

**CAPISTRANO UNIFIED SCHOOL DISTRICT  
ORANGE COUNTY  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2025**



**CAPISTRANO UNIFIED SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2025*

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*Financial Section*

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Capistrano Unified School District  
San Juan Capistrano, California

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Capistrano Unified School District, as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 Capistrano Unified School District, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal 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), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

### ***Changes in Accounting Principle***

As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 101, *Compensated Absences*. Accordingly, prior year liabilities on the Statement of Net Position were restated to adopt this standard. Our opinion is not modified with respect to this matter.

### ***Auditors' 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 proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability-MPP Program, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 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, except for the Schedule of Charter Schools, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and other supplementary information listed in the table of contents, except for the Schedule of Charter Schools, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Charter Schools has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the LEA 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 the 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 November 25, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California  
November 25, 2025

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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This discussion and analysis of Capistrano Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$10.3 million, or 2.0%.
- Governmental expenses were about \$660.9 million. Revenues were about \$671.2 million.
- The District acquired over \$44.9 million in new capital assets during the year.
- Governmental funds decreased by \$42.9 million, or 17.9%.
- Reserves for the General Fund decreased by \$11.4 million or 15.8%. Revenues were \$634.9 million, and expenditures and other financing uses were \$667.1 million.

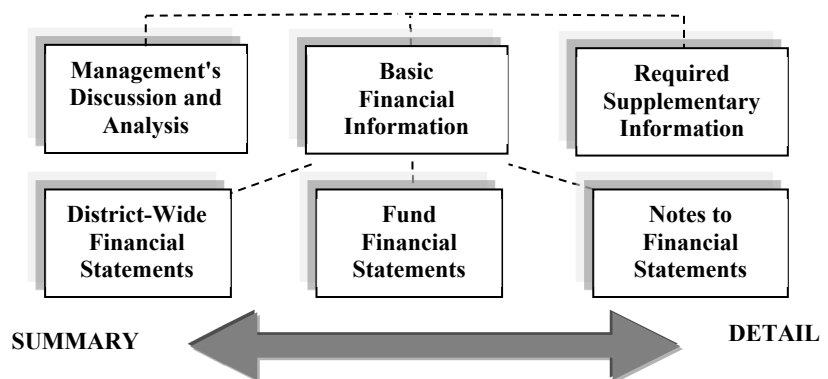
**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial* statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds* statements.
  - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1. Organization of Capistrano Unified School District's Annual Financial Report**



**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**District-Wide Statements**

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

The two District-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the District-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has three kinds of funds:

- 1) **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
For the Fiscal Year Ended June 30, 2025

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**Fund Financial Statements (continued)**

- 2) **Proprietary funds** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the District-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured programs for workers' compensation claims, health and welfare benefits, and property and liability claims.
  
- 3) **Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's fiduciary funds include CFD custodial funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's combined net position was higher on June 30, 2025, than it was the year before – increasing 2.0% to \$512.6 million (See Table A-1).

**Table A-1: Statement of Net Position**

	<b>Governmental Activities</b>		
	<b>2025</b>	<b>2024*</b>	<b>Net Change</b>
<b>Assets</b>			
Current assets	\$ 282,159,500	\$ 324,769,030	\$ (42,609,530)
Capital assets	806,844,572	783,116,330	23,728,242
<b>Total assets</b>	<u>1,089,004,072</u>	<u>1,107,885,360</u>	<u>(18,881,288)</u>
<b>Total deferred outflows of resources</b>	<u>193,620,813</u>	<u>216,616,606</u>	<u>(22,995,793)</u>
<b>Liabilities</b>			
Current liabilities	45,637,360	47,563,704	(1,926,344)
Long-term liabilities	614,287,195	701,558,791	(87,271,596)
<b>Total liabilities</b>	<u>659,924,555</u>	<u>749,122,495</u>	<u>(89,197,940)</u>
<b>Total deferred inflows of resources</b>	<u>110,097,683</u>	<u>73,034,715</u>	<u>37,062,968</u>
<b>Net position</b>			
Net investment in capital assets	784,357,040	752,813,573	31,543,467
Restricted	147,473,343	175,271,351	(27,798,008)
Unrestricted	(419,227,736)	(425,740,168)	6,512,432
<b>Total net position</b>	<u>\$ 512,602,647</u>	<u>\$ 502,344,756</u>	<u>\$ 10,257,891</u>

\* As restated

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Changes in net position, governmental activities.** The District's total revenues decreased 3.9% to \$671.2 million (See Table A-2). The decrease is due primarily to decreases in unrestricted state aid.

The total cost of all programs and services decreased 7.0% to \$660.9 million. The District's expenses are predominantly related to educating and caring for students, 83.6%. The purely administrative activities of the District accounted for just 5.4% of total costs. A significant contributor to the decrease in costs was decreased spending due to expiration of one-time federal grants.

**Table A-2: Statement of Activities**

	<b>Governmental Activities</b>		
	<b>2025</b>	<b>2024</b>	<b>Net Change</b>
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 23,631,947	\$ 15,323,584	\$ 8,308,363
Operating grants and contributions	105,255,373	135,409,569	(30,154,196)
Capital grants and contributions	2,258,016	2,180,645	77,371
General Revenues:			
Property taxes	470,396,859	452,046,063	18,350,796
Federal and state aid not restricted	41,984,840	76,823,574	(34,838,734)
Other general revenues	27,629,733	16,926,136	10,703,597
<b>Total Revenues</b>	<u>671,156,768</u>	<u>698,709,571</u>	<u>(27,552,803)</u>
<b>Expenses</b>			
Instruction-related	470,522,007	525,201,257	(54,679,250)
Pupil services	81,752,569	81,306,356	446,213
Administration	36,001,832	26,181,767	9,820,065
Plant services	61,084,929	64,252,713	(3,167,784)
All other activities	11,537,540	13,906,780	(2,369,240)
<b>Total Expenses</b>	<u>660,898,877</u>	<u>710,848,873</u>	<u>(49,949,996)</u>
Increase (decrease) in net position	<u>\$ 10,257,891</u>	<u>\$ (12,139,302)</u>	<u>\$ 22,397,193</u>
<b>Total Net Position</b>	<u>\$ 512,602,647</u>	<u>\$ 502,344,756</u>	

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$196.8 million, which is below last year's ending fund balance of \$239.6 million. The primary cause of the decreased fund balance is due to deficit spending in the general fund.

**Table A-3: The District's Fund Balances**

Fund	Fund Balances				
	July 1, 2024	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2025
General Fund	\$ 130,561,184	\$ 634,943,122	\$ 667,122,814	\$ -	\$ 98,381,492
Student Activities Fund	5,182,197	14,589,528	14,721,948	-	5,049,777
Charter School Fund	-	5,591	-	-	5,591
Child Development Fund	2,158,701	5,519,377	4,785,062	-	2,893,016
Cafeteria Fund	23,498,239	22,172,655	18,664,971	-	27,005,923
Deferred Maintenance Fund	3,273,208	3,080,912	2,690,982	-	3,663,138
Capital Facilities Fund	6,619,023	1,813,403	16,803,389	16,343,148	7,972,185
County School Facilities Fund	45,062,623	2,258,016	13,363,923	-	33,956,716
Special Reserve Fund (Capital Outlay)	14,527,890	4,146,871	8,056,093	-	10,618,668
Capital Projects Fund for Blended Component Units	2,857,618	127,476	1,127,649	901,808	2,759,253
Bond Interest and Redemption Fund	5,890,098	4,161,450	5,584,588	-	4,466,960
	<u>\$ 239,630,781</u>	<u>\$ 692,818,401</u>	<u>\$ 752,921,419</u>	<u>\$ 17,244,956</u>	<u>\$ 196,772,719</u>

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$11.1 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – decreased \$13.9 million to reflect revised cost estimates.
- Other non-personnel expenses – increased \$7.4 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$34.2 million, the actual results for the year show that expenditures exceeded revenues by roughly \$32.2 million. Actual revenues were \$8.6 million less than anticipated, and expenditures were \$10.6 million less than budgeted.

That amount consists primarily of capital outlay and restricted program dollars that were not spent as of June 30, 2025, that will be carried over into the 2025-26 budget.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2024-25 the District had acquired \$44.9 million in new capital assets, related to land, construction in progress, site improvements, leases, subscription assets, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$19.5 million and amortization was \$1.8 million.

**Table A-4: Capital Assets at Year End, Net of Depreciation**

	<b>Governmental Activities</b>		
	<b>2025</b>	<b>2024</b>	<b>Net Change</b>
Land	\$ 324,706,533	\$ 324,706,533	\$ -
Improvement of sites	16,769,145	17,881,247	(1,112,102)
Buildings	399,047,733	405,900,430	(6,852,697)
Equipment	17,751,164	17,405,870	345,294
Construction in progress	46,754,436	13,654,255	33,100,181
Leased assets	-	750,358	(750,358)
Subscription assets	1,815,561	2,817,637	(1,002,076)
<b>Total</b>	<b>\$ 806,844,572</b>	<b>\$ 783,116,330</b>	<b>\$ 23,728,242</b>

**Long-Term Debt**

At year-end the District had \$614.3 million in long-term liabilities – a decrease of 12.4% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements).

**Table A-5: Outstanding Long-Term Debt at Year-End**

	<b>Governmental Activities</b>		
	<b>2025</b>	<b>2024*</b>	<b>Net Change</b>
General obligation bonds	\$ 5,483,224	\$ 10,774,051	\$ (5,290,827)
Certificates of participation	17,130,000	19,397,583	(2,267,583)
Financed purchases	239,087	352,932	(113,845)
Leases	-	1,110,929	(1,110,929)
Subscription based IT arrangements	1,790,990	2,728,453	(937,463)
Compensated absences	7,626,735	8,331,611	(704,876)
Claims liability	15,074,996	13,446,403	1,628,593
Other postemployment benefits	117,443,824	118,351,395	(907,571)
Net pension liability	449,498,339	527,065,434	(77,567,095)
<b>Total</b>	<b>\$ 614,287,195</b>	<b>\$ 701,558,791</b>	<b>\$ (87,271,596)</b>

*\*As Restated*

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE**

***California State Budget***

The Budget aims to solve a \$11.8 billion General Fund deficit for 2025-26 through reductions, borrowing and fund shifts. The 2025-26 Enacted Budget relies on reserves and deferrals to meet its Proposition 98 obligations for the fiscal year, including the scheduled \$7.1 billion Budget Stabilization Act (BSA) withdrawal in 2025-26. This will leave a combined reserve balance of \$15.7 billion in 2025-26, including \$11.2 billion in the BSA and an additional \$4.5 billion in the state's discretionary reserve account (the Special Fund for Economic Uncertainties).

***TK-12 Education***

The Budget includes total funding of \$137.6 billion (\$80.5 billion General Fund and \$57.1 billion other funds) for all TK-12 education programs.

***Proposition 98***

The Budget revised estimates of General Fund revenues resulting in notable adjustments to the Proposition 98 Guarantee. The revised Guarantee for TK-14 schools is calculated to be \$98.5 billion in 2023-24, \$119.9 billion in 2024-25, and \$114.6 billion in 2025-26. These revised Proposition 98 levels represent an increase of approximately \$3.9 billion over the three-year period relative to the 2024 Budget Act. The Budget appropriates the 2024-25 Guarantee at \$118 billion, instead of the currently calculated level of \$119.9 billion. The difference between the appropriated and the calculated levels is \$1.9 billion, which is referred to as "settle-up." The 2024-25 Guarantee level will not be finalized until that fiscal year is certified—a process that will occur throughout 2026.

The Budget shifts the full TK expansion funding to the TK-12 education side of the Proposition 98 budget, beginning in the 2025-26 fiscal year. This shifts \$232.9 million in ongoing resources from community colleges to TK-12 schools. The purpose of re-benching Proposition 98 for the cost of TK expansion is to ensure that the implementation of universal TK does not create a fiscal burden on existing TK-12 programs.

The Budget includes a LCFF cost-of-living adjustment of 2.3 percent. When combined with population growth adjustments, these baseline adjustments will increase discretionary funds for local educational agencies (LEAs) by \$2.1 billion compared to the 2024 Budget Act. To fully fund the LCFF, the Budget uses \$405.3 million from the Proposition 98 Rainy Day Fund to support LCFF costs in 2025-26.

Budgetary deferrals of \$246.6 million for TK-12 education from 2024-25 will be fully repaid in 2025-26. However, to fully fund the LCFF and maintain the level of 2025-26 principal apportionments, the Budget defers \$1.9 billion in LCFF funding from June 2026 to July 2026.

***Funding Results for Education Programs***

In the 2025-26 school year, the Budget provides a total of \$2.1 billion ongoing Proposition 98 General Fund (inclusive of all prior years' investments) to support the full implementation of universal TK. The Budget also provides an additional \$1.2 billion ongoing Proposition 98 General Fund to support further lowering the average student-to-adult ratio from 12:1 to 10:1 in every TK classroom.

The Budget provides \$515.1 million ongoing for the full implementation of the Expanded Learning Opportunities Program by increasing the number of elementary schools that offer universal access to students. Additionally, the Budget includes \$10.4 million to increase the minimum grant amount from \$50,000 to \$100,000 per LEA.

The Budget provides \$480 million to support literacy instruction aligned with the ELA/ELD Framework and includes multiple investments intended to support teachers and improve access to the educator pipeline. In addition, the Budget allocates \$1.7 billion one-time Proposition 98 General Fund for the Student Support and Professional Development Discretionary Block Grant, as well as numerous one-time grants for various new and ongoing program support.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)**

***Federal Implications***

Because the State Budget was approved in late June, it does not reflect the impact of the cuts in federal spending included in the federal omnibus tax and spending bill signed in early July. The bill does not make any statutory or direct funding adjustments to TK-12 federal education programs, including Title I and the Individuals with Disabilities Education Act. However, the bill allocates \$100 million to the OMB to conduct reviews across the executive branch aimed at identifying "budget and accounting efficiencies."

All of these factors were considered in preparing the Capistrano Unified School District budget for the 2025-26 fiscal year.

**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 any questions about this report or need additional financial information, contact those listed below at Capistrano Unified School District, 33122 Valle Road, San Juan Capistrano, California 92675:

Clark Hampton, Deputy Superintendent, Business and Support Services, 949-234-9211, [cdhampton@capousd.org](mailto:cdhampton@capousd.org) and  
Philippa Townsend, Assistant Superintendent, Fiscal Services, 949-234-9316, [pktownsend@capousd.org](mailto:pktownsend@capousd.org).

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Statement of Net Position*  
*June 30, 2025*

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	Governmental Activities
<b>ASSETS</b>	
Deposits and investments	\$ 230,300,638
Accounts receivable	50,602,094
Prepaid expenses	9,760
Inventories	345,811
Other current assets	901,197
Capital assets:	
Non-depreciable capital assets	371,460,969
Depreciable capital assets	956,825,357
Less accumulated depreciation	(523,257,315)
Subscription assets	4,122,460
Less accumulated amortization	(2,306,899)
Total assets	<u>1,089,004,072</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts on refunding	67,636
Deferred outflows related to OPEB	3,113,924
Deferred outflows related to pensions	190,439,253
Total deferred outflows of resources	<u>193,620,813</u>
<b>LIABILITIES</b>	
Accounts payable	40,290,497
Accrued interest payable	69,479
Unearned revenue	5,277,384
Noncurrent liabilities:	
Due or payable within one year	6,056,017
Due in more than one year:	
Other than OPEB and pensions	41,289,015
Total OPEB liability	117,443,824
Net pension liability	449,498,339
Total liabilities	<u>659,924,555</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred amounts on refunding	240,467
Deferred inflows related to OPEB	15,758,082
Deferred inflows related to pensions	94,099,134
Total deferred inflows of resources	<u>110,097,683</u>
<b>NET POSITION</b>	
Net investment in capital assets	784,357,040
Restricted for:	
Capital projects	53,189,776
Debt service	4,466,960
Student body activities	5,049,777
Self-insurance programs	24,743,904
Categorical programs	60,022,926
Unrestricted	<u>(419,227,736)</u>
Total net position	<u>\$ 512,602,647</u>

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Statement of Activities

For the Fiscal Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities:</b>						
Instruction	\$ 404,702,383	\$ 20,090,442	\$ 63,171,233	\$ 2,258,016		\$ (319,182,692)
Instruction-Related Services:						
Supervision of instruction	20,346,377	99,582	7,104,862	-		(13,141,933)
Instructional library, media and technology	3,663,447	-	394,764	-		(3,268,683)
School site administration	41,809,800	580	(972,677)	-		(42,781,897)
Pupil Support Services:						
Home-to-school transportation	14,708,319	287	63,154	-		(14,644,878)
Food services	17,906,575	846,630	20,636,340	-		3,576,395
All other pupil services	49,137,675	9,777	4,242,671	-		(44,885,227)
General Administration Services:						
Data processing services	17,351,604	-	(39,517)	-		(17,391,121)
Other general administration	18,650,228	35,831	4,413,164	-		(14,201,233)
Plant services	61,084,929	83,269	112,026	-		(60,889,634)
Ancillary services	5,615,126	-	(177,648)	-		(5,792,774)
Community services	695	-	-	-		(695)
Enterprise activities	97,101	-	-	-		(97,101)
Interest on long-term debt	1,031,366	-	-	-		(1,031,366)
Other outgo	3,040,818	2,465,549	6,307,001	-		5,731,732
Amortization (unallocated)	1,752,434	-	-	-		(1,752,434)
Total Governmental Activities	<u>\$ 660,898,877</u>	<u>\$ 23,631,947</u>	<u>\$ 105,255,373</u>	<u>\$ 2,258,016</u>		<u>(529,753,541)</u>
<b>General Revenues:</b>						
						470,396,859
						41,984,840
						8,602,706
						199,456
						17,244,956
						1,582,615
						<u>540,011,432</u>
						<u>10,257,891</u>
						504,851,605
						<u>(2,506,849)</u>
						502,344,756
						<u>\$ 512,602,647</u>

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Balance Sheet – Governmental Funds*  
*June 30, 2025*

	General Fund	Cafeteria Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Deposits and investments	\$ 90,351,231	\$ 25,281,420	\$ 35,842,193	\$ 40,632,305	\$ 192,107,149
Accounts receivable	46,060,788	2,729,191	121,931	1,558,970	50,470,880
Due from other funds	620,525	705	-	51	621,281
Stores inventories	111,886	233,925	-	-	345,811
Prepaid expenditures	9,760	-	-	-	9,760
Other current assets	901,197	-	-	-	901,197
<b>Total Assets</b>	<b>\$ 138,055,387</b>	<b>\$ 28,245,241</b>	<b>\$ 35,964,124</b>	<b>\$ 42,191,326</b>	<b>\$ 244,456,078</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 30,986,639	\$ 780,820	\$ 1,977,408	\$ 6,118,105	\$ 39,862,972
Due to other funds	1,868,758	146,788	30,000	497,457	2,543,003
Unearned revenue	3,149,769	311,710	-	1,815,905	5,277,384
<b>Total Liabilities</b>	<b>36,005,166</b>	<b>1,239,318</b>	<b>2,007,408</b>	<b>8,431,467</b>	<b>47,683,359</b>
<b>Fund Balances</b>					
Nonspendable	296,646	246,675	-	-	543,321
Restricted	30,123,987	26,759,248	33,956,716	31,642,813	122,482,764
Committed	7,367,121	-	-	-	7,367,121
Assigned	3,668,729	-	-	2,117,046	5,785,775
Unassigned	60,593,738	-	-	-	60,593,738
<b>Total Fund Balances</b>	<b>102,050,221</b>	<b>27,005,923</b>	<b>33,956,716</b>	<b>33,759,859</b>	<b>196,772,719</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 138,055,387</b>	<b>\$ 28,245,241</b>	<b>\$ 35,964,124</b>	<b>\$ 42,191,326</b>	<b>\$ 244,456,078</b>

# CAPISTRANO UNIFIED SCHOOL DISTRICT

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

**Total fund balances - governmental funds** \$ 196,772,719

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

Capital assets at historical cost:	1,328,286,326	
Accumulated depreciation:	(523,257,315)	
Subscription assets	4,122,460	
Accumulated amortization	<u>(2,306,899)</u>	
Net:		806,844,572

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (69,479)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow. The remaining deferred amounts on refunding at the end of the period were:

Deferred outflows of resources	67,636	
Deferred inflows of resources	<u>(240,467)</u>	
Total		(172,831)

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

General obligation bonds payable	5,483,224	
Certificates of participation payable	17,130,000	
Financed purchases	239,087	
Subscription based IT arrangements	1,790,990	
Compensated absences payable	7,626,735	
Other postemployment benefits	117,443,824	
Net pension liability	<u>449,498,339</u>	
Total		(599,212,199)

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

Deferred outflows of resources	3,113,924	
Deferred inflows of resources	<u>(15,758,082)</u>	
Total		(12,644,158)

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

Deferred outflows of resources	190,439,253	
Deferred inflows of resources	<u>(94,099,134)</u>	
Total		96,340,119

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

24,743,904

**Total net position - governmental activities** \$ 512,602,647

# CAPISTRANO UNIFIED SCHOOL DISTRICT

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

	General Fund	Cafeteria Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
LCFF sources	\$ 489,864,187	\$ -	\$ -	\$ -	\$ 489,864,187
Federal sources	20,095,209	7,600,687	-	-	27,695,896
Other state sources	108,981,343	12,701,280	57	3,637,939	125,320,619
Other local sources	19,088,886	1,870,688	2,257,959	26,720,166	49,937,699
Total Revenues	638,029,625	22,172,655	2,258,016	30,358,105	692,818,401
<b>EXPENDITURES</b>					
Current:					
Instruction	417,992,167	-	-	3,222,891	421,215,058
Instruction-Related Services:					
Supervision of instruction	21,083,015	-	-	1,198,809	22,281,824
Instructional library, media and technology	3,587,432	-	-	-	3,587,432
School site administration	45,672,121	-	-	104,086	45,776,207
Pupil Support Services:					
Home-to-school transportation	14,036,121	-	-	-	14,036,121
Food services	-	18,166,347	-	-	18,166,347
All other pupil services	53,481,317	-	-	-	53,481,317
Ancillary services	6,012,812	-	-	14,721,948	20,734,760
Community services	695	-	-	-	695
General Administration Services:					
Data processing services	17,671,136	-	-	-	17,671,136
Other general administration	17,982,056	-	-	898,357	18,880,413
Transfers of indirect costs	(757,900)	498,624	-	259,276	-
Plant services	59,688,789	-	-	9,413	59,698,202
Capital outlay	4,481,100	-	13,363,923	23,585,923	41,430,946
Intergovernmental transfers	5,308,401	-	-	-	5,308,401
Debt service:					
Principal	2,922,237	-	-	4,860,405	7,782,642
Interest	652,297	-	-	2,217,621	2,869,918
Total Expenditures	669,813,796	18,664,971	13,363,923	51,078,729	752,921,419
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(31,784,171)	3,507,684	(11,105,907)	(20,720,624)	(60,103,018)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from external CFDs	-	-	-	17,244,956	17,244,956
Net Change in Fund Balances	(31,784,171)	3,507,684	(11,105,907)	(3,475,668)	(42,858,062)
Fund Balances, July 1, 2024, as originally stated	133,834,392	-	45,062,623	60,733,766	239,630,781
Change within reporting entity (non-major to major fund)	-	23,498,239	-	(23,498,239)	-
Fund Balances - July 1, 2024, as restated	133,834,392	23,498,239	45,062,623	37,235,527	239,630,781
Fund Balances - June 30, 2025	\$ 102,050,221	\$ 27,005,923	\$ 33,956,716	\$ 33,759,859	\$ 196,772,719

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

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

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**Total net change in fund balances - governmental funds** \$ (42,858,062)

Amounts reported for governmental *activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period was:

Expenditures for capital outlay	44,944,593	
Depreciation expense	(19,463,917)	
Amortization expense	<u>(1,752,434)</u>	23,728,242

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

7,782,642

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities these amounts are amortized over the shorter of the life of the refunded bonds or the refunding bonds. The difference between current year amounts and the current year amortization was:

110,132

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. Accreted interest additions less accreted interest paid during the year was:

1,905,422

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or an other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premiums or discount for the period was:

32,583

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

21,252

In the statement of activities, compensated absences 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).

704,876

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

18,776,152

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

(708,240)

The internal service fund is used by management to charge the cost of self-insurance activities. The net revenue (expense) of the internal service fund is reported with governmental activities.

762,892

**Change in net position of governmental activities** \$ 10,257,891

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Statement of Net Position – Proprietary Fund*  
*June 30, 2025*

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	Governmental Activities
	<u>Internal Service Funds</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 38,193,489
Accounts receivable	131,214
Due from other funds	<u>1,923,924</u>
Total Assets	<u>40,248,627</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accrued liabilities	427,525
Due to other funds	<u>2,202</u>
Total current liabilities	429,727
<b>Non-Current Liabilities</b>	
Claims liability	<u>15,074,996</u>
Total Liabilities	<u>15,504,723</u>
<b>NET POSITION</b>	
Restricted	<u><u>\$ 24,743,904</u></u>

**CAPISTRANO UNIFIED SCHOOL DISTRICT***Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund  
For the Fiscal Year Ended June 30, 2025*

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	Governmental Activities <hr/> Internal Service Funds <hr/>
<b>OPERATING REVENUES</b>	
Charges to other funds	\$ 77,299,511
All other fees and contracts	<hr/> 139,256
Total operating revenues	<hr/> 77,438,767
<b>OPERATING EXPENSES</b>	
Salaries and benefits	613,097
Supplies and materials	13,824
Services and other operating expenses	<hr/> 78,004,154
Total operating expenses	<hr/> 78,631,075
Operating Income (Loss)	(1,192,308)
<b>NON-OPERATING REVENUES</b>	
Interest income	<hr/> 1,955,200
Change in net position	762,892
Net position, July 1, 2024	<hr/> 23,981,012
Net position, June 30, 2025	<hr/> <hr/> \$ 24,743,904

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Statement of Cash Flows – Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2025*

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	Governmental Activities <u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from assessments made to other funds	\$ 79,280,583
Cash received from all other sources	139,256
Cash payments for payroll, insurance and operating costs	<u>(78,915,459)</u>
Net cash provided (used) by operating activities	504,380
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>1,823,986</u>
Net increase (decrease) in cash and cash equivalents	2,328,366
Cash, July 1, 2024	<u>35,865,123</u>
Cash, June 30, 2025	<u>\$ 38,193,489</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ (1,192,308)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	959,970
(Increase) decrease in due from other funds	1,021,102
Increase (decrease) in accounts payable	(1,913,048)
Increase (decrease) in due to other funds	71
Increase (decrease) in claims liability	<u>1,628,593</u>
Net cash provided (used) by operating activities	<u>\$ 504,380</u>

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Statement of Fiduciary Net Position*  
*June 30, 2025*

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	<b>Debt Service Funds for Special Tax Bonds</b>
<b>ASSETS</b>	
Deposits and investments	\$ 23,116,502
Accounts receivable	<u>74,203</u>
Total Assets	<u>23,190,705</u>
<b>LIABILITIES</b>	
Accounts payable	<u>-</u>
<b>NET POSITION</b>	
Restricted for CFD debt service	<u>\$ 23,190,705</u>

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Statement of Changes in Fiduciary Net Position*  
*June 30, 2025*

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	<b>Funds for Special Tax Bonds</b>
<b>ADDITIONS</b>	
Local property taxes	\$ 17,055,851
Interest	701,865
	<hr/>
<b>Total Additions</b>	<b>17,757,716</b>
	<hr/>
<b>DEDUCTIONS</b>	
Debt service - interest	5,189,350
Debt service - principal	10,895,928
All other transfers out	901,808
	<hr/>
<b>Total Deductions</b>	<b>16,987,086</b>
	<hr/>
Change in fiduciary net position	770,630
Net position - July 1, 2024	22,420,075
	<hr/>
Net position - June 30, 2025	<b>\$ 23,190,705</b>
	<hr/> <hr/>

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capistrano Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

#### A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the Board of Trustees of the component units is essentially the same as the Board of Trustees of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Capistrano USD Financing Authority (the "Authority") and Capistrano USD Financing Corporation (the "Corporation") financial activity are presented in the financial statements as the Debt Service Fund. Certificates of participation and other debt issued by the Authority and the Corporation are included as long-term liabilities in the District-wide financial statements. Individually prepared financial statements are not prepared for the Authority or the Corporation.

The Capistrano Unified School District Community Facilities Districts' (CFDs) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFDs are not included in the long-term obligations of the *Statement of Net Position* as they are not obligations of the District. Individually prepared financial statements are available for the CFDs through the Business Office.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Basis of Presentation, Basis of Accounting

##### 1. Basis of Presentation

###### District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes, are presented as general revenues.

###### Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

###### Major Governmental Funds

The District maintains the following major governmental funds:

**General Fund:** This is the chief operating fund for the District. 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. The District also maintains a Deferred Maintenance Fund and a Charter School Fund. These funds do not meet the definition of a special revenue funds as they are not primarily composed of restricted or committed revenue sources. Because these funds do not meet the definition of special revenue funds under GASB 54, the activity in these funds is being reported within the General Fund.

**Cafeteria Fund:** This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* Sections 38090 and 38093).

**County School Facilities Fund:** This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

*Notes to Financial Statements*

*June 30, 2025*

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### B. Basis of Presentation, Basis of Accounting (continued)

#### 1. Basis of Presentation (continued)

##### **Non-Major Governmental Funds**

The District maintains the following non-major governmental funds:

**Special Revenue Funds:** Special revenue funds are established 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 District maintains a separate fund for each school that operates an ASB fund, whether it is organized or not.

**Child Development Fund:** This fund is used to account separately for federal, state, and local revenues to operate child development programs.

**Capital Projects Funds:** Capital projects funds are established 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:** This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.).

**Special Reserve Fund for Capital Outlay Projects:** This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 21, 25, 30, 35, or 49.

**Capital Projects Fund for Blended Component Units:** This fund is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

**Debt Service Funds:** Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

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

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Basis of Presentation, Basis of Accounting (continued)

##### 1. Basis of Presentation (continued)

###### Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

**Internal Service Funds:** These funds are used to account for services rendered on a cost-reimbursement basis within the District. The District operates workers' compensation and property and liability insurance programs that are accounted for in the Internal Service Fund. In addition, the District's health and welfare benefit programs are accounted for in the Internal Service Fund.

**Self-Insurance Fund:** Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds in the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code* Section 17566).

###### Fiduciary Funds

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

**Debt Service Fund for Special Tax Bonds:** This fund is used to account for the accumulation of resources for, and the repayment of, Community Facility District bonds, interest and related costs.

##### 2. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### B. Basis of Presentation, Basis of Accounting (continued)

##### 2. Measurement Focus, Basis of Accounting (continued)

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the District's proprietary funds and various other functions of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

##### 3. 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. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. 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.

#### C. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

##### 1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

##### 2. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

##### 3. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

#### 4. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Description	Estimated Lives
Buildings	20-50 years
Improvements/Infrastructure	5-50 years
Equipment	5-20 years

#### 5. Unearned Revenue

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

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

#### 6. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

#### 7. Compensated Absences

The District has implemented GASB Statement No. 101, *Compensated Absences*. A liability is reported for unused vacation leave. Although sick leave is not paid out upon separation, a liability is recorded for the portion of sick leave that is more likely than not to be used for paid time off. The liability is measured using current pay rates and includes applicable salary-related costs.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2025

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

#### 8. Leases

##### Lessee:

The District recognizes a lease liability and an intangible right-to-use leased asset (leased asset) in the government-wide financial statements. At the commencement of the lease term, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The leased asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over the lease term or useful life of the underlying assets.

##### Lessor:

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

#### 9. Subscription-Based Information Technology Arrangements

The District recognizes a subscription liability and an intangible right-to-use subscriptions IT asset (subscription IT asset) in the government-wide financial statements. At the commencement of the lease liability, the District measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over the subscription term or useful life of the underlying asset. The amortization period varies from 2 to 4 years.

#### 10. 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 CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize 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.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

##### 11. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition 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. Investments are reported at fair value.

##### 12. Fund Balances

The fund balance for Governmental Funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

**Nonspendable:** Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

**Restricted:** Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

**Committed:** The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

**Assigned:** Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

**Unassigned:** Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

##### 13. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

##### 13. Net Position (continued)

- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

#### E. Minimum Fund Balance Policy

This Fund Balance Policy establishes the procedures for reporting unrestricted fund balance in the General Fund financial statements. Certain commitments and assignments of fund balance will help ensure that there will be adequate financial resources to protect the District against unforeseen circumstances and events such as revenue shortfalls and unanticipated expenditures. The policy also authorizes and directs the Chief Financial Officer to prepare financial reports which accurately categorize fund balance as per Governmental Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

The District's minimum reserve standard is 2% as per the recommended level for districts with more than 30,000 ADA (California Department of Education) or not less than two months of General Fund operating expenditures, or up to 17% of General Fund expenditures and other financing uses.

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 Board of Trustees has provided otherwise in its commitment or assignment actions.

#### F. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

#### G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### H. Change in Accounting Principle

During the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This standard requires the recognition of accrued compensated absences as a liability in the financial statements. The implementation resulted in a cumulative effect adjustment to beginning net position to reflect the recognition of accumulated leave liabilities previously unrecorded. The impact on the District's beginning net position was a decrease of \$2,506,849.

### NOTE 2 – DEPOSITS AND INVESTMENTS

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

Governmental funds	\$ 192,107,149
Proprietary funds	<u>38,193,489</u>
Governmental Activities	230,300,638
Fiduciary funds	<u>23,116,502</u>
Total deposits and investments	<u>\$ 253,417,140</u>

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

Cash on hand and in banks	\$ 5,127,896
Cash in revolving fund	467,750
Investments	<u>247,821,494</u>
Total deposits and investments	<u>\$ 253,417,140</u>

#### Pooled Funds

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the interest-bearing Orange County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the Orange 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 Orange County Treasurer, which is recorded on the amortized basis.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

#### Custodial Credit Risk – Deposits

Custodial credit risk 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. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2025, none of the District’s bank balance was exposed to custodial credit risk because it was insured or collateralized with securities held by the pledging financial institutions trust department or agency.

#### Investments - Interest Rate Risk

The District’s investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District’s investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Trustees. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2025, consist of the following:

	Rating	Reported Amount	Maturity		Fair Value Measurement
			Less Than One Year	One Year Through Five Years	
Investment maturities:					
U.S. Bank First American Treasury Obligations	AA	\$ 25,867,131	\$ 25,867,131	\$ -	Level 2
Orange County Investment Pool	N/A	221,954,363	221,954,363	-	Uncategorized
Total Investments		<u>\$ 247,821,494</u>	<u>\$ 247,821,494</u>	<u>\$ -</u>	

#### Investments - Credit Risk

The District’s investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2025, all investments represented governmental securities which were issued, registered and held by the District’s agent in the District’s name.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

#### Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2025, the District had the following investments that represent more than five percent of the District's net investments, other than the County Pool.

First America Treasury Obligations	
U.S. Bank First American Treasury Obligations	100%

#### 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 date 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.

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

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

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2025

**NOTE 3 – RECEIVABLES**

**A. Accounts Receivable**

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

	Governmental Activities						
	General Fund	Cafeteria Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Funds	Fiduciary Funds
Federal Government:							
Categorical aid programs	\$ 16,819,713	\$ 898,445	\$ -	\$ -	\$ 17,718,158	\$ -	\$ -
State Government:							
LCFF sources	12,347,715	-	-	-	12,347,715	-	-
Special education	2,989,461	-	-	-	2,989,461	-	-
Lottery	3,005,100	-	-	-	3,005,100	-	-
Categorical aid programs	6,129,038	1,751,780	-	1,153,472	9,034,290	-	-
Local:							
Interest	407,008	-	121,931	123,573	652,512	131,214	74,203
Leases & rentals	204,789	-	-	-	204,789	-	-
Other local	4,157,964	78,966	-	281,925	4,518,855	-	-
<b>Total</b>	<b>\$ 46,060,788</b>	<b>\$ 2,729,191</b>	<b>\$ 121,931</b>	<b>\$ 1,558,970</b>	<b>\$ 50,470,880</b>	<b>\$ 131,214</b>	<b>\$ 74,203</b>

**B. Leases Receivable**

In accordance with GASB No. 87, the District recognized a lease receivable and a deferred inflow of resources for various real property leases. The District used either the stated interest rate or the State’s incremental borrowing rate, 2.4%, to discount the lease revenue to the net present value. For the fiscal year ended June 30, 2025, the District reported lease revenue of \$177,307 interest revenue of \$0. There are no variable payments not considered in the measurement of the lease receivable and the District has not issued debt for which the principal and interest payments are secured by the lease payments. Measurement policies and key estimates related to leases can be found in Note 1.D. As of June 30, 2025, this receivable has been fully extinguished.

**NOTE 4 – INTERFUND TRANSACTIONS**

**Balances Due To/From Other Funds**

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

	Due From Other Funds					Total
	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund	
General Fund	\$ -	\$ 705	\$ 51	\$ 756	\$ 1,868,002	\$ 1,868,758
Cafeteria Fund	132,273	-	-	132,273	14,515	146,788
County School Services Fund	-	-	-	-	30,000	30,000
Non-Major Governmental Funds	486,050	-	-	486,050	11,407	497,457
Self-Insurance Fund	2,202	-	-	2,202	-	2,202
<b>Total</b>	<b>\$ 620,525</b>	<b>\$ 705</b>	<b>\$ 51</b>	<b>\$ 621,281</b>	<b>\$ 1,923,924</b>	<b>\$ 2,545,205</b>

General Fund due to Self Insurance Fund for OPEB and Workers Comp	\$ 1,868,002
General Fund due to Cafeteria Fund for indirect costs	705
General Fund due to Child Development Fund for PARS and indirect costs	51
Child Development Fund due to Self Insurance Fund for OPEB and Workers Comp	9,783
Child Development Fund due to General Fund for PARS and indirect costs	486,050
Cafeteria Fund due to General Fund for PARS and indirect costs	132,273
Cafeteria Fund due to Self Insurance Fund for OPEB and Workers Comp	14,515
Capital Facilities Fund due to Self Insurance Fund to for OPEB and Worker Comp	1,624
Self Insurance Fund due to General Fund for insurance	2,202
County Facilities Fund due to Deferred Maintenance Fund for cost reimbursement	30,000
<b>Total</b>	<b>\$ 2,545,205</b>

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

**NOTE 5 – FUND BALANCES**

At June 30, 2025, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Cafeteria Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
<b>Nonspendable:</b>					
Revolving cash	\$ 175,000	\$ 12,750	\$ -	\$ -	\$ 187,750
Stores inventories	111,886	233,925	-	-	345,811
Prepaid expenditures	9,760	-	-	-	9,760
Total Nonspendable	296,646	246,675	-	-	543,321
<b>Restricted:</b>					
Categorical programs	30,123,987	-	-	2,893,016	33,017,003
Student body funds	-	-	-	5,049,777	5,049,777
Child nutrition program	-	26,759,248	-	-	26,759,248
Capital projects	-	-	33,956,716	19,233,060	53,189,776
Debt service	-	-	-	4,466,960	4,466,960
Total Restricted	30,123,987	26,759,248	33,956,716	31,642,813	122,482,764
<b>Committed:</b>					
One-time funds	3,790,170	-	-	-	3,790,170
Technology refresh	371,419	-	-	-	371,419
Chromebook refresh	466,230	-	-	-	466,230
Library abatement	195,156	-	-	-	195,156
Site supply carryover	658,543	-	-	-	658,543
Gift carryover	1,885,603	-	-	-	1,885,603
Total Committed	7,367,121	-	-	-	7,367,121
<b>Assigned:</b>					
Deferred maintenance program	3,663,138	-	-	-	3,663,138
Other assignments	5,591	-	-	2,117,046	2,122,637
Total Assigned	3,668,729	-	-	2,117,046	5,785,775
<b>Unassigned:</b>					
Remaining unassigned balances	60,593,738	-	-	-	60,593,738
Total Unassigned	60,593,738	-	-	-	60,593,738
<b>Total</b>	<b>\$ 102,050,221</b>	<b>\$ 27,005,923</b>	<b>\$ 33,956,716</b>	<b>\$ 33,759,859</b>	<b>\$ 196,772,719</b>

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

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**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

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

	Balance, July 1, 2024	Additions	Deletions	Balance, June 30, 2025
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 324,706,533	\$ -	\$ -	\$ 324,706,533
Construction in progress	13,654,255	34,685,995	1,585,814	46,754,436
Total capital assets not being depreciated	<u>338,360,788</u>	<u>34,685,995</u>	<u>1,585,814</u>	<u>371,460,969</u>
Capital assets being depreciated				
Site improvements	54,979,442	1,533,490	-	56,512,932
Buildings	834,165,297	8,587,023	-	842,752,320
Furniture and equipment	55,836,206	1,723,899	-	57,560,105
Total capital assets being depreciated	<u>944,980,945</u>	<u>11,844,412</u>	<u>-</u>	<u>956,825,357</u>
Less accumulated depreciation:				
Site improvements	(37,098,195)	(2,645,592)	-	(39,743,787)
Buildings	(428,264,867)	(15,439,720)	-	(443,704,587)
Furniture and equipment	(38,430,336)	(1,378,605)	-	(39,808,941)
Total accumulated depreciation	<u>(503,793,398)</u>	<u>(19,463,917)</u>	<u>-</u>	<u>(523,257,315)</u>
Leased assets:				
Equipment leases	2,251,076	-	2,251,076	-
Accumulated amortization for:				
Equipment leases	(1,500,718)	(750,358)	(2,251,076)	-
Total leased assets, net	<u>750,358</u>	<u>(750,358)</u>	<u>-</u>	<u>-</u>
Subscription assets:				
IT Subscriptions	4,647,764	-	525,304	4,122,460
Accumulated amortization for:				
IT Subscriptions	(1,830,127)	(1,002,076)	(525,304)	(2,306,899)
Total leased assets, net	<u>2,817,637</u>	<u>(1,002,076)</u>	<u>-</u>	<u>1,815,561</u>
Governmental Activities Capital Assets, net	<u>\$ 783,116,330</u>	<u>\$ 25,314,056</u>	<u>\$ 1,585,814</u>	<u>\$ 806,844,572</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Instruction	\$ 18,198,762
Home-to-school transportation	486,598
Data processing	194,639
Plant services	583,918
Total	<u>\$ 19,463,917</u>

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

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**NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS**

Changes in long-term liabilities other than OPEB or pensions for the fiscal year ended June 30, 2025, were as follows:

	Balance, July 1, 2024	Additions	Deductions	Balance, June 30, 2025	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 6,712,860	\$ -	\$ 3,385,405	\$ 3,327,455	\$ 2,050,452
Accreted interest component	4,061,191	235,656	2,141,078	2,155,769	2,237,015
Total - Bonds	<u>10,774,051</u>	<u>235,656</u>	<u>5,526,483</u>	<u>5,483,224</u>	<u>4,287,467</u>
Certificates of Participation:					
Principal repayments- 2012 Certificates	1,475,000	-	1,475,000	-	-
Principal repayments- 2017 Certificates	17,890,000	-	760,000	17,130,000	805,000
Unamortized issuance premium	32,583	-	32,583	-	-
Total - Certificates of participation	<u>19,397,583</u>	<u>-</u>	<u>2,267,583</u>	<u>17,130,000</u>	<u>805,000</u>
Financed Purchases	352,932	-	113,845	239,087	117,602
Leases	1,110,929	-	1,110,929	-	-
Subscription based IT arrangements	2,728,453	-	937,463	1,790,990	845,948
Compensated Absences:					
Vacation	5,824,762	-	763,992	5,060,770	-
Sick Leave*	2,506,849	59,116	-	2,565,965	-
Claims Liability	<u>13,446,403</u>	<u>1,628,593</u>	<u>-</u>	<u>15,074,996</u>	<u>-</u>
Totals	<u>\$ 56,141,962</u>	<u>\$ 1,923,365</u>	<u>\$ 10,720,295</u>	<u>\$ 47,345,032</u>	<u>\$ 6,056,017</u>

*\*restated for implementation of GASB 101*

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local property tax revenues. Payments on the Certificates of Participation are made by the Special Reserve Fund for Capital Outlay and the General Fund. Financed purchases, leases, and subscription-based IT arrangements are paid by the General Fund. Additions and deductions for compensated absences are reported net of their cumulative change in the current year. The claims liability will be paid by the Internal Service Fund.

**A. General Obligation Bonds**

**1999 General Obligation Bonds, Series B**

In February 2001, the Capistrano Unified School District issued both current and capital appreciation, 1999 General Obligation Bonds, Series B in the amount of \$29,999,930, with the value of the capital appreciation bonds accreting \$22,550,070, and an aggregate debt service balance of \$52,550,000. The bonds have a final maturity occurring on August 1, 2025, with interest rates ranging from 4.00 to 5.10 percent. The bonds were issued for the acquisition, construction, and repair of schools.

**Prior-Year Defeasance of Debt**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2025, none of the defeased bonds remain outstanding.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

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**NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)**

**A. General Obligation Bonds (continued)**

**Prior-Year Defeasance of Debt (continued)**

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2025, deferred outflows on refunding were \$67,636, and the deferred inflows on refunding were \$240,467.

Below is a schedule of bonds issued and outstanding as of June 30, 2025.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2024	Additions	Deductions	Balance, June 30, 2025
1999, Series B	3/14/2001	8/1/2025	4.0% - 5.1%	\$ 29,999,930	\$ 1,671,338	\$ -	\$ 848,443	\$ 822,895
2022 Ref.	5/5/2022	8/1/2026	1.54%	7,601,200	5,041,522	-	2,536,962	2,504,560
				Totals	\$ 6,712,860	\$ -	\$ 3,385,405	\$ 3,327,455

The annual requirements to amortize general obligation bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2025-26	\$ 2,050,452	\$ 2,266,223	\$ 4,316,675
2026-27	1,277,003	9,833	1,286,836
Total	\$ 3,327,455	\$ 2,276,056	\$ 5,603,511

**B. Certificates of Participation**

**2012 Refunding Certificates of Participation**

In November 2012, the Capistrano Unified School District issued \$19,635,000 of 2012 Refunding Certificates of Participation, pursuant to a lease agreement between the Corporation and the District. Under the agreement, the District will lease certain District property to the Corporation and will lease the property back from the Corporation. The current interest certificates have a final maturity occurring on August 1, 2025, with interest yields of 1.00 to 3.00 percent. The certificates were issued at an aggregate price of \$19,319,921 (representing the principal amount of \$19,635,000 plus an original issue premium of \$282,182 less cost of issuance of \$597,261).

Proceeds from the certificates were to be used to advance refund the District's outstanding 2002 Certificates of Participation and pay costs associated with the issuance of the certificates. The prepayment for the refunding occurred December 1, 2012.

At June 30, 2025, the 2012 Refunding Certificates of Participation have been fully repaid.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

#### B. Certificates of Participation (continued)

##### 2017 Certificates of Participation

On December 21, 2017, the Capistrano Unified School District issued \$21,155,000 of Certificates of Participation, pursuant to a lease agreement between the Facilities Corporation and the District. The certificates were issued as Series A in the aggregate principal amount of \$21,040,000 and Series B in the aggregate principal amount of \$115,000. The Certificates mature between December 1, 2019, and 2043 and carry coupon interest rates between 2.15% and 4.02%.

Proceeds from the Certificates are being used to (i) finance various solar photovoltaic projects of the District and (ii) pay certain delivery costs of the Certificates, including premiums for a municipal bond insurance policy and debt service reserve insurance policy in lieu of cash funding a reserve fund.

The District has designated the Series A Certificates as “New Clean Renewable Energy Bonds” (“New CREBs”) under Section 54C of the *Tax Code* and irrevocably elected under *Tax Code* Section 6431(f)(2) to receive a direct subsidy from the U.S. Treasury equal to the lesser of (i) the amount of interest payable with respect to the Series A Certificates or (ii) 70 percent of the amount of interest which would be payable with respect to the Series A Certificates if the interest rates were determined at the applicable credit rate determined by the U.S. Treasury under *Tax Code* Section 54(A)(b)(3).

The annual requirements to amortize the certificates are as follows:

Fiscal Year	Principal	Interest	Total
2025-26	\$ 805,000	\$ 628,419	\$ 1,433,419
2026-27	850,000	602,554	1,452,554
2027-28	905,000	574,687	1,479,687
2028-29	605,000	550,224	1,155,224
2029-30	645,000	529,277	1,174,277
2030-2035	3,920,000	2,253,154	6,173,154
2035-2040	5,265,000	1,376,392	6,641,392
2040-2044	4,135,000	272,455	4,407,455
Total	<u>\$ 17,130,000</u>	<u>\$ 6,787,162</u>	<u>\$ 23,917,162</u>

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

#### C. Financed Purchase

The District has entered into an agreement to purchase buses valued at more than \$640,000. The agreement is, in substance, a purchase and is reported as a financed purchase. The District's future payments under this obligation are:

Fiscal Year	Principal	Interest	Total
2025-26	\$ 117,602	\$ 7,890	\$ 125,492
2026-27	121,485	4,008	125,493
Totals	\$ 239,087	\$ 11,898	\$ 250,985

#### D. Leases

The District was involved in several leases for equipment. The initial terms for these leases were 24 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term. The District used either the stated interest rate or the State's incremental borrowing rate at inception to discount the lease payments to the net present value. Other key assumptions and policies can be found in Note 1.D. At June 30, 2025, these agreements have been fully repaid.

#### E. Subscription Based IT Arrangements

The District is involved in several arrangements for subscription based software. The initial terms for these subscriptions range from 24 to 72 months. There are no variable payments not included in the measurement of the lease liability, no residual value guarantees provided and no commitments before the commencement of the lease term. The District used either the stated interest rate or the State's incremental borrowing rate at inception to discount the subscription payments to the net present value. Other key assumptions and policies can be found in Note 1.D. The related asset disclosures are presented in Note 6.

Annual future payments are as follows:

Fiscal Year	Principal	Interest	Total
2025-26	\$ 845,948	\$ 43,606	\$ 889,554
2026-27	614,625	23,101	637,726
2027-28	330,417	8,143	338,560
Totals	\$ 1,790,990	\$ 74,850	\$ 1,865,840

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 7 – LONG-TERM LIABILITIES OTHER THAN OPEB OR PENSIONS (continued)

#### F. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facilities Districts as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts 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, and may initiate foreclosure proceedings. Special assessment debt of \$146,790,749 as of June 30, 2025, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 115,793,531	\$ 3,113,924	\$ 15,758,082	\$ 8,013,706
MPP Program	1,650,293	-	-	(415,654)
Totals	<u>\$ 117,443,824</u>	<u>\$ 3,113,924</u>	<u>\$ 15,758,082</u>	<u>\$ 7,598,052</u>

The details of each plan are as follows:

#### District Plan

##### *Plan Description*

The District's single-employer defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**District Plan (continued)**

***Benefits Provided***

The postretirement health plans and the District’s obligation vary by employee group as described below.

**CUEA**

- Retirees age 55 with at least 10 years of consecutive service are offered a District subsidy for retiree only medical coverage based on the following table:

<b>Years of Service at Retirement</b>	<b>District Subsidy of Retiree Only Coverage</b>
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20 or more	100%

- Retirees may elect to cover any dependents; however, the full cost of such coverage is the responsibility of the retiree.
- Retirees may elect dental coverage through the District; however, the full cost of such coverage is the responsibility of the retiree.
- Benefits cease at age 65.

**CSEA/CUMA/Teamsters**

- Retirees age 53 with at least 10 years of consecutive service are offered a District subsidy for retiree only medical coverage based on the following table:

<b>Years of Service at Retirement</b>	<b>District Subsidy of Retiree Only Coverage</b>
10	50%
11	55%
12	60%
13	65%
14	70%
15	75%
16	80%
17	85%
18	90%
19	95%
20 or more	100%

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

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**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**District Plan (continued)**

*Benefits Provided (continued)*

**CSEA/CUMA/Teamsters (continued)**

- Retirees may elect to cover any dependents; however, the full cost of such coverage is the responsibility of the retiree.
- Retirees may elect dental coverage through the District; however, the full cost of such coverage is the responsibility of the retiree.
- Retirees age 50 with at least 10 years of consecutive service are eligible to retire; however, the retiree will pay the full cost of coverage until reaching age 53, when the District subsidy will begin.
- Benefits cease at age 65.

***Employees Covered by Benefit Terms***

As of the valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	285
Active employees	3,133
Total	3,418

***Total OPEB Liability***

The District’s total OPEB liability of \$115,793,531 for the Plan was measured as of June 30, 2025 and was determined by an actuarial valuation as of July 1, 2024.

***Actuarial Assumptions and Other Inputs***

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2024
Wage Inflation	3.25%
Healthcare cost trend rates	7.0% medical cost increase grading down to 4.04% in 2076 and beyond; Dental cost increase is 4.0% per year.

***Discount Rate***

In accordance with GASB 75, the discount rate as of June 30, 2024 and June 30, 2025 is the 20-year municipal bond yield. As of June 30, 2024, a rate of 4.21% was used. As of June 30, 2025, a rate of 4.81% was used.

*Rationale:* As prescribed by GASB for an unfunded OPEB, the discount rate was developed using 20-year municipal bond yield. The S&P Municipal Bond 20-Year High Grade Rate Index was used for this purpose.

***Mortality Rates***

Based on the June 2013 Society of Actuaries Study entitled “Health Care Costs – From Birth to Death”. Pre-age 65 morbidity rates were based on the HMO and PPO costs from Chart 3.

*Rationale:* Due to the size of the covered population, this assumption was based on industry tables with consideration for the current demographics of the covered population.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

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**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**District Plan (continued)**

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
<b>Balance at July 1, 2024</b>	<u>\$ 116,285,448</u>
<b>Changes for the year:</b>	
Service cost	6,067,787
Interest	5,007,536
Changes of assumptions	(4,677,429)
Benefit payments	<u>(6,889,811)</u>
Net changes	<u>(491,917)</u>
<b>Balance at June 30, 2025</b>	<u><u>\$ 115,793,531</u></u>

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

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

<u>Discount Rate</u>	<u>OPEB Liability</u>
1% decrease	\$ 122,989,959
Current discount rate	\$ 115,793,531
1% increase	\$ 108,942,064

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

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>Healthcare Cost Trend Rate</u>	<u>OPEB Liability</u>
1% decrease	\$ 105,878,993
Current trend rate	\$ 115,793,531
1% increase	\$ 127,198,642

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**District Plan (continued)**

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$8,013,706. In addition, at June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 6,168,059
Changes of assumptions	3,113,924	9,590,023
Totals	<u>\$ 3,113,924</u>	<u>\$ 15,758,082</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30:	Deferred Outflows/(Inflows) of Resources
2026	\$ (3,288,087)
2027	(2,201,877)
2028	(2,246,650)
2029	(2,162,430)
2030	(1,062,443)
Thereafter	<u>(1,682,671)</u>
Totals	<u>\$ (12,644,158)</u>

**Medicare Premium Payment (MPP) Program**

***Plan Description***

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit 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. 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/general-information/gasb-6768>.

***Benefits Provided***

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the 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. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**Medicare Premium Payment (MPP) Program (continued)**

***Benefits Provided (continued)***

As of June 30, 2024, 4,121 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with *Education Code* Section 22950, 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.

***Total OPEB Liability***

At June 30, 2025, the District reported a liability of \$1,650,293 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2024, 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. 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 and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<b>Percentage Share of MPP Program</b>		<b>Change Increase/ (Decrease)</b>
	<b>Fiscal Year Ending June 30, 2025</b>	<b>Fiscal Year Ending June 30, 2024</b>	
Measurement Date	June 30, 2024	June 30, 2023	
Proportion of the Net OPEB Liability	0.619135%	0.680849%	-0.061713%

For the year ended June 30, 2025, the District reported OPEB expense of \$(415,654).

***Actuarial Assumptions and Other Inputs***

The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2024
Valuation Date	June 30, 2023
Experience Study	July 1, 2007 through June 30, 2022
Actuarial Cost Method	Entry age actuarial cost method
Investment Rate of Return	3.93%
Healthcare Cost Trend Rates	5.0% for Medicare Part A, and 6.5% for Medicare Part B

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

#### Medicare Premium Payment (MPP) Program (continued)

##### *Actuarial Assumptions and Other Inputs (continued)*

Assumptions were made about future participation (enrollment) into the MPP Program as 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' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but 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 of 132,333.

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

##### *Discount Rate*

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 (SMIF), which is a pooled investment program administered by the California State Treasurer.

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

Discount Rate	MPP OPEB	
		Liability
1% decrease	\$	1,780,627
Current discount rate	\$	1,650,293
1% increase	\$	1,535,691

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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**NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**Medicare Premium Payment (MPP) Program (continued)**

***Sensitivity of the 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, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	\$ 1,528,819
Current trend rate	\$ 1,650,293
1% increase	\$ 1,785,915

**NOTE 9 – PENSION PLANS**

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

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 285,048,622	\$ 120,465,911	\$ 62,962,827	\$ 17,128,622
CalPERS	164,449,717	69,973,342	31,136,307	28,855,524
Totals	<u>\$ 449,498,339</u>	<u>\$ 190,439,253</u>	<u>\$ 94,099,134</u>	<u>\$ 45,984,146</u>

The details of each plan are as follows:

**A. 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/general-information/gasb-6768>.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 9 – PENSION PLANS (continued)

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

##### 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 a multiple-employer, cost-sharing defined benefit plan composed of four programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, Cash Balance Benefit (CBB) Program and Replacement Benefits (RB) Program. A Supplemental Benefit Maintenance Account (SBMA) exists within the STRP and provides purchasing power protection for DB Program benefits. The STRP holds assets for the exclusive purpose of providing benefits to members of these programs and their beneficiaries. 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 and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP.

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	December 31, 2012	January 1, 2013
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 Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	19.10%	19.10%
Required State Contribution Rate	10.828%	10.828%

##### Contributions

The parameters for member, employer and state contribution rates are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014 and established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046.

The contribution rates for each program for the year ended June 30, 2025, are presented above, and the District's total contributions were \$52,062,462.

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

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

### NOTE 9 – PENSION PLANS (continued)

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

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

The 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	\$	285,048,622
State's proportionate share of the net pension liability associated with the District		<u>130,781,288</u>
Total	\$	<u>415,829,910</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 school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2024	
Measurement Date	<u>June 30, 2024</u>	<u>June 30, 2023</u>	
Proportion of the Net Pension Liability	0.424413%	0.460304%	-0.035891%

For the year ended June 30, 2025, the District recognized pension expense of \$17,128,622. In addition, the District recognized pension expense and revenue of \$(12,495,457) 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:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to measurement date	\$ 52,062,462	\$ -
Net change in proportionate share of net pension liability	34,913,005	29,879,820
Difference between projected and actual earnings on pension plan investments	-	1,150,160
Changes of assumptions	1,247,775	19,467,832
Differences between expected and actual experience	<u>32,242,669</u>	<u>12,465,015</u>
Totals	<u>\$ 120,465,911</u>	<u>\$ 62,962,827</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/(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. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability 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 7 years.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 9 – PENSION PLANS (continued)

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

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	\$ 7,364,882	\$ 25,704,263
2027	30,904,265	6,588,694
2028	8,452,808	7,335,629
2029	8,820,097	8,634,334
2030	9,047,233	5,459,723
Thereafter	3,814,164	9,240,184
Totals	\$ 68,403,449	\$ 62,962,827

##### **Actuarial Methods and Assumptions**

The total pension liability for the 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. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability as of June 30, 2024, include:

Valuation Date	June 30, 2023
Experience Study	July 1, 2007 through June 30, 2022
Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll 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 amongst 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 investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class/strategy. Expected real rates of return are net of the 2.75% inflation assumption and are derived from best-estimate ranges of 20- to 30-year geometrically linked expected returns. These best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

**NOTE 9 – PENSION PLANS (continued)**

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

**Actuarial Methods and Assumptions (continued)**

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Rate of Return	Long-Term Expected Real Rate of Return
Public Equity	38.0%	8.00%	5.25%
Real Estate	15.0%	6.80%	4.05%
Private Equity	14.0%	9.50%	6.75%
Fixed Income	14.0%	5.20%	2.45%
Risk Mitigating Strategies	10.0%	5.00%	2.25%
Inflation Sensitive	7.0%	6.40%	3.65%
Cash/Liquidity	2.0%	2.80%	0.05%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from the prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expenses occur midyear. Based on those assumptions, the 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 the 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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 507,008,225
Current discount rate (7.10%)	\$ 285,048,622
1% increase (8.10%)	\$ 99,703,143

**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 pursuant to Sections 22954, 22955, and 22955.1 of the *Education Code* and *Public Resources Code* Section 6217.5. Under accounting principles generally accepted in the United States of America, these contributions are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State’s on-behalf contributions is \$38,897,176.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 9 – PENSION PLANS (continued)

#### B. California Public Employees Retirement System (CalPERS)

##### Plan Description

Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer 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 Accounting Report. 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/employers/actuarial-resources/gasb>.

##### Benefits Provided

CalPERS provides 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:

	Schools Pool (CalPERS)	
	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
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	27.05%	27.05%

##### Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a 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 \$25,187,517.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Notes to Financial Statements*  
*June 30, 2025*

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**NOTE 9 – PENSION PLANS (continued)**

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

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

As of June 30, 2025, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$164,449,717. 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 proportions of the net pension liability for the two most recent measurement periods were:

	<b>Percentage Share of Risk Pool</b>		<b>Change Increase/ (Decrease)</b>
	<b>Fiscal Year Ending June 30, 2025</b>	<b>Fiscal Year Ending June 30, 2024</b>	
Measurement Date	June 30, 2024	June 30, 2023	
Proportion of the Net Pension Liability	0.460143%	0.487565%	-0.027422%

For the year ended June 30, 2025, the District recognized pension expense of \$28,855,524. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
Pension contributions subsequent to measurement date	\$ 25,187,517	\$ -
Net change in proportionate share of net pension liability	2,904,527	11,887,569
Difference between projected and actual earnings on pension plan investments	24,459,699	18,071,777
Changes of assumptions	3,634,894	-
Differences between expected and actual experience	13,786,705	1,176,961
Totals	<u>\$ 69,973,342</u>	<u>\$ 31,136,307</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/(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. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability 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.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 9 – PENSION PLANS (continued)

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

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	\$ 23,717,236	\$ 17,238,755
2027	17,285,152	5,860,672
2028	3,783,437	4,123,556
2029	-	3,913,324
2030	-	-
Thereafter	-	-
Totals	<u>\$ 44,785,825</u>	<u>\$ 31,136,307</u>

##### Actuarial Methods and Assumptions

Total pension liability for the Schools Pool was determined by applying update procedures to a 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
Experience Study	2000-2019
Actuarial Cost Method	Individual entry age normal
Discount Rate	6.9%
Inflation Rate	2.3%
Salary Increases	Varies by entry age and service

Post-retirement mortality rates are based on CalPERS' experience and include generational mortality improvement using 80 percent of Scale MP 2020 published by the Society of Actuaries. These tables are used to estimate the value of benefits expected to be paid for service and disability retirements. For disability retirements, impaired longevity is recognized by a separate table.

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

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 9 – PENSION PLANS (continued)

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

##### Actuarial Methods and Assumptions (continued)

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Real Return
Global Equity Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

##### Discount Rate

The discount rate used to measure the total pension liability was 6.9%. The discount rate is not adjusted for administrative expenses. The fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for the pension plan's investments was applied to all periods of projected benefit payments to determine the 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:

Discount Rate	Net Pension Liability
1% decrease (5.9%)	\$ 244,291,426
Current discount rate (6.9%)	\$ 164,449,717
1% increase (7.9%)	\$ 98,494,109

#### C. Public Agency Retirement System (PARS)

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 PARS as its alternative plan.

#### D. Payables to the Pension Plans

At June 30, 2025, the District reported payables of \$4,965,531 and \$1,382,751 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2025.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## *Notes to Financial Statements*

*June 30, 2025*

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### **NOTE 10 – JOINT VENTURES**

The District is a member of ASCIP public entity risk pool, College and Career Advantage (CCA), Orange County Special Education Legal Alliance (OCSELA), Government Financial Services Joint Powers Authority (GFSJPA), and Ed Tech joint powers authorities (JPAs). Payments for the District's regional occupational program and special education legal services are paid to the JPAs. The District pays an annual premium to ASCIP for its property and liability and excess liability coverage. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes. These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented. Audited financial statements are available from the respective entities.

### **NOTE 11 – COMMITMENTS AND CONTINGENCIES**

#### **A. State and Federal Allowances, Awards, and Grants**

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

#### **B. Construction Commitments**

As of June 30, 2025, the District had commitments with respect to unfinished capital projects of approximately \$97.8 million.

#### **C. Litigation**

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2025.

### **NOTE 12 – RISK MANAGEMENT**

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2016, the District contracted with Alliance of Schools Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Excess liability coverage is obtained through participation in Schools Excess Liability Fund (SELF) (through ASCIP). Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. In addition, property and liability claims for which the District retains the risk of loss (claims below the District's retained limits), are administered by the Self- Insurance Fund.

#### **Workers' Compensation**

Beginning in 2009, the District has established a fund to self-insure itself for workers' compensation coverage. The workers' compensation experience of the District was calculated and applied to a premium rate, which was utilized to charge funds for the administration of the program. Excess liability coverage for workers' compensation claims is provided through the purchase of commercial insurance.

#### **Employee Medical Benefits**

The District has contracted with the Metropolitan Employee Benefit Association (MEBA), an employee/employer benefits trust to provide employee medical and surgical benefits. MEBA obtains benefit programs on behalf of the District through the purchase of commercial insurance. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 12 – RISK MANAGEMENT (continued)

#### Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

#### Unpaid Claims Liabilities

The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2023, to June 30, 2025:

	Workers' Compensation	Property and Liability	Total
Liability Balance, July 1, 2023	\$ 15,576,567	\$ 1,526,950	\$ 17,103,517
Claims and changes in estimates	(7,824,931)	(496,699)	(8,321,630)
Claims payments	4,284,550	379,966	4,664,516
Liability Balance, June 30, 2024	12,036,186	1,410,217	13,446,403
Claims and changes in estimates	4,860,799	1,483,227	6,344,026
Claims payments	(3,687,886)	(1,027,547)	(4,715,433)
Liability Balance, June 30, 2025	<u>\$ 13,209,099</u>	<u>\$ 1,865,897</u>	<u>\$ 15,074,996</u>
Assets available to pay claims at June 30, 2025	<u>\$ 35,687,346</u>	<u>\$ 4,082,936</u>	<u>\$ 39,770,282</u>

### NOTE 13 – ADJUSTMENT FOR RESTATEMENT

The District has implemented the provisions of GASB Statement No. 101, *Compensated Absences*. Accordingly, prior year liabilities on the Statement of Net Position were restated to adopt this standard.

	Statement of Activities
Net position - July 1, 2024, as originally stated	\$ 504,851,605
Implementation of GASB 101	(2,506,849)
Net position - July 1, 2024, as restated	<u>\$ 502,344,756</u>

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*Required Supplementary Information*

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**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2025*

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
<b>Revenues</b>				
LCFF Sources	\$ 483,883,633	\$ 486,954,987	\$ 486,858,799	\$ (96,188)
Federal	21,314,034	20,493,292	20,095,209	(398,083)
Other State	109,431,656	110,554,851	108,981,343	(1,573,508)
Other Local	17,796,753	25,524,756	19,007,771	(6,516,985)
<b>Total Revenues</b>	<b>632,426,076</b>	<b>643,527,886</b>	<b>634,943,122</b>	<b>(8,584,764)</b>
<b>Expenditures</b>				
Current:				
Certificated Salaries	292,582,776	281,832,715	285,445,336	(3,612,621)
Classified Salaries	96,820,051	96,578,765	99,352,632	(2,773,867)
Employee Benefits	173,881,635	170,977,957	167,652,436	3,325,521
Books and Supplies	27,664,377	24,287,329	20,955,104	3,332,225
Services and Other Operating Expenditures	78,131,137	85,317,496	84,021,824	1,295,672
Transfers of Indirect Costs	(457,277)	(678,137)	(757,900)	79,763
Capital Outlay	6,885,179	12,057,462	2,849,292	9,208,170
Other Outgo	8,748,514	7,396,427	7,604,090	(207,663)
<b>Total Expenditures</b>	<b>684,256,392</b>	<b>677,770,014</b>	<b>667,122,814</b>	<b>10,647,200</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(51,830,316)	(34,242,128)	(32,179,692)	2,062,436
Fund Balance, July 1, 2024	127,679,080	130,561,184	130,561,184	-
Fund Balance, June 30, 2025	\$ 75,848,764	\$ 96,319,056	98,381,492	\$ 2,062,436

**Other Fund Balances included in the Statement of Revenues, Expenditures  
and Changes in Fund Balances:**

Charter Schools Special Revenue Fund	5,591
Deferred Maintenance Fund	3,663,138

**Total reported General Fund balance on the Statement of Revenues,  
Expenditures and Changes in Fund Balances:**

\$ 102,050,221

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – Cafeteria Fund*  
*For the Fiscal Year Ended June 30, 2025*

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	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
<b>Revenues</b>				
Federal	\$ 6,400,000	\$ 6,419,042	\$ 7,600,687	\$ 1,181,645
Other State	10,000,000	10,000,000	12,701,280	2,701,280
Other Local	809,486	1,593,090	1,870,688	277,598
Total Revenues	17,209,486	18,012,132	22,172,655	4,160,523
<b>Expenditures</b>				
Current:				
Classified Salaries	5,415,394	5,730,584	5,639,891	90,693
Employee Benefits	2,631,090	2,631,090	2,606,880	24,210
Books and Supplies	7,826,502	9,899,328	8,527,165	1,372,163
Services and Other Operating Expenditures	811,500	6,697,370	927,095	5,770,275
Transfers of Indirect Costs	275,000	350,000	498,624	(148,624)
Capital Outlay	250,000	550,000	465,316	84,684
Total Expenditures	17,209,486	25,858,372	18,664,971	7,193,401
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(7,846,240)	3,507,684	11,353,924
Fund Balance, July 1, 2024	19,877,295	23,498,239	23,498,239	-
Fund Balance, June 30, 2025	\$ 19,877,295	\$ 15,651,999	\$ 27,005,923	\$ 11,353,924

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability-CalSTRS*  
*For the Fiscal Year Ended June 30, 2025*

<b>Employer's Fiscal Year Measurement Period</b>	<i>Last Ten Fiscal Years</i>				
	<b>2024-25 2023-24</b>	<b>2023-24 2022-23</b>	<b>2022-23 2021-22</b>	<b>2021-22 2020-21</b>	<b>2020-21 2019-20</b>
District's proportion of the net pension liability	0.4244%	0.4603%	0.4273%	0.4184%	0.4122%
District's proportionate share of the net pension liability	\$ 285,048,622	\$ 350,572,223	\$ 296,903,137	\$ 190,415,641	\$ 399,499,582
State's proportionate share of the net pension liability associated with the District	130,781,288	167,969,010	148,687,930	95,809,765	205,942,081
<b>Totals</b>	<b>\$ 415,829,910</b>	<b>\$ 518,541,233</b>	<b>\$ 445,591,067</b>	<b>\$ 286,225,406</b>	<b>\$ 605,441,663</b>
District's covered-employee payroll	\$ 284,869,664	\$ 273,835,664	\$ 251,495,528	\$ 224,645,334	\$ 221,697,179
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	100.06%	128.02%	118.06%	84.76%	180.20%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%
<b>Employer's Fiscal Year Measurement Period</b>	<b>2019-20 2018-19</b>	<b>2018-19 2017-18</b>	<b>2017-18 2016-17</b>	<b>2016-17 2015-16</b>	<b>2015-16 2014-15</b>
District's proportion of the net pension liability	0.3983%	0.4133%	0.4079%	0.4388%	0.4440%
District's proportionate share of the net pension liability	\$ 359,759,487	\$ 379,812,952	\$ 377,224,419	\$ 355,067,590	\$ 299,046,251
State's proportionate share of the net pension liability associated with the District	196,272,818	217,460,679	223,162,780	202,163,405	158,162,077
<b>Totals</b>	<b>\$ 556,032,305</b>	<b>\$ 597,273,631</b>	<b>\$ 600,387,199</b>	<b>\$ 557,230,995</b>	<b>\$ 457,208,328</b>
District's covered-employee payroll	\$ 214,070,817	\$ 219,929,640	\$ 215,595,715	\$ 218,549,935	\$ 203,198,773
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	168.06%	172.70%	174.97%	162.47%	147.17%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Schedule of Proportionate Share of the Net Pension Liability-CalPERS*  
*For the Fiscal Year Ended June 30, 2025*

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*Last Ten Fiscal Years*

<b>Employer's Fiscal Year Measurement Period</b>	<b>2024-25</b>	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>
	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>
District's proportion of the net pension liability	0.4601%	0.4876%	0.4850%	0.5123%	0.4790%
District's proportionate share of the net pension liability	\$ 164,449,717	\$ 176,493,211	\$ 166,885,456	\$ 104,172,947	\$ 146,964,918
District's covered-employee payroll	\$ 90,743,276	\$ 84,186,520	\$ 75,829,537	\$ 74,473,966	\$ 68,360,940
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.23%	209.65%	220.08%	139.88%	214.98%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%
<b>Employer's Fiscal Year Measurement Period</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>
	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
District's proportion of the net pension liability	0.4823%	0.4836%	0.4832%	0.5021%	0.4863%
District's proportionate share of the net pension liability	\$ 140,575,475	\$ 128,938,817	\$ 115,359,933	\$ 99,165,061	\$ 71,675,424
District's covered-employee payroll	\$ 65,678,780	\$ 65,083,027	\$ 61,338,126	\$ 59,496,894	\$ 53,396,092
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	214.03%	198.11%	188.07%	166.67%	134.23%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Schedule of Pension Contributions-CalSTRS*  
*For the Fiscal Year Ended June 30, 2025*

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*Last Ten Fiscal Years*

<b>Employer's Fiscal Year</b>	<b>2024-25</b>	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>
Contractually required contribution	\$ 52,062,462	\$ 54,410,106	\$ 52,302,612	\$ 42,553,043	\$ 36,280,221
Contributions in relation to the contractually required contribution	<u>52,062,462</u>	<u>54,410,106</u>	<u>52,302,612</u>	<u>42,553,043</u>	<u>36,280,221</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 272,578,338</u>	<u>\$ 284,869,664</u>	<u>\$ 273,835,664</u>	<u>\$ 251,495,528</u>	<u>\$ 224,645,334</u>
Contributions as a percentage of covered-employee payroll	<u>19.10%</u>	<u>19.10%</u>	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>
<b>Employer's Fiscal Year</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>
Contractually required contribution	\$ 37,910,218	\$ 34,850,729	\$ 31,735,847	\$ 27,121,941	\$ 23,450,408
Contributions in relation to the contractually required contribution	<u>37,910,218</u>	<u>34,850,729</u>	<u>31,735,847</u>	<u>27,121,941</u>	<u>23,450,408</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 221,697,179</u>	<u>\$ 214,070,817</u>	<u>\$ 219,929,640</u>	<u>\$ 215,595,715</u>	<u>\$ 218,549,935</u>
Contributions as a percentage of covered-employee payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Schedule of Pension Contributions-CalPERS*  
*For the Fiscal Year Ended June 30, 2025*

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*Last Ten Fiscal Years*

<b>Employer's Fiscal Year</b>	<b>2024-25</b>	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>
Contractually required contribution	\$ 25,187,517	\$ 24,210,306	\$ 21,358,120	\$ 17,372,547	\$ 15,416,111
Contributions in relation to the contractually required contribution	<u>25,187,517</u>	<u>24,210,306</u>	<u>21,358,120</u>	<u>17,372,547</u>	<u>15,416,111</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 93,114,665</u>	<u>\$ 90,743,276</u>	<u>\$ 84,186,520</u>	<u>\$ 75,829,537</u>	<u>\$ 74,473,966</u>
Contributions as a percentage of covered-employee payroll	<u>27.050%</u>	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>
<b>Employer's Fiscal Year</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>
Contractually required contribution	\$ 13,481,461	\$ 11,862,901	\$ 10,108,045	\$ 8,518,639	\$ 7,048,597
Contributions in relation to the contractually required contribution	<u>13,481,461</u>	<u>11,862,901</u>	<u>10,108,045</u>	<u>8,518,639</u>	<u>7,048,597</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 68,360,940</u>	<u>\$ 65,678,780</u>	<u>\$ 65,083,027</u>	<u>\$ 61,338,126</u>	<u>\$ 59,496,894</u>
Contributions as a percentage of covered-employee payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>

## CAPISTRANO UNIFIED SCHOOL DISTRICT

### *Schedule of Changes in the District's Total OPEB Liability and Related Ratios For the Fiscal Year Ended June 30, 2025*

*Last Ten Fiscal Years\**

Employer's Fiscal Year Measurement Period	2024-25 <u>2024-25</u>	2023-24 <u>2023-24</u>	2022-23 <u>2022-23</u>	2021-22 <u>2021-22</u>
<b>Total OPEB liability</b>				
Service cost	\$ 6,067,787	\$ 5,640,908	\$ 5,760,504	\$ 6,778,346
Interest	5,007,536	4,963,296	4,631,464	2,662,820
Differences between expected and actual experience	-	(6,128,080)	-	(2,291,800)
Changes in assumptions	(4,677,429)	380,092	2,417,185	(10,212,931)
Benefit payments	(6,889,811)	(6,150,805)	(5,360,964)	(4,324,583)
<b>Net change in total OPEB liability</b>	<u>(491,917)</u>	<u>(1,294,589)</u>	<u>7,448,189</u>	<u>(7,388,148)</u>
<b>Total OPEB liability - beginning</b>	<u>116,285,448</u>	<u>117,580,037</u>	<u>110,131,848</u>	<u>117,519,996</u>
<b>Total OPEB liability - ending</b>	<u>\$ 115,793,531</u>	<u>\$ 116,285,448</u>	<u>\$ 117,580,037</u>	<u>\$ 110,131,848</u>
<b>Covered-employee payroll</b>	<u>\$ 263,553,693</u>	<u>\$ 272,049,624</u>	<u>\$ 242,342,841</u>	<u>\$ 251,393,637</u>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<u>43.94%</u>	<u>42.74%</u>	<u>48.52%</u>	<u>43.81%</u>

Employer's Fiscal Year Measurement Period	2020-21 <u>2020-21</u>	2019-20 <u>2019-20</u>	2018-19 <u>2018-19</u>	2017-18 <u>2017-18</u>
<b>Total OPEB liability</b>				
Service cost	\$ 6,512,034	\$ 5,063,382	\$ 5,093,384	\$ 5,473,982
Interest	2,999,275	3,230,441	3,342,294	3,366,886
Differences between expected and actual experience	-	(3,742,045)	-	-
Changes in assumptions	3,537,227	(4,123,242)	1,415,125	1,110,160
Benefit payments	(3,519,280)	(6,278,478)	(6,103,698)	(3,873,541)
<b>Net change in total OPEB liability</b>	<u>9,529,256</u>	<u>(5,849,942)</u>	<u>3,747,105</u>	<u>6,077,487</u>
<b>Total OPEB liability - beginning</b>	<u>107,990,740</u>	<u>113,840,682</u>	<u>110,093,577</u>	<u>104,016,090</u>
<b>Total OPEB liability - ending</b>	<u>\$ 117,519,996</u>	<u>\$ 107,990,740</u>	<u>\$ 113,840,682</u>	<u>\$ 110,093,577</u>
<b>Covered-employee payroll</b>	<u>\$ 231,955,560</u>	<u>\$ 240,175,084</u>	<u>\$ 207,699,203</u>	<u>\$ 232,033,828</u>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<u>50.66%</u>	<u>44.96%</u>	<u>54.81%</u>	<u>47.45%</u>

*\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

*Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
For the Fiscal Year Ended June 30, 2025*

*Last Ten Fiscal Years\**

<b>Employer's Fiscal Year Measurement Period</b>	<b>2024-25</b>	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>
	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>
District's proportion of net OPEB liability	0.6191%	0.6808%	0.6413%	0.6290%
District's proportionate share of net OPEB liability	\$ 1,650,293	\$ 2,065,947	\$ 2,112,405	\$ 2,508,680
Covered-employee payroll	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(0.96%)	(0.94%)	(0.80%)
<b>Employer's Fiscal Year Measurement Period</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>
	<b>2019-20</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>
District's proportion of net OPEB liability	0.6248%	0.6157%	0.6499%	0.6492%
District's proportionate share of net OPEB liability	\$ 2,647,607	\$ 2,292,667	\$ 2,487,492	\$ 2,731,268
Covered-employee payroll	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	0.40%	0.01%

*\* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2025*

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**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 adoptions 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 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.

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

*Change of assumptions* - There were no changes in economic assumptions since the previous valuations for either CalSTRS or CalPERS.

**Schedule of District 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.

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

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

*Change in benefit terms* – There were no changes in benefit terms since the previous valuation.

*Change of assumptions* – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life. The discount rate was changed from 4.21 percent to 4.81 percent since the previous valuation.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2025*

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**NOTE 1 – PURPOSE OF SCHEDULES (continued)**

**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 plans’ fiduciary net position. In the future, as data becomes available, ten years of information will be presented. As 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.

*Change in benefit terms* – There were no changes in benefit terms since the previous valuation.

*Change of assumptions* – The discount rate was changed from 3.65 percent to 3.93 percent since the previous valuation.

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*Supplementary Information*

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**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Schedule of Average Daily Attendance*  
*For the Fiscal Year Ended June 30, 2025*

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	<u>Second Period Report</u>	<u>Annual Report</u>
<b>Regular ADA &amp; Extended Year:</b>		
Grades TK-3	10,862.96	10,885.35
Grades 4-6	8,305.30	8,310.64
Grades 7-8	5,767.42	5,758.14
Grades 9-12	12,970.29	12,916.50
	<u>37,905.97</u>	<u>37,870.63</u>
<b>Total Regular ADA</b>		
<b>Special Education, Nonpublic, Nonsectarian Schools:</b>		
Grades TK-3	3.44	4.39
Grades 4-6	7.17	6.93
Grades 7-8	13.76	14.39
Grades 9-12	58.94	58.54
	<u>83.31</u>	<u>84.25</u>
<b>Total Special Education, Nonpublic, Nonsectarian Schools ADA</b>		
<b>Community Day School ADA:</b>		
Grades 7-8	0.52	0.92
Grades 9-12	6.85	7.35
	<u>7.37</u>	<u>8.27</u>
<b>Total ADA</b>		
	<u><u>37,996.65</u></u>	<u><u>37,962.23</u></u>
<b>Attendance Supplement:</b>		
Fallbrook Union High School District students in grades 9-12 attending Capistrano USD	<u>126.69</u>	<u>125.83</u>

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Schedule of Instructional Time*  
*For the Fiscal Year Ended June 30, 2025*

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<u>Grade Level</u>	<u>Instructional Minute Requirement</u>	<u>Instructional Minutes Offered</u>	<u>Instructional Days Offered</u>	<u>Status</u>
TK/Kindergarten	36,000	48,570	180	Complied
Grade 1	50,400	50,465	180	Complied
Grade 2	50,400	50,405	180	Complied
Grade 3	50,400	50,405	180	Complied
Grade 4	54,000	54,025	180	Complied
Grade 5	54,000	54,025	180	Complied
Grade 6	54,000	57,222	180	Complied
Grade 7	54,000	57,222	180	Complied
Grade 8	54,000	57,222	180	Complied
Grade 9	64,800	64,805	180	Complied
Grade 10	64,800	64,805	180	Complied
Grade 11	64,800	64,805	180	Complied
Grade 12	64,800	64,805	180	Complied

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2025*

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General Fund	(Budget) 2026 <sup>2</sup>	2025 <sup>3</sup>	2024	2023
Revenues and other financing sources	\$ 656,758,431	\$ 634,943,122	\$ 667,720,142	\$ 707,552,101
Expenditures and other financing uses	<u>687,714,009</u>	<u>667,122,814</u>	<u>694,480,474</u>	<u>650,244,417</u>
Change in fund balance (deficit)	<u>(30,955,578)</u>	<u>(32,179,692)</u>	<u>(26,760,332)</u>	<u>57,307,684</u>
Ending fund balance	<u>\$ 67,425,914</u>	<u>\$ 98,381,492</u>	<u>\$ 130,561,184</u>	<u>\$ 157,321,516</u>
Available reserves <sup>1</sup>	<u>\$ 51,483,953</u>	<u>\$ 60,593,738</u>	<u>\$ 72,001,192</u>	<u>\$ 55,211,943</u>
Available reserves as a percentage of total outgo	<u>7.5%</u>	<u>9.1%</u>	<u>10.4%</u>	<u>8.5%</u>
Total long-term debt	<u>\$ 566,942,163</u>	<u>\$ 614,287,195</u>	<u>\$ 699,051,942</u>	<u>\$ 648,506,799</u>
Average daily attendance at P-2	<u>37,920</u>	<u>37,997</u>	<u>38,542</u>	<u>39,031</u>

The General Fund balance has decreased by \$58.9 million over the past two years. The fiscal year 2025-26 adopted budget projects a decrease of \$31.0 million. For a district of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years, and anticipates incurring an operating deficit during the 2025-26 fiscal year. Long-term debt has decreased by \$34.2 million over the past two years.

Average daily attendance has decreased by 1,034 over the past two years. In 2025-26 ADA is projected to decrease by 77.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund.

<sup>2</sup> Revised budget August, 2025.

<sup>3</sup> The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund and the Charter School Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

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

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	<u>Capital Project Fund Blended for Component Units*</u>
June 30, 2025, annual financial and budget report (SACS) fund balance	\$ -
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Investments	2,750,417
Accounts receivable	<u>8,836</u>
Net adjustments and reclassifications	<u>2,759,253</u>
June 30, 2025, audited financial statement fund balance	<u><u>\$ 2,759,253</u></u>

*\*Capital Project Fund for Blended Component Units is to account for capital projects activity related to the community facilities districts (CFDs), which are considered component units of the school district and are disclosed as non-obligatory debt. The activity for this fund is not reported in the Standardized Account Code Structure software submitted to the CDE.*

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Schedule of Charter Schools*  
*For the Fiscal Year Ended June 30, 2025*

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Charter School		Inclusion in Financial
Name	Number	Statements
Journey	0294	Not included
Opportunities for Learning - Capistrano	0463	Not included
California Connections Academy Southern California	0664	Not included
Community Roots Academy	1274	Not included
Oxford Preparatory Academy - South Orange County	1324	Not included
OCASA College Prep	2084	Not included

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2025*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Sub-total Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
School Breakfast Program - Basic	10.553	13525	\$ 1,286,092	
School Breakfast Program - Especially Needy	10.553	13526	937,924	
National School Lunch Program	10.555	13523	4,234,728	
USDA Donated Foods	10.555	N/A	1,068,668	
Local Food for Schools	10.555	15708	73,275	
COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.555	15637	309,376	
Supply Chain Assistance (SCA) Funds	10.555	15655	<u>1,128,106</u>	
Total Child Nutrition Cluster				\$ 9,038,169
Passed through Orange County Office of Education:				
Forest Service Schools and Roads Cluster	10.665	10044		<u>853</u>
Total U.S. Department of Agriculture				<u>9,039,022</u>
U.S. Department of Education:				
Indian Education	84.060	N/A		24,739
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I Grants to Local Educational Agencies:				
Title I, Part A, Basic Grants, Low-Income and Neglected	84.010	14329	6,563,734	
ESSA: ESSA School Improvement Funding for LEAs	84.010	15438	<u>156,231</u>	
Total Title I				6,719,965
Title II, Part A, Supporting Effective Instruction	84.367	14341		838,930
English Language Acquisition State Grants				
Title III, Immigrant Education Program	84.365	15146	642,669	
Title III, Limited English Proficiency	84.365	14346	<u>2,389</u>	645,058
Subtotal English Language Acquisition State Grants				
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		531,166
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332		139,305
Early Intervention Grants, Part C	84.181	23761		51,074
Carl D. Perkins Career and Technical Education: Adult, Sec. 132	84.048	14893		332,381
COVID-19 Education Stabilization Fund:				
Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	84.425	15535	294,302	
American Rescue Plan - Homeless Children and Youth II (ARP HYC II)	84.425U	15566	<u>118,510</u>	
Subtotal Education Stabilization Fund				412,812
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement	84.027	13379	8,797,055	
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	446,278	
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	201,527	
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	488,987	
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	2,151	
Alternate Dispute Resolution, Part B, Sec 611	84.173A	13007	<u>15,157</u>	
Total Special Education (IDEA) Cluster				9,951,155
Passed through California Dept. of Rehabilitation (CDE):				
Workability II, Transition Partnership	84.126	10006		<u>742,073</u>
Total U.S. Department of Education				<u>20,388,658</u>
Total Expenditures of Federal Awards				<u>\$ 29,427,680</u>

Of the federal expenditures presented in the schedule, the District provided no awards to recipients.

# CAPISTRANO UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2025

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## NOTE 1 – PURPOSE OF SCHEDULES

### Schedule of Average Daily Attendance (ADA)

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

### Schedule of Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the *Education Code*.

### Schedule of Financial Trends and Analysis

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

### Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

### Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and displays information for each charter school and whether or not the charter school is included in the District audit.

### Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

	<u>Assistance Listing Number</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 27,695,896
Differences between Federal Revenues and Expenditures:		
Supply Chain Assistance (SCA) Funds	10.555	1,128,106
SNP COVID-19 Emergency Operational Costs Reimbursement (ECR)	10.555	309,376
Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	84.425	294,302
Total Schedule of Expenditures of Federal Awards		<u>\$ 29,427,680</u>

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*Other Information*

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**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Local Educational Agency Organization Structure*  
*June 30, 2025*

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The Capistrano Unified School District was unified in 1965 under the laws of the State of California. The District encompasses 200 square miles in seven cities and a portion of the unincorporated portion of Orange County. The District includes all or a part of the cities of San Clemente, Dana Point, San Juan Capistrano, Laguna Niguel, Aliso Viejo, Mission Viejo and Rancho Santa Margarita, and the communities of Las Flores, Coto de Caza, Dove Canyon, Ladera Ranch, Sendero/Rancho Mission Viejo, and Wagon Wheel. The District operates 33 elementary schools, 10 middle schools, 2 grades K-8 schools, 6 comprehensive high schools, 6 charter schools, and 8 alternative schools/programs. There were no boundary changes during the year.

**BOARD OF TRUSTEES**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Lisa Davis	President	2028
Judy Bullockus	Vice President	2026
Gila Jones	Clerk	2026
Jennifer Adnams	Member	2028
Krista Castellanos	Member	2028
Gary Pritchard	Member	2026
Lisa Zollinger	Member	2028

**DISTRICT ADMINISTRATORS**

Dr. Christopher Brown,  
*Superintendent*

Clark Hampton,  
*Deputy Superintendent, Business and Support Services*

Bob Presby,  
*Associate Superintendent, Human Resource Services*

Dr. Gregory Merwin,  
*Associate Superintendent, Education and Support Services*

Clint Collins,  
*Assistant Superintendent, SELPA, Special Education Services*

Brad Shearer,  
*Assistant Superintendent, Curriculum & Instruction, Elementary*

Dr. Meg Ervais,  
*Assistant Superintendent, Curriculum & Instruction, Secondary*

Dr. Dave Stewart,  
*Assistant Superintendent, School Leadership & Instruction, Elementary*

Jennifer Smalley,  
*Assistant Superintendent, School Leadership & Instruction, Secondary*

Philippa Townsend,  
*Assistant Superintendent, Fiscal Services*

Laura Lyon,  
*Assistant Superintendent, Human Resource Services*

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*Other Independent Auditors' Reports*

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**INDEPENDENT AUDITORS' 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***

Board of Trustees  
Capistrano Unified School District  
San Juan Capistrano, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Capistrano Unified School 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 November 25, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Handwritten signature in cursive script that reads "Nigro + Nigro, PC".

Murrieta, California  
November 25, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Capistrano Unified School District  
San Juan Capistrano, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Capistrano Unified School District's 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 each of the Capistrano Unified School District's major federal programs for the year ended June 30, 2025. The Capistrano Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of 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 Capistrano Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Capistrano Unified School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

### ***Auditors' 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 Capistrano Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the 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 Capistrano Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, 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 Capistrano Unified School 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 Capistrano Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Capistrano Unified School 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 "Nigro + Nigro, PC". The signature is written in dark ink and is positioned above the printed text.

Murrieta, California  
November 25, 2025



## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees  
Capistrano Unified School District  
San Juan Capistrano, California

### Report on Compliance

#### ***Opinion***

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

In our opinion, Capistrano Unified School District complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

#### ***Basis for Opinion***

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

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

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

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

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<b>Description</b>	<b>Procedures Performed</b>
<b>Local Education Agencies Other Than Charter Schools:</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	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

Description	Procedures Performed
<b>School Districts, County Offices of Education, and Charter Schools:</b>	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
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	Yes
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
<b>Charter Schools:</b>	
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

Areas marked as not applicable were not operated by the District.

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Nigro + Nigro, PC".

Murrieta, California  
November 25, 2025

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*Schedule of Findings and Questioned Costs*

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**CAPISTRANO UNIFIED SCHOOL DISTRICT**

*Summary of Auditors' Results*

*For the Fiscal Year Ended June 30, 2025*

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***Financial Statements***

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

***Federal Awards***

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance Sec. 200.516 (a)?	<u>No</u>

Identification of major programs:

Assistance Listing

<u>Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>
<u>84.367</u>	<u>Title II, Part A, Supporting Effective Instruction</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 882,830</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

***State Awards***

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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# CAPISTRANO UNIFIED SCHOOL DISTRICT

## *Financial Statement Findings*

*For the Fiscal Year Ended June 30, 2025*

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This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

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

*There were no financial statement findings in 2024-25.*

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*Federal Award Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2025*

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This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

*There were no federal award findings or questioned costs in 2024-25.*

**CAPISTRANO UNIFIED SCHOOL DISTRICT**  
*State Award Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2025*

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This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

*There were no state award findings or questioned costs in 2024-25.*

**CAPISTRANO UNIFIED SCHOOL DISTRICT**

*Summary Schedule of Prior Audit Findings*

*For the Fiscal Year Ended June 30, 2025*

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<b>Original Finding No.</b>	<b>Finding</b>	<b>Code</b>	<b>Recommendation</b>	<b>Current Status</b>
Finding 2024-001 <i>(Procurement)</i>	<p>Code of Federal Regulations, CFR 200.320, requires the non-Federal entity to have and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for the acquisition of property or services required under a Federal award or sub-award. For “small purchases,” those where the aggregate dollar amount is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity.</p> <p>During our testing of procurement, we sampled four contracts that would qualify as “small purchases.” The district could not provide evidence that multiple quotes had been obtained prior to selecting any of the vendors.</p>	50000	We recommend that the District train and implement the required federal procurement procedures to ensure that the District is in compliance. In addition, we recommend that the District adopt a board policy that addresses procedures related to federal procurement.	Implemented.

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To the Board of Trustees  
Capistrano Unified School District  
San Juan Capistrano, California

In planning and performing our audit of the basic financial statements of Capistrano Unified School District for the year ending 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 basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity 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 November 25, 2025, on the financial statements of Capistrano Unified School District.

#### ***ASSOCIATED STUDENT BODY FUNDS***

***Observation:*** During our review of cash receipts at the ASBs we noted two instances at Ladera Ranch Middle where deposits sampled lacked sufficient supporting documentation.

***Recommendation:*** Supporting documentation such as order forms, ticket control worksheets, pre-numbered receipts, and/or other point of sale documentation should be maintained for all transactions. Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for. We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales.

***District Response:*** In the future we will ensure supporting documentation and tally sheets are included for all graham sales. When money is collected from students, the date of collection will be provided.

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

Murrieta, California  
November 25, 2025