Funds
June 30, 2025

| | <u>Custodial Fund</u> |
|---|---------------------------|
| Assets | |
| Investments | <u>\$ 998,456</u> |
| Net Position | |
| Restricted for individuals, organizations, and other governments | <u>\$ 998,456</u> |

Laguna Beach Unified School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2025

| | Custodial Fund |
|--|-------------------|
| Additions | |
| Interest | \$ 39 |
| Other local revenue | 680,387 |
| Total additions | 680,426 |
| Deductions | |
| Other expenditures | 10,878 |
| Payments to investors | 659,428 |
| Total deductions | 670,306 |
| Net Increase in Fiduciary Net Position | 10,120 |
| Net Position - Beginning | 988,336 |
| Net Position - Ending | \$ 998,456 |

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Laguna Beach Unified School District was organized in 1936 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades kindergarten through twelve as mandated by the State and/or Federal agencies. The District operates two elementary schools, one middle school, one high school, and an adult education program.

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, boards, and agencies that are not legally separate from the District. For the Laguna Beach Unified School District, this includes the general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Two funds currently defined as special revenue funds in the *California State Accounting Manual* (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 12, Child Development Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as an extension of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in fund balance of \$23,151,954 as of June 30, 2025.

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are 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. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Debt Service Funds The Debt Service Funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term liabilities.

- **Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued by the District (*Education Code* Sections 15125-15262).

Fiduciary Funds Fiduciary funds are used to account for resources held for benefit of parties outside the District and are not available to support the District's own programs. Fiduciary funds are split into four classification: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by existence of a trust agreement or equivalent arrangement that has certain characteristics.

Trust funds are used to account for resources held by the District under a trust agreement for individuals, private organizations, or other governments. Custodial funds are used to account for resources, not in a trust, that are held by the District for other parties outside the District's reporting entity. The District's custodial funds are held for the Community Facilities District No. 98-1.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared.

The government-wide financial statement of activities presents a comparison between direct expenses and program revenues for each governmental function and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation and amortization of capital assets. 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 the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Net position restricted for other activities results from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions 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 fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the financial statements and the revenue is recognized.

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. Principal and interest on long-term liabilities, 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.

Cash and Cash Equivalents

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

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair value of investments in the Orange County Treasury Investment Pool is determined by the program sponsor.

The District's investment in the county treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool are not required to be categorized within the fair value hierarchy.

Prepaid Expenditures (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Stores Inventories

Stores inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds when consumed rather than when purchased.

Capital Assets, Depreciation, and Amortization

Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years. Land is not depreciated.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2025.

Right-to-use leased assets are recognized at the lease commencement date and represent the District's right-to-use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period is five years.

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the District's right-to-use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from two to four years.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, a liability for compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, only the portion of accumulated sick leave that is more likely than not to be used by the employee for paid leave is recognized as a liability in the District's financial statements. Credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time. The portion of sick leave that is more likely than not to be settled through conversion to service credit for employee retirement plans is not included in the District's liability for compensated absences.

Accrued Liabilities and Long-Term Liabilities

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

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

Debt premiums, discounts, and debt issuance costs related to prepaid insurance are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In the governmental fund financial statements, bond premiums, discounts, and debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for pension related items and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when

due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The net OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Lease Liabilities

Lease liabilities represent the District's obligation to make lease payments arising from the lease. The District recognizes a lease liability in the government-wide financial statements. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the District.

Subscription Liabilities

Subscription liabilities represent the District's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of the subscription payments is discounted based on a borrowing rate determined by the District.

Fund Balances - Governmental Funds

As of June 30, 2025, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or budget adoption as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes 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, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts equal to no less than 4% of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net of investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District has related debt outstanding as of June 30, 2025. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$7,712,732 of net position restricted by enabling legislation.

Interfund Activity

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

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.

Property Tax

Secured property taxes attach as an enforceable lien on property as of March 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 and become delinquent after November 1. The County of Orange bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Adoption of New Accounting Standard

Implementation of GASB Statement No. 101

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 17.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

| | |
|--------------------------------|-----------------------------|
| Governmental activities | \$ 64,692,134 |
| Fiduciary funds | <u>998,456</u> |
| Total deposits and investments | <u><u>\$ 65,690,590</u></u> |

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

| | |
|--------------------------------|-----------------------------|
| Cash on hand and in banks | \$ 282,801 |
| Cash in revolving | 50,000 |
| Investments | <u>65,357,789</u> |
| Total deposits and investments | <u><u>\$ 65,690,590</u></u> |

Policies and Practices

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

Investment in County Treasury - 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* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at 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 that portfolio). The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedule below:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by holding the majority of its investments in the Orange County Treasury Investment Pool as well as maintaining an investment in a money market fund. The pool purchases shorter-term investments and attempts to time cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

| Investment Type | Reported Amount | Average Maturity in Days |
|--|-----------------|--------------------------|
| Orange County Treasury Investment Pool | \$ 64,359,333 | 273 |
| US Bank Money Market Fund 5 CT | 998,456 | 1 |
| Total | \$ 65,357,789 | |

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the Orange County Treasury Investment Pool are not required to be rated.

Custodial Credit Risk – Deposits

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

Note 3 - Fair Value Measurements

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

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

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

| Investment Type | Reported Amount | Fair Value Measurements Using Level 2 Inputs |
|--------------------------------|-----------------|--|
| US Bank Money Market Fund 5 CT | \$ 998,456 | \$ 998,456 |

All assets have been valued using a market approach, with quoted market prices.

Note 4 - Receivables

Receivables at June 30, 2025, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

| | General | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total Governmental Activities |
|---------------------|--------------|--|------------------------------|-------------------------------|
| Federal Government | | | | |
| Categorical aid | \$ 563,945 | \$ - | \$ 62,242 | \$ 626,187 |
| State Government | | | | |
| LCFF apportionment | 37,276 | - | - | 37,276 |
| Categorical aid | 918,616 | - | 216,113 | 1,134,729 |
| Lottery | 175,330 | - | - | 175,330 |
| Local Government | | | | |
| Interest | 182,761 | 35,056 | 23,756 | 241,573 |
| Other Local Sources | 596,707 | - | 13,779 | 610,486 |
| Total | \$ 2,474,635 | \$ 35,056 | \$ 315,890 | \$ 2,825,581 |

Note 5 - Capital Assets

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

| | Balance July 1, 2024 | Additions | Deductions | Balance June 30, 2025 |
|--|-------------------------|-------------|--------------|--------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated or amortized | | | | |
| Land | \$ 1,173,934 | \$ - | \$ - | \$ 1,173,934 |
| Construction in process | 879,674 | 1,570,839 | (38,064) | 2,412,449 |
| Total capital assets not being depreciated or amortized | 2,053,608 | 1,570,839 | (38,064) | 3,586,383 |
| Capital assets being depreciated and amortized | | | | |
| Land improvements | 23,073,508 | 284,076 | - | 23,357,584 |
| Buildings and improvements | 70,008,771 | 1,926,213 | - | 71,934,984 |
| Portable classrooms and structures | 73,433 | 12,132 | - | 85,565 |
| Furniture and equipment | 16,978,300 | 962,053 | (1,367,925) | 16,572,428 |
| Right-to-use leased furniture and equipment | 12,895 | - | - | 12,895 |
| Right-to-use subscription IT assets | 250,100 | 82,949 | (74,825) | 258,224 |
| Total capital assets being depreciated and amortized | 110,397,007 | 3,267,423 | (1,442,750) | 112,221,680 |
| Total capital assets | 112,450,615 | 4,838,262 | (1,480,814) | 115,808,063 |
| Accumulated depreciation and amortization | | | | |
| Land improvements | (15,730,215) | (931,476) | - | (16,661,691) |
| Buildings and improvements | (27,433,134) | (2,294,946) | - | (29,728,080) |
| Portable classrooms and structures | (39,849) | (2,077) | - | (41,926) |
| Furniture and equipment | (9,097,331) | (1,280,789) | 1,224,214 | (9,153,906) |
| Right-to-use leased furniture and equipment | (5,158) | (2,579) | - | (7,737) |
| Right-to-use subscription IT assets | (95,308) | (105,422) | 74,825 | (125,905) |
| Total accumulated depreciation and amortization | (52,400,995) | (4,617,289) | 1,299,039 | (55,719,245) |
| Net depreciable and amortizable capital assets | 57,996,012 | (1,349,866) | (143,711) | 56,502,435 |
| Governmental activities capital assets, net | \$ 60,049,620 | \$ 220,973 | \$ (181,775) | \$ 60,088,818 |

Depreciation and amortization expense was charged as a direct expense to governmental functions as follows:

| | |
|---|--------------|
| Governmental Activities | |
| Instruction | \$ 4,085,811 |
| School site administration | 225,464 |
| All other pupil services | 225,464 |
| Data processing | 68,126 |
| All other general administration | 12,424 |
| Total depreciation and amortization expense governmental activities | \$ 4,617,289 |

Note 6 - Interfund Transactions

Operating Transfers

Interfund transfers for the year ended June 30, 2025, consisted of the following:

| Transfer To | Transfer From General Fund |
|--|----------------------------------|
| Special Reserve Fund for Capital Outlay Projects Non-Major Governmental Funds | \$ 2,100,000 300,000 |
| Total | \$ 2,400,000 |

The General Fund transferred \$300,000 to the Cafeteria Non-Major Governmental Fund to cover program costs.

The General Fund transferred \$1,200,000 to the Special Reserve Fund for Capital Outlay Projects for the Capital Improvement Plan (CIP).

The General Fund transferred \$900,000 to the Special Reserve Fund for Capital Outlay Projects for the Facilities Repair and Replacement Program.

Note 7 - Accounts Payable

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

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total Governmental Activities |
|-----------------------|-----------------|--|------------------------------------|-------------------------------------|
| Salaries and benefits | \$ 1,869,885 | \$ - | \$ 55,424 | \$ 1,925,309 |
| Other vendor payables | 3,311,868 | 359,263 | 153,140 | 3,824,271 |
| Total | \$ 5,181,753 | \$ 359,263 | \$ 208,564 | \$ 5,749,580 |

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2025, consisted of the following:

| | General Fund |
|-----------------------|-----------------|
| State categorical aid | \$ 120,411 |
| Other local | 72,349 |
| Total | \$ 192,760 |

Note 9 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

| | Balance July 1, 2024 as restated | Additions | Deductions | Balance June 30, 2025 | Due in One Year |
|---------------------------------------|--|-----------|--------------|--------------------------|--------------------|
| Long-Term Liabilities | | | | | |
| General obligation bonds | \$ 9,940,000 | \$ - | \$ 2,250,000 | \$ 7,690,000 | \$ 2,410,000 |
| Premium on issuance | 1,217,510 | - | 304,377 | 913,133 | - |
| Leases | 8,800 | - | 2,528 | 6,272 | 2,913 |
| Subscription-based IT arrangements | 88,313 | 29,536 | 44,166 | 73,683 | 35,369 |
| Early retirement incentive | 1,401,710 | - | 411,556 | 990,154 | 411,558 |
| Compensated absences | 7,734,391 | - | 96,686 | 7,637,705 | 1,426,188 |
| Total | \$ 20,390,724 | \$ 29,536 | \$ 3,109,313 | \$ 17,310,947 | \$ 4,286,028 |

The change in compensated absences is presented as a net change.

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The leases, subscription-based IT arrangements, and early retirement incentive will be paid by the General Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

| <u>Issue Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Original Issue</u> | <u>Bonds Outstanding July 1, 2024</u> | <u>Issued</u> | <u>Redeemed</u> | <u>Bonds Outstanding June 30, 2025</u> |
|-------------------|----------------------|----------------------|-----------------------|---------------------------------------|---------------|---------------------|--|
| 7/7/20 | 8/1/28 | 2.00-4.00% | \$ 16,330,000 | <u>\$ 9,940,000</u> | <u>\$ -</u> | <u>\$ 2,250,000</u> | <u>\$ 7,690,000</u> |

The bonds mature through 2029 as follows:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest to Maturity</u> | <u>Total</u> |
|--------------------|---------------------|-----------------------------|---------------------|
| 2026 | \$ 2,410,000 | \$ 259,400 | \$ 2,669,400 |
| 2027 | 2,570,000 | 159,800 | 2,729,800 |
| 2028 | 1,305,000 | 82,300 | 1,387,300 |
| 2029 | <u>1,405,000</u> | <u>28,100</u> | <u>1,433,100</u> |
| Total | <u>\$ 7,690,000</u> | <u>\$ 529,600</u> | <u>\$ 8,219,600</u> |

Leases

The District has entered into an agreement to lease equipment. As of June 30, 2025, the District recognized a right-to-use leased asset of \$5,158 and a lease liability of \$6,272 related to this agreement. The District is required to make principal and interest payments through June 2027. The lease agreement has an interest rate of 14.463%.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2025 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|------------------|-----------------|-----------------|
| 2026 | \$ 2,913 | \$ 754 | \$ 3,667 |
| 2027 | <u>3,359</u> | <u>309</u> | <u>3,668</u> |
| Total | <u>\$ 6,272</u> | <u>\$ 1,063</u> | <u>\$ 7,335</u> |

Subscriptions-Based Information Technology Arrangements (SBITAs)

The District has entered into SBITA agreements for various software. At June 30, 2025, the District has recognized a right-to-use subscriptions IT asset of \$132,319 and a SBITA liability of \$73,683 related to these agreements. During the fiscal year, the District recorded \$105,422 in amortization expense. The District is required to make annual principal and interest payments through October 2026. The subscription agreements have interest rates ranging from 2.40% to 6.00%.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2025 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|------------------|-----------------|------------------|
| 2026 | \$ 35,369 | \$ 3,876 | \$ 39,245 |
| 2027 | 38,314 | 2,014 | 40,328 |
| Total | <u>\$ 73,683</u> | <u>\$ 5,890</u> | <u>\$ 79,573</u> |

Early Retirement Incentive

The District offered supplemental early retirement incentive plans through the Public Agency Retirement System (PARS) during the 2021-2022 and 2023-2024 fiscal years. The plans were offered to eligible employees who retired on or before June 30, 2022 and June 30, 2025, respectively. The District purchased annuities through PARS for the employees, and the annuities offered to the employees are to be paid over a five year period. Future annuity payments are as follows:

| <u>Fiscal Year</u> | <u>Principal</u> |
|--------------------|-------------------|
| 2026 | \$ 411,558 |
| 2027 | 411,558 |
| 2028 | 83,519 |
| 2029 | 83,519 |
| Total | <u>\$ 990,154</u> |

Note 10 - Net Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2025, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

| OPEB Plan | Net OPEB Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB Expense |
|--|---------------------|--------------------------------|-------------------------------|-------------------|
| District Plan | \$ 2,103,751 | \$ 2,226,309 | \$ 972,705 | \$ 594,101 |
| Medicare Premium Payment (MPP) Program | 183,180 | - | - | (30,416) |
| Total | <u>\$ 2,286,931</u> | <u>\$ 2,226,309</u> | <u>\$ 972,705</u> | <u>\$ 563,685</u> |

District Plan

Plan Administration

The California Public Employees' Retirement System (CalPERS) administers the Laguna Beach Unified School District's Postemployment Benefits Plan (the Plan) by maintaining the assets provided and payment at the direction of the District. The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. Financial information for CalPERS can be found on the CalPERS website at: <https://calpers.ca.gov/pages/forms-publications>.

Plan Membership

At June 30, 2023, the valuation date, the Plan membership consisted of the following:

| | |
|---|------------|
| Inactive employees or beneficiaries currently receiving benefits payments | 29 |
| Active employees | 267 |
| | <u>296</u> |

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Laguna Beach Unified Faculty Association (LBUFA), the local California Service Employees Association (CSEA), and unrepresented groups. The voluntary contributions based on projected pay-as-you-go financing requirements, and any additional amounts to prefund benefits with the District, LBUFA, CSEA, and the unrepresented groups are based on availability of funds. For the measurement date of June 30, 2024, the District contributed \$403,859 to the Plan, which was used for current premiums.

Net OPEB Liability of the District

The District's net OPEB liability of \$2,103,751 was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The components of the net OPEB liability of the District at June 30, 2024, were as follows:

| | |
|---|---------------------|
| Total OPEB liability | \$ 6,383,172 |
| Plan fiduciary net position | <u>(4,279,421)</u> |
| District's net OPEB liability | <u>\$ 2,103,751</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>67.04%</u> |

Actuarial Assumptions

The total OPEB liability as of June 30, 2024 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2023 and rolling forward the total OPEB liability to June 30, 2024. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---|
| Inflation | 2.50% |
| Salary increases | 2.75%, average, including inflation |
| Investment rate of return | 5.75%, net of OPEB plan investment expense, including inflation |
| Healthcare cost trend rates | 4.00% |

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Mortality for Miscellaneous and Schools Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The long-term expected rate of return on OPEB plan investment was determined using a rolling periods of time for all asset classes in combination to appropriately reflect correlation between asset classes. That means that the average returns for any asset class do not necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average.

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--|-------------------|--|
| All equities | 23% | 7.250% |
| All fixed income | 51% | 4.250% |
| Real estate investment trusts | 14% | 7.250% |
| All commodities | 3% | 7.250% |
| Treasury inflation protected securities (TIPS) | 9% | 3.000% |

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

Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|---|--------------------------------|---------------------------------------|------------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balance at June 30, 2023 (Measurement Date) | \$ 6,143,881 | \$ 4,026,232 | \$ 2,117,649 |
| Service cost | 291,862 | - | 291,862 |
| Interest | 350,088 | - | 350,088 |
| Differences between expected and actual experience | 1,200 | - | 1,200 |
| Contributions-employer | - | 403,859 | (403,859) |
| Expected investment income | - | 231,471 | (231,471) |
| Investment gains/losses | - | 23,004 | (23,004) |
| Benefit payments | (403,859) | (403,859) | - |
| Administrative expense | - | (1,286) | 1,286 |
| Net change in total OPEB liability | 239,291 | 253,189 | (13,898) |
| Balance at June 30, 2024 (Measurement Date) | \$ 6,383,172 | \$ 4,279,421 | \$ 2,103,751 |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current discount rate:

| Discount Rate | Net OPEB Liability |
|-------------------------------|--------------------|
| 1% decrease (4.75%) | \$ 2,528,392 |
| Current discount rate (5.75%) | 2,103,751 |
| 1% increase (6.75%) | 1,706,714 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

| Healthcare Cost Trend Rate | Net OPEB Liability |
|--|--------------------|
| 1% decrease (3.00%) | \$ 1,464,595 |
| Current healthcare cost trend rate (4.00%) | 2,103,751 |
| 1% increase (5.00%) | 2,845,786 |

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended June 30, 2025, the District recognized OPEB expense of \$594,101. At June 30, 2025, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| OPEB contributions subsequent to measurement date | \$ 262,615 | \$ - |
| Differences between expected and actual experience | 737,846 | 589,403 |
| Changes of assumptions | 851,231 | 311,438 |
| Net difference between projected and actual earnings on OPEB plan investments | 374,617 | 71,864 |
| Total | \$ 2,226,309 | \$ 972,705 |

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the subsequent fiscal year.

The remaining deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflow) of Resources |
|---------------------|---|
| 2025 | \$ 184,550 |
| 2026 | 238,009 |
| 2027 | 99,357 |
| 2028 | 66,921 |
| 2029 | 71,521 |
| Thereafter | 330,631 |
| | \$ 990,989 |

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/forms-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2025, the District reported a liability of \$183,180 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.0687%, and 0.0704%, resulting in a net decrease in the proportionate share of 0.0017%.

For the year ended June 30, 2025, the District recognized OPEB expense of \$(30,416).

Actuarial Methods and Assumptions

The June 30, 2024 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024, using the assumptions listed in the following table:

| | | |
|---|---------------------------------------|--|
| Measurement Date | June 30, 2024 | June 30, 2023 |
| Valuation Date | June 30, 2023 | June 30, 2022 |
| Experience Study | July 1, 2007 through June 30, 2022 | June 30, 2015 through June 30, 2018 |
| Actuarial Cost Method | Entry age normal | Entry age normal |
| Investment Rate of Return | 3.93% | 3.65% |
| Medicare Part A Premium Cost Trend Rate | 5.00% | 4.50% |
| Medicare Part B Premium Cost Trend Rate | 6.50% | 5.40% |

For the valuation as of June 30, 2023, CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP-2021 Ultimate Projection Scale.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 154 or an average of 0.12% of the potentially eligible population (132,333).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2024, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2024, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

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

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

| <u>Discount Rate</u> | <u>Net OPEB Liability</u> |
|-------------------------------|-------------------------------|
| 1% decrease (2.93%) | \$ 197,646 |
| Current discount rate (3.93%) | 183,180 |
| 1% increase (4.93%) | 170,458 |

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

| <u>Medicare Costs Trend Rates</u> | <u>Net OPEB Liability</u> |
|---|-------------------------------|
| 1% decrease (4.00% Part A and 5.50% Part B) | \$ 169,696 |
| Current Medicare costs trend rate (5.00% Part A and 6.50% Part B) | 183,180 |
| 1% increase (6.00% Part A and 7.50% Part B) | 198,233 |

Note 11 - Non-Obligatory Debt

The non-obligatory debt relates to debt issued by the Community Facility District as authorized by the Mello-Roos Community Facilities Act of 1982 as amended and are payable from special taxes levied on property within the Community Facilities District according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders. The Community Facilities District Special Tax Bonds currently active include Community Facilities District No. 98-1 with a remaining balance as of June 30, 2025, of \$6,005,000.

Note 12 - Fund Balances

Fund balances are composed of the following elements:

| | General Fund | Special Reserve Fund for Capital Outlay Projects | Non-Major Governmental Funds | Total |
|--|----------------------|--|------------------------------------|----------------------|
| Nonspendable | | | | |
| Revolving cash | \$ 50,000 | \$ - | \$ - | \$ 50,000 |
| Stores inventories | - | - | 13,673 | 13,673 |
| Prepaid expenditures | 21,008 | - | 1,882 | 22,890 |
| Total nonspendable | <u>71,008</u> | <u>-</u> | <u>15,555</u> | <u>86,563</u> |
| Restricted | | | | |
| Legally restricted programs | 4,407,804 | - | - | 4,407,804 |
| Special revenue funds | - | - | 506,747 | 506,747 |
| Capital projects funds | - | - | 249,268 | 249,268 |
| Debt service funds | - | - | 2,677,080 | 2,677,080 |
| Total restricted | <u>4,407,804</u> | <u>-</u> | <u>3,433,095</u> | <u>7,840,899</u> |
| Committed | | | | |
| Community-funded differential | 22,990,454 | - | - | 22,990,454 |
| PARS plan liability | 1,010,151 | - | - | 1,010,151 |
| Aliso property | - | 4,472,906 | - | 4,472,906 |
| Capital Improvement Plan | - | 4,446,323 | - | 4,446,323 |
| Facilities repair and replacement program | - | 960,777 | - | 960,777 |
| Total committed | <u>24,000,605</u> | <u>9,880,006</u> | <u>-</u> | <u>33,880,611</u> |
| Assigned | | | | |
| District goals and education priorities | 4,842,365 | - | - | 4,842,365 |
| Facilities Master Plan | 10,000,000 | - | - | 10,000,000 |
| Textbooks | 300,000 | - | - | 300,000 |
| Child development activities | 161,500 | - | - | 161,500 |
| Total assigned | <u>15,303,865</u> | <u>-</u> | <u>-</u> | <u>15,303,865</u> |
| Unassigned | | | | |
| Reserve for economic uncertainties | 4,500,000 | - | - | 4,500,000 |
| Total | <u>\$ 48,283,282</u> | <u>\$ 9,880,006</u> | <u>\$ 3,448,650</u> | <u>\$ 61,611,938</u> |

Note 13 - Risk Management**Description**

The District's risk management activities are recorded in the General Fund. Employee life, medical, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in a public entity risk pool for its workers' compensation program. Refer to Note 16 for additional information regarding the public entity risk pool.

Note 14 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2025, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

| <u>Pension Plan</u> | <u>Net Pension Liability</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Pension Expense</u> |
|---------------------|------------------------------|---------------------------------------|--------------------------------------|------------------------|
| CalSTRS | \$ 31,639,837 | \$ 12,326,169 | \$ 4,870,275 | \$ 3,321,902 |
| CalPERS | 18,546,999 | 5,918,789 | 598,598 | 3,226,922 |
| Total | <u>\$ 50,186,836</u> | <u>\$ 18,244,958</u> | <u>\$ 5,468,873</u> | <u>\$ 6,548,824</u> |

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)**Plan Description**

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<https://www.calstrs.com/forms-publications>.

Benefits Provided

The STRP provides retirement, disability, and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

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

| | STRP Defined Benefit Program | |
|---|-----------------------------------|--------------------------------|
| | On or before December 31, 2012 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 2% at 60 | 2% at 62 |
| Benefit vesting schedule | 5 Years of Service | 5 Years of Service |
| Benefit payments | Monthly for Life | Monthly for Life |
| Retirement age | 60 | 62 |
| Monthly benefits as a percentage of eligible compensation | 2.0% - 2.4% | 2.0% - 2.4% |
| Required employee contribution rate | 10.25% | 10.205% |
| Required employer contribution rate | 19.10% | 19.10% |
| Required State contribution rate | 10.828% | 10.828% |

Contributions

Required member, District, and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the District's total contributions were \$6,324,755.

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

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

Total Net Pension Liability, Including State Share:

| | |
|---|----------------------|
| District's proportionate share of net pension liability | \$ 31,639,837 |
| State's proportionate share of the net pension liability associated with the District | <u>14,516,466</u> |
| Total | <u>\$ 46,156,303</u> |

The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating member districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.0471% and 0.0476%, resulting in a net decrease in the proportionate share of 0.0005%.

For the year ended June 30, 2025, the District recognized pension expense of \$3,321,902. In addition, the District recognized pension expense and revenue of \$1,321,554 for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Pension contributions subsequent to measurement date | \$ 6,324,755 | \$ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 2,284,040 | 1,198,127 |
| Differences between projected and actual earnings on pension plan investments | - | 127,665 |
| Differences between expected and actual experiences in the measurement of the total pension liability | 3,578,873 | 1,383,592 |
| Changes of assumptions | <u>138,501</u> | <u>2,160,891</u> |
| Total | <u>\$ 12,326,169</u> | <u>\$ 4,870,275</u> |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| <u>Year ended June 30,</u> | <u>Deferred Inflows of Resources</u> |
|----------------------------|--|
| 2026 | \$ (2,121,044) |
| 2027 | 2,554,526 |
| 2028 | (208,419) |
| 2029 | <u>(352,728)</u> |
| | <u>\$ (127,665)</u> |

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

| <u>Year ended June 30,</u> | <u>Deferred Outflows/(Inflows) of Resources</u> |
|----------------------------|---|
| 2026 | \$ 281,577 |
| 2027 | 389,803 |
| 2028 | 303,458 |
| 2029 | 64,411 |
| 2030 | 415,477 |
| Thereafter | <u>(195,922)</u> |
| | <u>\$ 1,258,804</u> |

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023 and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|------------------------------------|
| Valuation date | June 30, 2023 |
| Measurement date | June 30, 2024 |
| Experience study | July 1, 2007 through June 30, 2022 |
| Actuarial cost method | Entry age normal |
| Discount rate | 7.10% |
| Investment rate of return | 7.10% |
| Consumer price inflation | 2.75% |
| Wage growth | 3.50% |

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2024 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. The assumed asset allocation and best estimates of the expected rates of return for each major asset class for the year ended June 30, 2024, are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|----------------------------|--------------------------|--|
| Public equity | 38% | 5.25% |
| Real estate | 15% | 4.05% |
| Private equity | 14% | 6.75% |
| Fixed income | 14% | 2.45% |
| Risk mitigating strategies | 10% | 2.25% |
| Inflation sensitive | 7% | 3.65% |
| Cash/liquidity | 2% | 0.1% |

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

| <u>Discount Rate</u> | <u>Net Pension Liability</u> |
|-------------------------------|------------------------------|
| 1% decrease (6.10%) | \$ 56,276,918 |
| Current discount rate (7.10%) | 31,639,837 |
| 1% increase (8.10%) | 11,066,853 |

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

| | <u>School Employer Pool (CalPERS)</u> | |
|---|---------------------------------------|--------------------------------|
| | On or before December 31, 2012 | On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 2% at 55 | 2% at 62 |
| Benefit vesting schedule | 5 Years of Service | 5 Years of Service |
| Benefit payments | Monthly for Life | Monthly for Life |
| Retirement age | 55 | 62 |
| Monthly benefits as a percentage of eligible compensation | 1.1% - 2.5% | 1.0% - 2.5% |
| Required employee contribution rate | 7.00% | 8.00% |
| Required employer contribution rate | 27.05% | 27.05% |

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the total District contributions were \$3,036,673.

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

As of June 30, 2025, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$18,546,999. The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.0519% and 0.0532%, resulting in a net decrease in the proportionate share of 0.0013%.

For the year ended June 30, 2025, the District recognized pension expense of \$3,226,922. 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 | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$ 3,036,673 | \$ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 196,827 | 465,858 |
| Differences between projected and actual earnings on pension plan investments | 720,444 | - |
| Differences between expected and actual experiences in the measurement of the total pension liability | 1,554,894 | 132,740 |
| Changes of assumptions | 409,951 | - |
| | <u>\$ 5,918,789</u> | <u>\$ 598,598</u> |
| Total | <u>\$ 5,918,789</u> | <u>\$ 598,598</u> |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

| Year ended June 30, | Deferred Outflows of Resources |
|---------------------|-----------------------------------|
| 2026 | \$ (6,211) |
| 2027 | 1,120,126 |
| 2028 | (165,513) |
| 2029 | (227,958) |
| | <u>\$ 720,444</u> |

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

| <u>Year ended June 30,</u> | <u>Deferred Outflows/(Inflows) of Resources</u> |
|----------------------------|---|
| 2026 | \$ 902,626 |
| 2027 | 400,613 |
| 2028 | 259,835 |
| | <u>\$ 1,563,074</u> |

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023 and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|------------------------------------|
| Valuation date | June 30, 2023 |
| Measurement date | June 30, 2024 |
| Experience study | July 1, 1997 through June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Discount rate | 6.90% |
| Investment rate of return | 6.90% |
| Consumer price inflation | 2.30% |
| Wage growth | Varies by entry age and service |

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Assumed Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------------|---------------------------------|---|
| Global equity - cap-weighted | 30% | 4.54% |
| Global equity non-cap-weighted | 12% | 3.84% |
| Private equity | 13% | 7.28% |
| Treasury | 5% | 0.27% |
| Mortgage-backed securities | 5% | 0.50% |
| Investment grade corporates | 10% | 1.56% |
| High yield | 5% | 2.27% |
| Emerging market debt | 5% | 2.48% |
| Private debt | 5% | 3.57% |
| Real assets | 15% | 3.21% |
| Leverage | (5%) | (0.59%) |

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the SEP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on the School Employer Pool investments was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

| <u>Discount Rate</u> | <u>Net Pension Liability</u> |
|-------------------------------|------------------------------|
| 1% decrease (5.90%) | \$ 27,551,721 |
| Current discount rate (6.90%) | 18,546,999 |
| 1% increase (7.90%) | 11,108,381 |

Tax Deferred Annuity/Social Security

As established by Federal law, all public-sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security as its alternative plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,943,004 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Note 15 - Commitments and Contingencies

Grants

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

Litigation

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

Construction Commitments

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

| Capital Projects | Remaining Construction Commitments | Expected Date of Completion |
|---|--|-----------------------------------|
| Laguna Beach High School - Pool Modernization | \$ 825,972 | TBD |
| Laguna Beach High School - Stadium Turf and Track Replacement | 1,166,189 | Summer 2025 |
| Total | <u>\$ 1,992,161</u> | |

Note 16 - Participation in Public Entity Risk Pools, Joint Power Authorities, and Other Related Party Transactions

The District is a member of the Northern Orange County Liability & Property Self Insurance Authority and Western Orange County Self-Funded Workers' Compensation Agency public entity risk pools, and the College and Career Advantage Program. The District pays an annual premium to Northern Orange County Liability & Property Self Insurance Authority and Western Orange County Self-Funded Workers' Compensation Agency for its property and liability coverage and workers' compensation, respectively. Payments for regional occupational services received are paid to the College and Career Advantage Program. The relationships between the District, the pools, and the JPA 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 generally available from the respective entities.

The District has appointed two board members to the Governing Board of College and Career Advantage Program.

During the year ended June 30, 2025, the District made payments of \$294,519, \$471,891, and \$74,521 to Northern Orange County Liability & Property Self Insurance Authority, Western Orange County Self-Funded Workers' Compensation Agency, and College and Career Advantage Program, respectively.

Note 17 - Restatement

Change in Accounting Principle

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences current portion and compensated absences noncurrent portion were increased by \$1,368,859 and \$5,961,830, respectively, as of July 1, 2024. The effect of this change in accounting principle is described in the table below.

| | |
|---|----------------------|
| Governmental Activities | |
| Net Position - Beginning , as previously reported June 30, 2024 | \$ 65,508,828 |
| Change in accounting principle | <u>(7,330,689)</u> |
| Beginning, as restated on July 1, 2024 | <u>\$ 58,178,139</u> |

Required Supplementary Information
June 30, 2025

Laguna Beach Unified School District

Laguna Beach Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2025

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances - Positive (Negative) |
|---------------------------------------|----------------------|----------------------|------------------------|---------------------------------------|
| | Original | Final | | Final to Actual |
| Revenues | | | | |
| Local Control Funding Formula | \$ 75,271,890 | \$ 75,775,326 | \$ 75,782,036 | \$ 6,710 |
| Federal sources | 936,156 | 944,093 | 935,994 | (8,099) |
| Other State sources | 6,447,227 | 6,669,586 | 6,459,980 | (209,606) |
| Other local sources | 4,064,727 | 5,536,367 | 8,100,848 | 2,564,481 |
| Total revenues ¹ | <u>86,720,000</u> | <u>88,925,372</u> | <u>91,278,858</u> | <u>2,353,486</u> |
| Expenditures | | | | |
| Current | | | | |
| Certificated salaries | 32,770,112 | 33,411,750 | 33,406,073 | 5,677 |
| Classified salaries | 12,825,180 | 12,945,240 | 13,293,894 | (348,654) |
| Employee benefits | 20,025,676 | 20,460,848 | 20,333,867 | 126,981 |
| Books and supplies | 2,409,782 | 3,288,616 | 2,901,839 | 386,777 |
| Services and operating expenditures | 12,235,422 | 14,598,755 | 14,142,967 | 455,788 |
| Other outgo | 476,000 | 1,302,751 | 1,303,629 | (878) |
| Capital outlay | 3,536,259 | 2,954,783 | 2,558,619 | 396,164 |
| Debt service | | | | |
| Debt service - principal | 40,191 | 47,528 | 46,694 | 834 |
| Debt service - interest and other | 1,378 | 5,340 | 5,298 | 42 |
| Total expenditures ¹ | <u>84,320,000</u> | <u>89,015,611</u> | <u>87,992,880</u> | <u>1,022,731</u> |
| Excess of Revenues over Expenditures | <u>2,400,000</u> | <u>(90,239)</u> | <u>3,285,978</u> | <u>3,376,217</u> |
| Other Financing Sources (Uses) | | | | |
| Other sources - proceeds from SBITAs | - | - | 29,536 | 29,536 |
| Transfers out | (2,400,000) | (2,400,000) | (2,400,000) | - |
| Net Financing Uses | <u>(2,400,000)</u> | <u>(2,400,000)</u> | <u>(2,370,464)</u> | <u>29,536</u> |
| Net Change in Fund Balance | - | (2,490,239) | 915,514 | 3,405,753 |
| Fund Balance - Beginning | 47,367,768 | 47,367,768 | 47,367,768 | - |
| Fund Balance - Ending | <u>\$ 47,367,768</u> | <u>\$ 44,877,529</u> | <u>\$ 48,283,282</u> | <u>\$ 3,405,753</u> |

¹ Due to the consolidation of Fund 12, Child Development Fund, and Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures.; however, they are not included in the original and final General Fund budgets.

Laguna Beach Unified School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2025

| | 2025 | 2024 | 2023 | 2022 |
|--|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 291,862 | \$ 265,447 | \$ 258,343 | \$ 440,221 |
| Interest | 350,088 | 274,751 | 259,095 | 317,270 |
| Difference between expected and actual experience | 1,200 | 882,638 | (47,212) | (678,752) |
| Changes of assumptions | - | 358,701 | - | (454,630) |
| Benefit payments | (403,859) | (413,866) | (188,885) | (196,962) |
| Net change in total OPEB liability | 239,291 | 1,367,671 | 281,341 | (572,853) |
| Total OPEB Liability - Beginning | 6,143,881 | 4,776,210 | 4,494,869 | 5,067,722 |
| Total OPEB Liability - Ending (a) | <u>\$ 6,383,172</u> | <u>\$ 6,143,881</u> | <u>\$ 4,776,210</u> | <u>\$ 4,494,869</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions - employer | \$ 403,859 | \$ 513,866 | \$ 388,885 | \$ 296,962 |
| Expected investment income | 231,471 | 225,050 | 242,411 | 215,077 |
| Investment gains/losses | 23,004 | (162,185) | (693,268) | 267,309 |
| Benefit payments | (403,859) | (413,866) | (188,885) | (196,962) |
| Administrative expense | (1,286) | (1,100) | (1,049) | (1,260) |
| Net change in plan fiduciary net position | 253,189 | 161,765 | (251,906) | 581,126 |
| Plan Fiduciary Net Position - Beginning | 4,026,232 | 3,864,467 | 4,116,373 | 3,535,247 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 4,279,421</u> | <u>\$ 4,026,232</u> | <u>\$ 3,864,467</u> | <u>\$ 4,116,373</u> |
| Net OPEB Liability - Ending (a) - (b) | <u>\$ 2,103,751</u> | <u>\$ 2,117,649</u> | <u>\$ 911,743</u> | <u>\$ 378,496</u> |
| Plan Fiduciary Net Position As A Percentage of The Total OPEB Liability | 67.04% | 65.53% | 80.91% | 91.58% |
| Covered Payroll | N/A ¹ | N/A ¹ | N/A ¹ | N/A ¹ |
| Net OPEB Liability As A Percentage Of Covered Payroll | N/A ¹ | N/A ¹ | N/A ¹ | N/A ¹ |
| Measurement Date | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2021 |

¹ The District's OPEB Plan is administered through a trust; however, the contributions to the trust are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Laguna Beach Unified School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2025

| | 2021 | 2020 | 2019 | 2018 |
|--|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 428,439 | \$ 313,628 | \$ 305,234 | \$ 355,725 |
| Interest | 279,978 | 204,769 | 183,511 | 165,777 |
| Difference between expected and actual experience | - | (159,081) | - | - |
| Changes of assumptions | - | 993,276 | - | - |
| Benefit payments | (185,548) | (127,479) | (149,817) | (261,339) |
| Net change in total OPEB liability | 522,869 | 1,225,113 | 338,928 | 260,163 |
| Total OPEB Liability - Beginning | 4,544,853 | 3,319,740 | 2,980,812 | 2,720,649 |
| Total OPEB Liability - Ending (a) | <u>\$ 5,067,722</u> | <u>\$ 4,544,853</u> | <u>\$ 3,319,740</u> | <u>\$ 2,980,812</u> |
| Plan Fiduciary Net Position | | | | |
| Contributions - employer | \$ 185,548 | \$ 127,479 | \$ 425,529 | \$ 525,623 |
| Expected investment income | 199,529 | 186,196 | 170,427 | 105,639 |
| Investment gains/losses | 11,065 | 37,177 | (42,636) | - |
| Benefit payments | (185,548) | (127,479) | (149,817) | (261,339) |
| Administrative expense | (1,651) | (669) | (5,003) | (1,277) |
| Net change in plan fiduciary net position | 208,943 | 222,704 | 398,500 | 368,646 |
| Plan Fiduciary Net Position - Beginning | 3,326,304 | 3,103,600 | 2,705,100 | 2,336,454 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 3,535,247</u> | <u>\$ 3,326,304</u> | <u>\$ 3,103,600</u> | <u>\$ 2,705,100</u> |
| Net OPEB Liability - Ending (a) - (b) | <u>\$ 1,532,475</u> | <u>\$ 1,218,549</u> | <u>\$ 216,140</u> | <u>\$ 275,712</u> |
| Plan Fiduciary Net Position As A Percentage of The Total OPEB Liability | 69.76% | 73.19% | 93.49% | 90.75% |
| Covered Payroll | N/A ¹ | N/A ¹ | N/A ¹ | N/A ¹ |
| Net OPEB Liability As A Percentage Of Covered Payroll | N/A ¹ | N/A ¹ | N/A ¹ | N/A ¹ |
| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |

¹ The District's OPEB Plan is administered through a trust; however, the contributions to the trust are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Laguna Beach Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2025

| Year ended June 30, | 2025 | 2024 | 2023 | 2022 |
|--|------------------|------------------|------------------|------------------|
| Proportion of the net OPEB liability | 0.0687% | 0.0704% | 0.0696% | 0.0720% |
| Proportionate share of the net OPEB liability | \$ 183,180 | \$ 213,596 | \$ 229,415 | \$ 287,221 |
| Covered payroll | N/A ¹ | N/A ¹ | N/A ¹ | N/A ¹ |
| Proportionate share of the net OPEB liability as a percentage of it's covered payroll | N/A ¹ | N/A ¹ | N/A ¹ | N/A ¹ |
| Plan fiduciary net position as a percentage of the total OPEB liability | (1.02%) | (0.96%) | (0.94%) | (0.80%) |
| Measurement Date | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2021 |

¹As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note : In the future, as data becomes available, ten years of information will be presented.

Laguna Beach Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalSTRS
Year Ended June 30, 2025

| CalSTRS | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Proportion of the net pension liability | 0.0471% | 0.0476% | 0.0464% | 0.0479% | 0.0435% |
| Proportionate share of the net pension liability | \$ 31,639,837 | \$ 36,245,306 | \$ 32,244,793 | \$ 21,800,823 | \$ 42,111,418 |
| State's proportionate share of the net pension liability | 14,516,466 | 17,366,145 | 16,148,066 | 10,969,329 | 21,708,441 |
| Total | <u>\$ 46,156,303</u> | <u>\$ 53,611,451</u> | <u>\$ 48,392,859</u> | <u>\$ 32,770,152</u> | <u>\$ 63,819,859</u> |
| Covered payroll | <u>\$ 31,305,492</u> | <u>\$ 29,170,330</u> | <u>\$ 27,589,203</u> | <u>\$ 26,451,189</u> | <u>\$ 23,640,871</u> |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 101.07% | 124.25% | 116.87% | 82.42% | 178.13% |
| Plan fiduciary net position as a percentage of the total pension liability | 84% | 81% | 81% | 87% | 72% |
| Measurement Date | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 |
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Proportion of the net pension liability | 0.0425% | 0.0425% | 0.0425% | 0.0421% | 0.0441% |
| Proportionate share of the net pension liability | \$ 38,413,482 | \$ 39,089,127 | \$ 39,259,595 | \$ 34,074,498 | \$ 29,723,141 |
| State's proportionate share of the net pension liability | 20,957,119 | 22,380,353 | 23,225,645 | 19,398,004 | 15,720,265 |
| Total | <u>\$ 59,370,601</u> | <u>\$ 61,469,480</u> | <u>\$ 62,485,240</u> | <u>\$ 53,472,502</u> | <u>\$ 45,443,406</u> |
| Covered payroll | <u>\$ 23,529,472</u> | <u>\$ 22,905,565</u> | <u>\$ 22,399,666</u> | <u>\$ 20,910,792</u> | <u>\$ 20,133,829</u> |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 163.26% | 170.65% | 175.27% | 162.95% | 147.63% |
| Plan fiduciary net position as a percentage of the total pension liability | 73% | 71% | 69% | 70% | 74% |
| Measurement Date | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |

Laguna Beach Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability - CalPERS
Year Ended June 30, 2025

| CalPERS | 2025 | 2024 | 2023 | 2022 | 2021 |
|--|---------------|---------------|---------------|---------------|---------------|
| Proportion of the net pension liability | 0.0519% | 0.0532% | 0.0545% | 0.0512% | 0.0511% |
| Proportionate share of the net pension liability | \$ 18,546,999 | \$ 19,247,120 | \$ 18,770,089 | \$ 10,406,139 | \$ 15,691,338 |
| Covered payroll | \$ 10,249,640 | \$ 9,212,696 | \$ 7,957,674 | \$ 7,311,816 | \$ 7,370,275 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 180.95% | 208.92% | 235.87% | 142.32% | 212.90% |
| Plan fiduciary net position as a percentage of the total pension liability | 72% | 70% | 70% | 81% | 70% |
| Measurement Date | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 |
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Proportion of the net pension liability | 0.0496% | 0.0509% | 0.0501% | 0.0512% | 0.0502% |
| Proportionate share of the net pension liability | \$ 14,457,517 | \$ 13,574,934 | \$ 11,961,743 | \$ 10,108,492 | \$ 7,397,321 |
| Covered payroll | \$ 6,862,280 | \$ 6,614,281 | \$ 6,431,380 | \$ 6,068,439 | \$ 5,507,921 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 210.68% | 205.24% | 185.99% | 166.57% | 134.30% |
| Plan fiduciary net position as a percentage of the total pension liability | 70% | 71% | 72% | 74% | 79% |
| Measurement Date | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |

Laguna Beach Unified School District
Schedule of the District's Contributions - CalSTRS
Year Ended June 30, 2025

| CalSTRS | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Contractually required contribution | \$ 6,324,755 | \$ 5,979,349 | \$ 5,571,533 | \$ 4,668,369 | \$ 4,271,867 |
| Less contributions in relation to the contractually required contribution | <u>6,324,755</u> | <u>5,979,349</u> | <u>5,571,533</u> | <u>4,668,369</u> | <u>4,271,867</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Covered payroll | <u>\$ 33,113,901</u> | <u>\$ 31,305,492</u> | <u>\$ 29,170,330</u> | <u>\$ 27,589,203</u> | <u>\$ 26,451,189</u> |
| Contributions as a percentage of covered payroll | <u>19.10%</u> | <u>19.10%</u> | <u>19.10%</u> | <u>16.92%</u> | <u>16.15%</u> |
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Contractually required contribution | \$ 4,042,589 | \$ 3,830,598 | \$ 3,305,273 | \$ 2,817,878 | \$ 2,243,728 |
| Less contributions in relation to the contractually required contribution | <u>4,042,589</u> | <u>3,830,598</u> | <u>3,305,273</u> | <u>2,817,878</u> | <u>2,243,728</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Covered payroll | <u>\$ 23,640,871</u> | <u>\$ 23,529,472</u> | <u>\$ 22,905,565</u> | <u>\$ 22,399,666</u> | <u>\$ 20,910,792</u> |
| Contributions as a percentage of covered payroll | <u>17.10%</u> | <u>16.28%</u> | <u>14.43%</u> | <u>12.58%</u> | <u>10.73%</u> |

Laguna Beach Unified School District
Schedule of the District's Contributions - CalPERS
Year Ended June 30, 2025

| CalPERS | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|----------------------|----------------------|---------------------|---------------------|---------------------|
| Contractually required contribution | \$ 3,036,673 | \$ 2,734,604 | \$ 2,337,261 | \$ 1,823,103 | \$ 1,513,546 |
| Less contributions in relation to the contractually required contribution | <u>3,036,673</u> | <u>2,734,604</u> | <u>2,337,261</u> | <u>1,823,103</u> | <u>1,513,546</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 11,226,148</u> | <u>\$ 10,249,640</u> | <u>\$ 9,212,696</u> | <u>\$ 7,957,674</u> | <u>\$ 7,311,816</u> |
| Contributions as a percentage of covered payroll | <u>27.050%</u> | <u>26.680%</u> | <u>25.370%</u> | <u>22.910%</u> | <u>20.700%</u> |
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Contractually required contribution | \$ 1,453,492 | \$ 1,239,465 | \$ 1,027,264 | \$ 893,190 | \$ 718,928 |
| Less contributions in relation to the contractually required contribution | <u>1,453,492</u> | <u>1,239,465</u> | <u>1,027,264</u> | <u>893,190</u> | <u>718,928</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 7,370,275</u> | <u>\$ 6,862,280</u> | <u>\$ 6,614,281</u> | <u>\$ 6,431,380</u> | <u>\$ 6,068,439</u> |
| Contributions as a percentage of covered payroll | <u>19.721%</u> | <u>18.062%</u> | <u>15.531%</u> | <u>13.888%</u> | <u>11.847%</u> |

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

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

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuation.
- *Changes of Assumptions* – There were no changes of assumptions since the previous valuation.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plan fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.65% to 3.93% since the previous valuation. The Medicare Part A premium cost trend rate assumption was changed from 4.50% to 5.00%, while the Medicare Part B premium cost trend rate assumption was changed from 5.40% to 6.50% since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District.

- *Changes in Benefit Terms* – There were no changes in benefit terms for the CalSTRS or CalPERS plans since the previous valuations.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS or CalPERS plans since the previous valuations.

Schedule of the District's Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

Supplementary Information
June 30, 2025

Laguna Beach Unified School District

Laguna Beach Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Financial Assistance Listing | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|--|---|-------------------------|
| U.S. Department of Education | | | |
| Passed through California Department of Education (CDE) | | | |
| Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 | 14329 | \$ 260,550 |
| Title II, Part A, Supporting Effective Instruction | 84.367 | 14341 | 52,398 |
| Title IV, Part A, Student Support and Academic Enrichment Grants | 84.424 | 15396 | 21,272 |
| Carl D. Perkins Career and Technical Education: Adult, Section 132 | 84.048 | 14893 | 15,000 |
| Passed through South Orange County SELPA | | | |
| Special Education (IDEA) Cluster | | | |
| Basic Local Assistance Entitlement, Part B, Section 611 | 84.027 | 13379 | 445,515 |
| Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611 | 84.027A | 15197 | 28,555 |
| Alternate Dispute Resolution, Part B, Sec 611 | 84.027A | 13007 | 1,094 |
| Subtotal | | | <u>475,164</u> |
| Preschool Grants, Part B, Section 619 | 84.173 | 13430 | 11,165 |
| Preschool Staff Development, Part B, Sec 619 | 84.173A | 13431 | 119 |
| Subtotal | | | <u>11,284</u> |
| Total Special Education (IDEA) Cluster | | | <u>486,448</u> |
| Passed through California Department of Rehabilitation Workability II, Transitions Partnership Program | 84.126 | 10006 | 100,326 |
| Total for U.S. Department of Education | | | <u>935,994</u> |
| U.S. Department of Agriculture | | | |
| Passed through CDE | | | |
| Child Nutrition Cluster | | | |
| National School Lunch Program - Section 11 | 10.555 | 13524 | 84,373 |
| National School Lunch Program - Section 4 | 10.555 | 13523 | 63,698 |
| Commodities | 10.555 | 13524 | 56,054 |
| Subtotal | | | <u>204,125</u> |
| School Breakfast Basic | 10.553 | 13525 | 92,551 |
| Total Child Nutrition Cluster | | | <u>296,676</u> |
| Total for U.S. Department of Agriculture | | | <u>296,676</u> |
| Total Federal Financial Assistance | | | <u>\$ 1,232,670</u> |

Laguna Beach Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2025

| | Final Report | |
|---|-------------------------|------------------|
| | Second Period Report | Annual Report |
| | 6DDCD6B8 | 3284628E |
| Regular ADA | | |
| Transitional kindergarten through third | 571.81 | 574.57 |
| Fourth through sixth | 486.33 | 486.68 |
| Seventh and eighth | 334.08 | 335.41 |
| Ninth through twelfth | 775.32 | 773.74 |
| Total regular | 2,167.54 | 2,170.40 |
| Extended Year Special Education | | |
| Transitional kindergarten through third | 0.73 | 0.73 |
| Fourth through sixth | 0.43 | 0.43 |
| Total extended year special education | 1.16 | 1.16 |
| Special Education, Nonpublic, Nonsectarian Schools | | |
| Transitional kindergarten through third | 0.80 | 0.79 |
| Fourth through sixth | 1.43 | 1.24 |
| Seventh and eighth | 3.38 | 3.31 |
| Ninth through twelfth | 5.11 | 5.43 |
| Total special education, nonpublic, nonsectarian schools | 10.72 | 10.77 |
| Extended Year Special Education, Nonpublic, Nonsectarian Schools | | |
| Transitional kindergarten through third | 0.03 | 0.03 |
| Fourth through sixth | 0.06 | 0.06 |
| Seventh and eighth | 0.06 | 0.06 |
| Ninth through twelfth | 0.75 | 0.75 |
| Total extended year special education, nonpublic, nonsectarian schools | 0.90 | 0.90 |
| Total ADA | 2,180.32 | 2,183.23 |

Laguna Beach Unified School District

Schedule of Instructional Time

Year Ended June 30, 2025

| Grade Level | 1986-1987 Minutes Requirement | 2024-2025 Actual Minutes | Number of Minutes Credited Form J-13A | Total Minutes Offered | Traditional Calendar | | | Multitrack Calendar | | | Status |
|---------------|-------------------------------------|--------------------------------|---|-----------------------------|-----------------------------|--|--------------------------|-----------------------------|--|--------------------------|----------|
| | | | | | Number of Actual Days | Number of Days Credited Form J-13A | Total Days Offered | Number of Actual Days | Number of Days Credited Form J-13A | Total Days Offered | |
| Kindergarten | 36,000 | 48,729 | - | 48,729 | 180 | - | 180 | N/A | N/A | N/A | Complied |
| Grades 1 - 3 | 50,400 | | | | | | | | | | |
| Grade 1 | | 53,771 | - | 53,771 | 180 | - | 180 | N/A | N/A | N/A | Complied |
| Grade 2 | | 53,771 | - | 53,771 | 180 | - | 180 | N/A | N/A | N/A | Complied |
| Grade 3 | | 53,771 | - | 53,771 | 180 | - | 180 | N/A | N/A | N/A | Complied |
| Grades 4 - 8 | 54,000 | | | | | | | | | | |
| Grade 4 | | 55,500 | - | 55,500 | 180 | - | 180 | N/A | N/A | N/A | Complied |
| Grade 5 | | 55,500 | - | 55,500 | 180 | - | 180 | N/A | N/A | N/A | Complied |
| Grade 6 | | 57,823 | - | 57,823 | 180 | - | 180 | N/A | N/A | N/A | Complied |
| Grade 7 | | 57,823 | - | 57,823 | 180 | - | 180 | N/A | N/A | N/A | Complied |
| Grade 8 | | 57,823 | - | 57,823 | 180 | - | 180 | N/A | N/A | N/A | Complied |
| Grades 9 - 12 | 64,800 | | | | | | | | | | |
| Grade 9 | | 64,801 | - | 64,801 | 180 | - | 180 | N/A | N/A | N/A | Complied |
| Grade 10 | | 64,801 | - | 64,801 | 180 | - | 180 | N/A | N/A | N/A | Complied |
| Grade 11 | | 64,801 | - | 64,801 | 180 | - | 180 | N/A | N/A | N/A | Complied |
| Grade 12 | | 64,801 | - | 64,801 | 180 | - | 180 | N/A | N/A | N/A | Complied |

Laguna Beach Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2025

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2025.

Laguna Beach Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2025

| | (Budget) 2026 ¹ | 2025 | 2024 ¹ | 2023 ¹ |
|--|-------------------------------|----------------------|----------------------|----------------------|
| General Fund ³ | | | | |
| Revenues | \$ 89,895,000 | \$ 89,352,184 | \$ 85,650,521 | \$ 81,469,220 |
| Other sources | - | 29,536 | 105,194 | 42,564 |
| Total revenues and other sources | <u>89,895,000</u> | <u>89,381,720</u> | <u>85,755,715</u> | <u>81,511,784</u> |
| Expenditures | 87,545,000 | 87,458,542 | 81,803,143 | 75,597,288 |
| Other uses | 13,300,000 | 2,400,000 | 2,100,000 | 2,453,202 |
| Total expenditures and other uses | <u>100,845,000</u> | <u>89,858,542</u> | <u>83,903,143</u> | <u>78,050,490</u> |
| Increase/(Decrease) in Fund Balance | <u>\$ (10,950,000)</u> | <u>\$ (476,822)</u> | <u>\$ 1,852,572</u> | <u>\$ 3,461,294</u> |
| Ending Fund Balance | <u>\$ 14,181,328</u> | <u>\$ 25,131,328</u> | <u>\$ 25,608,150</u> | <u>\$ 23,755,578</u> |
| Available Reserves ² | <u>\$ 5,050,000</u> | <u>\$ 4,500,000</u> | <u>\$ 4,203,000</u> | <u>\$ 3,930,000</u> |
| Available Reserves as a percentage of total outgo | <u>5.01%</u> | <u>5.01%</u> | <u>5.01%</u> | <u>5.04%</u> |
| Long-Term Liabilities including OPEB and pensions ⁴ | <u>N/A</u> | <u>\$ 69,784,714</u> | <u>\$ 70,883,706</u> | <u>\$ 67,478,707</u> |
| K-12 Average Daily Attendance at P-2 | <u>2,199</u> | <u>2,180</u> | <u>2,258</u> | <u>2,297</u> |

The General Fund balance has increased by \$1,375,750 over the past two years. The fiscal year 2025-2026 budget projects a decrease of \$10,950,000 (43.6%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years, but anticipates incurring an operating deficit during the 2025-2026 fiscal year. Total long-term liabilities have increased by \$2,306,007 over the past two years.

Average daily attendance has decreased by 117 over the past two years. An increase of 19 ADA is anticipated during fiscal year 2025-2026.

¹ Financial information for 2026, 2024, and 2023 are included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ General Fund amounts do not include activity related to the consolidation of Fund 12, Child Development Fund, or Fund 17, Special Reserve Fund for Other Than Outlay Projects as required by GASB Statement No. 54.

⁴ Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 17 for further information.

Laguna Beach Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2025

| | Student Activity Fund | Adult Education Fund | Cafeteria Fund | Capital Facilities Fund | Bond Interest and Redemption Fund | Total Non-Major Governmental Funds |
|--|-----------------------------|----------------------------|-------------------|-------------------------------|---|---|
| Assets | | | | | | |
| Deposits and investments | \$ 218,617 | \$ 52,327 | \$ 165,238 | \$ 235,078 | \$ 2,654,509 | \$ 3,325,769 |
| Receivables | (160) | 155 | 279,134 | 14,190 | 22,571 | 315,890 |
| Prepaid expenses | - | - | 1,882 | - | - | 1,882 |
| Stores inventories | - | - | 13,673 | - | - | 13,673 |
| Total assets | <u>\$ 218,457</u> | <u>\$ 52,482</u> | <u>\$ 459,927</u> | <u>\$ 249,268</u> | <u>\$ 2,677,080</u> | <u>\$ 3,657,214</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ 23,043 | \$ 185,521 | \$ - | \$ - | \$ 208,564 |
| Fund Balances | | | | | | |
| Nonspendable | - | - | 15,555 | - | - | 15,555 |
| Restricted | 218,457 | 29,439 | 258,851 | 249,268 | 2,677,080 | 3,433,095 |
| Total fund balances | <u>218,457</u> | <u>29,439</u> | <u>274,406</u> | <u>249,268</u> | <u>2,677,080</u> | <u>3,448,650</u> |
| Total liabilities and fund balances | <u>\$ 218,457</u> | <u>\$ 52,482</u> | <u>\$ 459,927</u> | <u>\$ 249,268</u> | <u>\$ 2,677,080</u> | <u>\$ 3,657,214</u> |

Laguna Beach Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2025

| | Student Activity Fund | Adult Education Fund | Cafeteria Fund | Capital Facilities Fund | Bond Interest and Redemption Fund | Total Non-Major Governmental Funds |
|---|-----------------------------|----------------------------|-------------------|-------------------------------|---|---|
| Revenues | | | | | | |
| Federal sources | \$ - | \$ - | \$ 296,676 | \$ - | \$ - | \$ 296,676 |
| Other State sources | - | 136,381 | 902,577 | - | 3,243 | 1,042,201 |
| Other local sources | 252,647 | 2,465 | 51,344 | 151,982 | 2,710,174 | 3,168,612 |
| Total revenues | <u>252,647</u> | <u>138,846</u> | <u>1,250,597</u> | <u>151,982</u> | <u>2,713,417</u> | <u>4,507,489</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| Instruction | - | 80,317 | - | - | - | 80,317 |
| Pupil services | | | | | | |
| Food services | - | - | 1,498,578 | - | - | 1,498,578 |
| All other pupil services | - | 46,072 | - | - | - | 46,072 |
| General administration | | | | | | |
| All other general administration | - | 3,896 | - | - | - | 3,896 |
| Ancillary services | 234,156 | - | - | - | - | 234,156 |
| Facility acquisition and construction | - | - | - | 208,389 | - | 208,389 |
| Debt service | | | | | | |
| Principal | - | - | - | - | 2,250,000 | 2,250,000 |
| Interest and other | - | - | - | - | 352,600 | 352,600 |
| Total expenditures | <u>234,156</u> | <u>130,285</u> | <u>1,498,578</u> | <u>208,389</u> | <u>2,602,600</u> | <u>4,674,008</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>18,491</u> | <u>8,561</u> | <u>(247,981)</u> | <u>(56,407)</u> | <u>110,817</u> | <u>(166,519)</u> |
| Other Financing Sources | | | | | | |
| Transfers in | - | - | 300,000 | - | - | 300,000 |
| Net Change in Fund Balances | 18,491 | 8,561 | 52,019 | (56,407) | 110,817 | 133,481 |
| Fund Balances - Beginning | <u>199,966</u> | <u>20,878</u> | <u>222,387</u> | <u>305,675</u> | <u>2,566,263</u> | <u>3,315,169</u> |
| Fund Balances - Ending | <u>\$ 218,457</u> | <u>\$ 29,439</u> | <u>\$ 274,406</u> | <u>\$ 249,268</u> | <u>\$ 2,677,080</u> | <u>\$ 3,448,650</u> |

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Laguna Beach Unified School District (the District) under programs of the federal government for the year ended June 30, 2025. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or fund balance, of Laguna Beach Unified School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the *modified accrual* basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2025, the District did not report food commodities in inventory.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

These schedules are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Other Information
June 30, 2025

Laguna Beach Unified School District

ORGANIZATION

The Laguna Beach Unified School District was established 1936 and consists of an area comprising approximately 23 square miles. The District operates two elementary schools, one middle school, one high school, and one adult education program. There were no boundary changes during the year.

GOVERNING BOARD

| MEMBER | OFFICE | TERM EXPIRES |
|-----------------|-----------|--------------|
| Dee Perry | President | 2026 |
| Howard Hills | Clerk | 2028 |
| James Kelly | Member | 2026 |
| Joan Malczewski | Member | 2026 |
| Sheri Morgan | Member | 2028 |

ADMINISTRATION

| NAME | TITLE |
|--------------------|--|
| Jason Glass | Superintendent |
| Manoj Roychowdhury | Assistant Superintendent, Business Services |
| Chad Mabery | Assistant Superintendent, Instructional Services |
| Michael Conlon | Assistant Superintendent, Human Resources |

Independent Auditor's Reports
June 30, 2025

Laguna Beach Unified School District



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 Governing Board
Laguna Beach Unified School District
Laguna Beach, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Laguna Beach Unified 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 3, 2025.

Adoption of New Accounting Standard

As discussed in Note 17 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

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.

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 District’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated December 3, 2025.

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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
December 3, 2025



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

To the Governing Board
Laguna Beach Unified School District
Laguna Beach, California

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Laguna Beach Unified School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2025. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

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

We are required to be independent of 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 the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Rancho Cucamonga, California
December 3, 2025



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

To the Governing Board
Laguna Beach Unified School District
Laguna Beach, California

Report on Compliance

Opinion on State Compliance

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

Basis for Opinion

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

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

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District’s compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District’s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

| 2024-2025 K-12 Audit Guide Procedures | Procedures Performed |
|---|----------------------|
| Local Education Agencies Other Than Charter Schools | |
| Attendance | Yes |
| Teacher Certification and Misassignments | Yes |
| Independent Study | No, see below |
| Continuation Education | Not Applicable |
| Instructional Time | Yes |
| Instructional Materials | Yes |
| Ratios of Administrative Employees to Teachers | Yes |
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | Not Applicable |
| GANN Limit Calculation | Yes |

| 2024-2025 K-12 Audit Guide Procedures | Procedures Performed |
|--|----------------------|
| School Accountability Report Card | Yes |
| Juvenile Court Schools | Not Applicable |
| Middle or Early College High Schools | Not Applicable |
| K-3 Grade Span Adjustment | Yes |
| Apprenticeship: Related and Supplemental Instruction | Not Applicable |
| Comprehensive School Safety Plan | Yes |
| District of Choice | Not Applicable |
| Home to School Transportation Reimbursement | Yes |
| School Districts, County Offices of Education, and Charter Schools | |
| Proposition 28 Arts and Music in Schools | Yes |
| After/Before School Education and Safety Program | Not Applicable |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study - Course Based | Not Applicable |
| Immunizations | Yes |
| Educator Effectiveness | Yes |
| Expanded Learning Opportunities Grant (ELO-G) | Yes |
| Career Technical Education Incentive Grant | Not Applicable |
| Expanded Learning Opportunities Program | Yes |
| Transitional Kindergarten | Yes |
| Kindergarten Continuance | Yes |
| Charter Schools | |
| Attendance | Not Applicable |
| Mode of Instruction | Not Applicable |
| Nonclassroom-Based Instruction/Independent Study | Not Applicable |
| Determination of Funding for Nonclassroom-Based Instruction | Not Applicable |
| Annual Instructional Minutes - Classroom Based | Not Applicable |
| Charter School Facility Grant Program | Not Applicable |

We did not perform testing for Independent Study because average daily attendance reported did not exceed the threshold required for testing.

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

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
December 3, 2025

Schedule of Findings and Questioned Costs
June 30, 2025

Laguna Beach Unified School District

Financial Statements

| | |
|--|---------------|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting | |
| Material weakness identified | No |
| Significant deficiencies identified not considered to be material weaknesses | None reported |
| Noncompliance material to financial statements noted? | No |

Federal Awards

| | |
|--|---------------|
| Internal control over major programs | |
| Material weaknesses identified | No |
| Significant deficiencies identified not considered to be material weaknesses | None reported |
| Type of auditor's report issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a) | No |

Identification of major programs

| | |
|---|---|
| <u>Name of Federal Program or Cluster</u> | <u>Federal Financial Assistance Listing</u> |
|---|---|

| | |
|---|----------------|
| Child Nutrition Cluster | 10.553, 10.555 |
| Dollar threshold used to distinguish between Type A and Type B programs | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |

State Compliance

| | |
|--|---------------|
| Internal control over state compliance programs | |
| Material weaknesses identified | No |
| Significant deficiencies identified not considered to be material weaknesses | None reported |
| Other matters to be reported | No |
| Type of auditor's report issued on compliance for programs | Unmodified |

None reported.

None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.



Management
Laguna Beach Unified School District
Laguna Beach, California

In planning and performing our audit of the financial statements of Laguna Beach Unified School District (the District) for the year ended June 30, 2025, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 3, 2025, on the government-wide financial statements of the District.

Associated Student Body (ASB)

Thurston Middle School

Observations

1. Based on the review of the cash receipting procedures, it was noted that club advisors are not consistently providing adequate supporting documentation for cash collections. Out of two deposits tested, both contained various receipts that were not supported by adequate documentation or a paper trail. As a result, the completeness and timeliness of these deposits could not be verified.
2. Based on the review of the cash receipting procedures, it was noted that one of two deposits tested were not deposited in a timely manner. Delay in deposit was 22 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.
3. Based on the review of the disbursement procedures, it was noted that two disbursements tested did not contain explicit receiving documentation to indicate that goods had been received. As a result, the vendor invoice was paid without direct confirmation that the goods being ordered had been received by the ASB.
4. Based on the review of the disbursement procedures, it was noted that one of two disbursements tested were not approved prior to the transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. The ASB, should, at a minimum, make their deposits once a week to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure, including the maximum cash on hand that should be maintained at the site.
3. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
4. The ASB should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.

We will review the status of the current year comments during our next audit engagement.



Rancho Cucamonga, California
December 3, 2025