

2024-25 Financial Audit Report and Findings

Submitted by: Meg Kailikole, Business Manager

Regular Board Meeting, January 15, 2026

Background:

On December 15, 2025, MUSD's 2024-25 Financial Audit report was finalized in accordance with Education Code 41020.

It is the opinion of the auditors that as of June 30, 2025, MUSD's financial statements present fairly, and the changes in financial position and cash flow are in accordance with accounting principles generally accepted in the United States of America.

As part of the audit, auditors test MUSD's internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While the auditors determined there was no identified material weakness or significant deficiency of internal control in the test areas of Financial Statements, Federal Awards programs, and State Awards programs, they did identify one finding in the area of State Awards programs.

Audit Finding – Fiscal Impact, Cause, and Correction:

During testing of the Expanded Learning Opportunities Program (ELOP) it was determined that MUSD did not offer access or provide access to the ELOP on 30 non-school days, for no fewer than nine hours per day, as required by Education Code 46120. As a result of not offering/providing access on 30 non-school days, MUSD must return that portion of funding associated with those days. The fiscal impact as calculated per code is \$32,019, or 14.4% of the 2024-25 apportionment of \$222,357.

This is a repeat finding that we anticipated, as funding levels were not sufficient to support the required intersessional day and hour requirement. The fiscal impact in 2023-24 was \$23,906, also 14.4% of that year's apportionment.

Beginning in 2025-26, MUSD moved to the higher Rate 1 category of funding. At this higher funding level, we anticipate being able to meet the 30 non-school days, for no fewer than nine hours per day requirement.



December 15, 2025

Board of Education
Mendocino Unified School District
Mendocino, CA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mendocino Unified School District for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 14, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mendocino Unified School District are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, Mendocino Unified School District changed accounting policies related to compensated absences by adopting Governmental Accounting Standards (GASB) Statement No. 101, *Compensated Absences*, in 2025. We noted no transactions entered into by Mendocino Unified School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

Management's estimate of depreciation of capital assets is based on historical estimates of each capitalized item's useful life. We evaluated the key factors and assumptions used to develop the depreciation of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of compensated absences is based on an analysis of past leave usage to determine which portion is more likely than not to be used for time off. We evaluated the calculation prepared in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and related deferred outflows of resources and deferred inflows of resources are based on actuarial valuations and pension contributions made during the year. We evaluated the key factors, assumptions, and proportionate share calculations used to develop the net pension liability and related deferred outflows of resources and deferred inflows of resources in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Audit Matters (continued)

Management's estimate of total other postemployment benefits (OPEB) obligation is based on an actuarial valuation. We evaluated the key factors and assumptions used to develop the total OPEB obligation in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of capital assets in the notes to the financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of compensated absences in the notes to the financial statements represents management's estimates based on a calculation prepared by management. Actual results could differ depending on the actual leave balances earned and used.

The disclosure of the pension plans, net pension liability and related deferred outflows of resources and deferred inflows of resources in the notes to the financial statements represents management's estimates based on actuarial valuations and pension contributions made during the year. Actual results could differ depending on the key factors, and assumptions and proportionate share calculations used to develop the net pension liability and related deferred outflows of resources and deferred inflows of resources.

The disclosure of other postemployment benefits and the total OPEB obligation in the notes to the financial statements represents management's estimate based on an actuarial valuation. Actual results could differ depending on the key factors and assumptions used for the actuarial valuation.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 15, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Mendocino Unified School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant Audit Matters (continued)

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Mendocino Unified School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, and the required supplementary information section, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information section, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Local Education Agency Organization Structure, which accompany the financial statements but are not RSI. Such information 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.

Restriction on Use

This information is intended solely for the information and use of the Board of Education and management of Mendocino Unified School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Christy White, Inc.

Christy White, Inc.

MENDOCINO UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2025



MENDOCINO UNIFIED SCHOOL DISTRICT
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JUNE 30, 2025

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FINANCIAL SECTION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Independent Auditors' Report

Governing Board
Mendocino Unified School District
Mendocino, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mendocino 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 Mendocino Unified School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mendocino Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mendocino Unified School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mendocino Unified School District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025 on our consideration of the Mendocino Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mendocino Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mendocino Unified School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
December 15, 2025

MENDOCINO UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

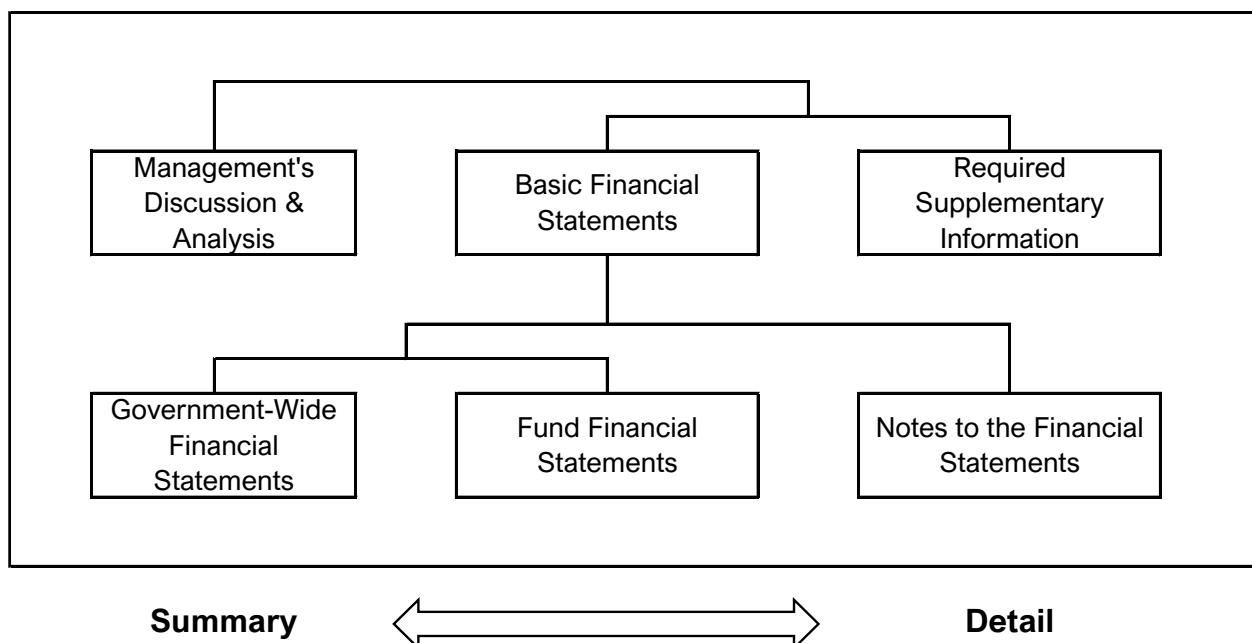
Our discussion and analysis of Mendocino Unified School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2025. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's combined net position was \$17,446,745 at June 30, 2025. This was an increase of \$3,064,737 from the prior year, after restatement.
- Overall revenues were \$17,274,651 which exceeded expenses of \$14,509,914. Special items for the year were \$300,000.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**MENDOCINO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financials Section (continued)

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

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

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

Government-Wide Statements

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

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

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$17,436,441 for governmental activities and \$10,304 for business-type activities at June 30, 2025, as reflected in the table below. Of this amount, \$(10,356,508) was unrestricted for governmental activities and \$10,304 was unrestricted for business-type activities. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities			Business-Type Activities		
	2025	2024	Net Change	2025	2024	Net Change
ASSETS						
Current and other assets	\$ 9,362,243	\$ 11,267,182	\$ (1,904,939)	\$ 308,480	\$ 151,177	\$ 157,303
Capital assets	57,940,594	55,593,739	2,346,855	-	81,963	(81,963)
Total Assets	67,302,837	66,860,921	441,916	308,480	233,140	75,340
DEFERRED OUTFLOWS OF RESOURCES						
	3,051,858	3,182,879	(131,021)	-	331,604	(331,604)
LIABILITIES						
Current liabilities	1,982,463	2,563,711	(581,248)	298,176	109,287	188,889
Long-term liabilities	49,305,805	51,113,286	(1,807,481)	-	1,207,710	(1,207,710)
Total Liabilities	51,288,268	53,676,997	(2,388,729)	298,176	1,316,997	(1,018,821)
DEFERRED INFLOWS OF RESOURCES						
	1,629,986	893,412	736,574	-	125,811	(125,811)
NET POSITION						
Net investment in capital assets	24,723,617	23,325,352	1,398,265	-	81,963	(81,963)
Restricted	3,069,332	3,263,854	(194,522)	-	-	-
Unrestricted	(10,356,508)	(11,115,815)	759,307	10,304	(960,027)	970,331
Total Net Position	\$ 17,436,441	\$ 15,473,391	\$ 1,963,050	\$ 10,304	\$ (878,064)	\$ 888,368

**MENDOCINO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities			Business-Type Activities		
	2025	2024	Net Change	2025	2024	Net Change
REVENUES						
Program revenues						
Charges for services	\$ 166,852	\$ 147,870	\$ 18,982	\$ 2,205,000	\$ 2,153,148	\$ 51,852
Operating grants and contributions	3,123,375	3,174,692	(51,317)	-	-	-
General revenues						
Property taxes	9,587,114	9,196,897	390,217	-	-	-
Unrestricted federal and state aid	1,890,572	1,911,260	(20,688)	-	-	-
Other	307,574	308,071	(497)	(5,836)	2,990	(8,826)
Total Revenues	15,075,487	14,738,790	336,697	2,199,164	2,156,138	43,026
EXPENSES						
Instruction	5,387,951	6,370,094	(982,143)	-	-	-
Instruction-related services	975,643	1,126,174	(150,531)	-	-	-
Pupil services	1,759,925	1,738,316	21,609	-	-	-
General administration	888,723	762,374	126,349	-	-	-
Plant services	1,270,560	955,366	315,194	-	-	-
Ancillary and community services	483,189	506,219	(23,030)	-	-	-
Debt service	1,427,263	1,444,671	(17,408)	-	-	-
Enterprise activities	-	-	-	2,316,660	2,275,542	41,118
Total Expenses	12,193,254	12,903,214	(709,960)	2,316,660	2,275,542	41,118
Transfers & special items	233,545	30,981	202,564	66,455	(30,981)	97,436
Change in net position	3,115,778	1,866,557	1,249,221	(51,041)	(150,385)	99,344
Net Position - Beginning, as Restated*	14,320,663	13,606,834	713,829	61,345	(727,679)	789,024
Net Position - Ending	\$ 17,436,441	\$ 15,473,391	\$ 1,963,050	\$ 10,304	\$ (878,064)	\$ 888,368

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

The cost of all our governmental activities this year was \$12,193,254 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was \$9,587,114, the remaining portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions. The cost of all our business-type activities this year was \$2,316,660.

**MENDOCINO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

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

	Net Cost of Services	
	2025	2024
Instruction	\$ 3,646,965	\$ 4,208,732
Instruction-related services	920,175	1,043,679
Pupil services	849,493	1,065,009
General administration	855,497	710,741
Plant services	1,067,123	910,074
Ancillary and community services	136,511	197,746
Debt service	1,427,263	1,444,671
Total	\$ 8,903,027	\$ 9,580,652

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR 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 \$8,345,893, which is less than last year's ending fund balance of \$9,767,483. The District's General Fund had \$512,488 more in operating revenues than expenditures for the year ended June 30, 2025. The District's Building Fund had \$1,794,822 less in operating revenues than expenditures for the year ended June 30, 2025. The District's Bond Interest and Redemption Fund had \$8,478 more in operating revenues than expenditures for the year ended June 30, 2025.

CURRENT YEAR BUDGET 2024-2025

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2024-2025 the District had invested \$57,940,594 in capital assets, net of accumulated depreciation for governmental activities. The capital assets for business-type activities were removed due to the sale of Mendocino Community Network.

	Governmental Activities		
	2025	2024	Net Change
CAPITAL ASSETS			
Land	\$ 3,109,699	\$ 3,109,699	\$ -
Construction in progress	31,604,252	29,217,882	2,386,370
Land improvements	756,368	756,368	-
Buildings & improvements	37,489,494	37,489,494	-
Furniture & equipment	3,672,738	2,553,165	1,119,573
Less: Accumulated depreciation	(18,691,957)	(17,532,869)	(1,159,088)
Total	\$ 57,940,594	\$ 55,593,739	\$ 2,346,855

Long-Term Liabilities

At year-end, the District had \$49,305,805 in long-term liabilities for governmental activities, a decrease of 6% from last year's restated balance – as shown in the table below. The long-term liabilities for business-type activities were removed due to the sale of Mendocino Community Network. More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities		
	2025	2024	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 40,643,313	\$ 41,678,554	\$ (1,035,241)
Compensated absences*	274,695	346,686	(71,991)
Total OPEB liability	1,046,422	960,660	85,762
Net pension liability	8,287,677	10,332,139	(2,044,462)
Less: current portion of long-term liabilities	(946,302)	(846,232)	(100,070)
Total	\$ 49,305,805	\$ 52,471,807	\$ (3,166,002)

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

Long-Term Declining Enrollment

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Revenue Uncertainties

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

Pension Liabilities and Employer Rates

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

Economic and Market Conditions

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

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

Summary

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Meg Kailikole, Business Manager, Mendocino Unified School District, P.O. Box 1154, Mendocino, CA 95460.

**MENDOCINO UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 8,602,916	\$ -	\$ 8,602,916
Accounts receivable	529,240	308,380	837,620
Inventory	16,772	-	16,772
Prepaid expenses	13,315	100	13,415
Note receivable	200,000	-	200,000
Capital assets:			
Capital assets, not depreciated	34,713,951	-	34,713,951
Capital assets, net of accumulated depreciation	23,226,643	-	23,226,643
Total Assets	67,302,837	308,480	67,611,317
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	2,745,358	-	2,745,358
Deferred outflows related to OPEB	306,500	-	306,500
Total Deferred Outflows of Resources	3,051,858	-	3,051,858
LIABILITIES			
Deficit cash	43,543	253,261	296,804
Accrued liabilities	969,241	44,915	1,014,156
Unearned revenue	23,377	-	23,377
Long-term liabilities, current portion	946,302	-	946,302
Long-term liabilities, non-current portion	49,305,805	-	49,305,805
Total Liabilities	51,288,268	298,176	51,586,444
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,251,542	-	1,251,542
Deferred inflows related to OPEB	378,444	-	378,444
Total Deferred Inflows of Resources	1,629,986	-	1,629,986
NET POSITION			
Net investment in capital assets	24,723,617	-	24,723,617
Restricted:			
Capital projects	372,145	-	372,145
Debt service	1,827,657	-	1,827,657
Educational programs	715,615	-	715,615
Food service	8,163	-	8,163
Associated student body	144,952	-	144,952
All others	800	-	800
Unrestricted	(10,356,508)	10,304	(10,346,204)
Total Net Position	\$ 17,436,441	\$ 10,304	\$ 17,446,745

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-Type Activities
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 5,387,951	\$ 97,541	\$ 1,643,445	\$ (3,646,965)		
Instruction-related services						
Instructional supervision and administration	81,410	-	27,484	(53,926)		
Instructional library, media, and technology	206,985	-	22,661	(184,324)		
School site administration	687,248	5,323	-	(681,925)		
Pupil services						
Home-to-school transportation	752,529	20,554	412,416	(319,559)		
Food services	426,078	22,355	275,293	(128,430)		
All other pupil services	581,318	4,931	174,883	(401,504)		
General administration						
Centralized data processing	34,489	-	-	(34,489)		
All other general administration	854,234	350	32,876	(821,008)		
Plant services	1,270,560	15,685	187,752	(1,067,123)		
Ancillary services	466,750	98	346,273	(120,379)		
Community services	16,439	15	292	(16,132)		
Interest on long-term debt	1,427,263	-	-	(1,427,263)		
Total Governmental Activities	\$ 12,193,254	\$ 166,852	\$ 3,123,375	\$ (8,903,027)		
BUSINESS-TYPE ACTIVITIES						
Enterprise activities	\$ 2,316,660	\$ 2,205,000	\$ -	\$ (111,660)		
Total Business-Type Activities	\$ 2,316,660	\$ 2,205,000	\$ -	\$ (111,660)		
Total School District	\$ 14,509,914	\$ 2,371,852	\$ 3,123,375		\$ (9,014,687)	
General revenues						
Taxes and subventions						
Property taxes, levied for general purposes	7,040,442	-	-	7,040,442		
Property taxes, levied for debt service	2,454,077	-	-	2,454,077		
Property taxes, levied for other specific purposes	92,595	-	-	92,595		
Federal and state aid not restricted for specific purposes	1,890,572	-	-	1,890,572		
Interest and investment earnings	123,509	(5,836)	-	117,673		
Interagency revenues	465	-	-	465		
Miscellaneous	183,600	-	-	183,600		
Subtotal, General Revenue	11,785,260	(5,836)		11,779,424		
Change in net position before transfers & special items						
Special items	2,882,233	(117,496)		2,764,737		
Internal transfers	200,000	100,000		300,000		
Total Transfers & Special Items	33,545	(33,545)		-		
CHANGE IN NET POSITION						
Net Position - Beginning, as Restated	3,115,778	(51,041)		3,064,737		
Net Position - Ending	14,320,663	61,345		14,382,008		
	\$ 17,436,441	\$ 10,304	\$ 17,446,745			

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2025**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 3,942,665	\$ 1,537,260	\$ 2,252,234	\$ 657,972	\$ 8,390,131
Accounts receivable	473,833	-	-	55,407	529,240
Due from other funds	-	-	-	2,891	2,891
Stores inventory	-	-	-	16,772	16,772
Prepaid expenditures	13,315	-	-	-	13,315
Total Assets	\$ 4,429,813	\$ 1,537,260	\$ 2,252,234	\$ 733,042	\$ 8,952,349
LIABILITIES					
Deficit cash	\$ -	\$ -	\$ -	\$ 43,543	\$ 43,543
Accrued liabilities	473,064	54,275	-	9,306	536,645
Due to other funds	2,612	-	-	279	2,891
Unearned revenue	23,377	-	-	-	23,377
Total Liabilities	499,053	54,275	-	53,128	606,456
FUND BALANCES					
Nonspendable	23,315	-	-	16,772	40,087
Restricted	713,464	1,482,985	2,252,234	528,211	4,976,894
Committed	-	-	-	134,931	134,931
Assigned	70,592	-	-	-	70,592
Unassigned	3,123,389	-	-	-	3,123,389
Total Fund Balances	3,930,760	1,482,985	2,252,234	679,914	8,345,893
Total Liabilities and Fund Balances	\$ 4,429,813	\$ 1,537,260	\$ 2,252,234	\$ 733,042	\$ 8,952,349

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

MENDOCINO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total Fund Balance - Governmental Funds \$ 8,345,893

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

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

Capital assets	\$ 76,632,551
Accumulated depreciation	<u>(18,691,957)</u>
	57,940,594

Unmatured interest on long-term debt:

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

(424,577)

Note receivable:

In governmental funds, receivables are recognized only to the extent that they are "available", meaning it will be collected in one year. In the government-wide statements, long-term receivables are recognized. The amount of receivables that were not recognized in governmental funds, but are recognized in the government-wide statements, is:

200,000

Long-term liabilities:

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

Total general obligation bonds	\$ 40,643,313
Compensated absences	274,695
Total OPEB liability	1,046,422
Net pension liability	<u>8,287,677</u>
	(50,252,107)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 2,745,358
Deferred inflows of resources related to pensions	<u>(1,251,542)</u>
	1,493,816

Deferred outflows and inflows of resources relating to OPEB:

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

Deferred outflows of resources related to OPEB	\$ 306,500
Deferred inflows of resources related to OPEB	<u>(378,444)</u>
	(71,944)

Internal service funds:

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, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

204,766

Total Net Position - Governmental Activities \$ 17,436,441

MENDOCINO UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 8,730,599	\$ -	\$ -	\$ 50,000	\$ 8,780,599
Federal sources	398,692	-	-	174,210	572,902
Other state sources	1,004,445	-	8,778	1,547,631	2,560,854
Other local sources	836,228	70,264	2,467,200	280,443	3,654,135
Total Revenues	10,969,964	70,264	2,475,978	2,052,284	15,568,490
EXPENDITURES					
Current					
Instruction	5,399,066	-	-	81,040	5,480,106
Instruction-related services					
Instructional supervision and administration	98,528	-	-	-	98,528
Instructional library, media, and technology	220,548	-	-	-	220,548
School site administration	785,477	-	-	-	785,477
Pupil services					
Home-to-school transportation	475,679	-	-	1,036,425	1,512,104
Food services	120,129	-	-	430,756	550,885
All other pupil services	668,589	-	-	-	668,589
General administration					
Centralized data processing	34,489	-	-	-	34,489
All other general administration	914,845	-	-	6,000	920,845
Plant services	1,354,523	109,298	-	30,644	1,494,465
Facilities acquisition and construction	1,000	1,755,788	-	555,430	2,312,218
Ancillary services	383,911	-	-	93,268	477,179
Community services	692	-	-	-	692
Debt service					
Principal	-	-	1,530,000	-	1,530,000
Interest and other	-	-	937,500	-	937,500
Total Expenditures	10,457,476	1,865,086	2,467,500	2,233,563	17,023,625
Excess (Deficiency) of Revenues					
Over Expenditures	512,488	(1,794,822)	8,478	(181,279)	(1,455,135)
Other Financing Sources (Uses)					
Transfers in	42,500	-	-	197,349	239,849
Transfers out	(206,304)	-	-	-	(206,304)
Net Financing Sources (Uses)	(163,804)	-	-	197,349	33,545
NET CHANGE IN FUND BALANCE					
 Fund Balance - Beginning	348,684	(1,794,822)	8,478	16,070	(1,421,590)
 Fund Balance - Ending	3,582,076	3,277,807	2,243,756	663,844	9,767,483
	\$ 3,930,760	\$ 1,482,985	\$ 2,252,234	\$ 679,914	\$ 8,345,893

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

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

Net Change in Fund Balances - Governmental Funds \$ (1,421,590)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 3,505,943	
Depreciation expense:	<u>(1,159,088)</u>	2,346,855

Debt service:

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

1,530,000

Revenue associated with sale:

In governmental funds, revenues are recognized only to the extent that they are "available," meaning they will be collected soon enough after the end of the period to finance expenditures of that period. In the government-wide statements, revenue is recognized when earned, regardless of availability. The amount of earned but unavailable revenues relating to the current period is:

200,000

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period 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:

4,996

Accreted interest on long-term debt:

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

(576,621)

Compensated absences:

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

71,991

(continued on following page)

MENDOCINO UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2025

Postemployment benefits other than pensions (OPEB):

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

(61,846)

Pensions:

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

947,158

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:

81,862

Internal Service Funds:

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 benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:

(7,027)

Change in Net Position of Governmental Activities

\$ 3,115,778

**MENDOCINO UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2025**

	Business-Type Activities	Governmental Activities
	Mendocino Community Network	Internal Service Fund
ASSETS		
Current assets		
Cash and investments	\$ -	\$ 212,785
Accounts receivable	308,380	-
Prepaid expenses	100	-
Total current assets	308,480	212,785
Total Assets	308,480	212,785
LIABILITIES		
Current liabilities		
Deficit cash	253,261	-
Accrued liabilities	44,915	8,019
Total current liabilities	298,176	8,019
Total Liabilities	298,176	8,019
NET POSITION		
Unrestricted	10,304	204,766
Total Net Position	\$ 10,304	\$ 204,766

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025**

	Business-Type Activities	Governmental Activities
	Mendocino Community Network	Internal Service Fund
OPERATING REVENUES		
Charges for services	\$ 2,205,000	\$ 101,535
Total operating revenues	2,205,000	101,535
OPERATING EXPENSES		
Salaries and benefits	809,733	-
Supplies and materials	100,655	-
Professional services	1,406,272	113,895
Total operating expenses	2,316,660	113,895
Operating income/(loss)	(111,660)	(12,360)
NON-OPERATING REVENUES/(EXPENSES)		
Interest income	(5,836)	5,333
Transfers in	8,955	-
Transfers out	(42,500)	-
Total non-operating revenues/(expenses)	(39,381)	5,333
CHANGE IN NET POSITION BEFORE SPECIAL ITEM		
Special item	100,000	-
CHANGE IN NET POSITION		
Net Position - Beginning, as Restated*	61,345	211,793
Net Position - Ending	\$ 10,304	\$ 204,766

*Beginning net position was restated for Mendocino Community Network only.

**MENDOCINO UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

	Business-Type Activities	Governmental Activities
	Mendocino Community Network	Internal Service Fund
Cash flows from operating activities		
Cash received from user charges	\$ 1,908,597	\$ 101,535
Cash payments for payroll, insurance, and operating costs	(2,357,958)	(110,645)
Net cash provided by (used for) operating activities	(449,361)	(9,110)
Cash flows from non-capital financing activities		
Interfund transfers in (out)	(33,545)	-
Net cash provided by (used for) non-capital financing activities	(33,545)	-
Cash flows from investing activities		
Interest received	(5,836)	5,333
Sale of Mendocino Community Network	100,000	-
Net cash provided by (used for) investing activities	94,164	5,333
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(388,742)	(3,777)
CASH AND CASH EQUIVALENTS		
Beginning of year	135,481	216,562
End of year (net of deficit cash)	\$ (253,261)	\$ 212,785
Reconciliation of operating income (loss) to cash provided by (used for) operating activities		
Operating income/(loss)	\$ (111,660)	\$ (12,360)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables	(296,403)	-
(Increase) decrease in prepaid expenses	3,619	-
Increase (decrease) in accrued liabilities	10,175	3,250
Increase (decrease) in unearned revenue	(55,092)	-
Net cash provided by (used for) operating activities	\$ (449,361)	\$ (9,110)

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Mendocino Unified School District (the “District”) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education’s *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

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

C. Basis of Presentation

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

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

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Major Governmental Funds

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

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

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

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Student Activity Fund: This fund may be used to account for student body activities that do not meet the fiduciary criteria established in GASB Statement No. 84.

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section 8200 et seq.*) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section 8328*).

MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds: (continued)

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

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections* 17582–17587). In addition, whenever the state funds provided pursuant to *Education Code Sections* 17584 and 17585 (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections* 17582 and 17583).

Pupil Transportation Equipment Fund: This fund is used to account separately for state and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (*Education Code Section* 41852[b]).

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

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

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).

Proprietary Funds

Enterprise Funds: Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Mendocino Community Network: This fund is used to account for revenue and expenses for self-supporting entities. The Mendocino Community Network (MCN) provides internet access and related services to users on a cost-recovery basis.

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District.

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide and Proprietary Fund Financial Statements

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance. The principal operating revenues and expenses for Mendocino Community Network relate to providing internet access and related services to users on a cost-recovery basis.

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Unearned Revenue

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

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets (continued)

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over an estimated useful life of 5 to 50 years depending on the asset class.

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary using the Alternative Measurement Method. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Postemployment Benefits Other Than Pensions (OPEB) (continued)

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

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

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

Premiums and Discounts

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance

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

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

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

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

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

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

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

H. Budgetary Data (continued)

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.

I. Property Tax

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

MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

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

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

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

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

MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Fund	Governmental Activities	Business-Type Activities
Investment in county treasury*	\$ 8,156,826	\$ 211,543	\$ 8,368,369	\$ (253,261)
Fair value adjustment	34,485	1,242	35,727	-
Cash on hand and in banks	145,277	-	145,277	-
Cash in revolving fund	10,000	-	10,000	-
Total	\$ 8,346,588	\$ 212,785	\$ 8,559,373	\$ (253,261)

*Net of deficit cash

B. Policies and Practices

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

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$8,150,835. The average weighted maturity for this pool is 456 days.

E. Credit Risk

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

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

G. Fair Value

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

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

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

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

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

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

	Uncategorized
Investment in county treasury	\$ 8,150,835
Total	\$ 8,150,835

MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 3 – RECEIVABLES

A. Accounts Receivable

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

	Non-Major		Governmental Activities	Business-Type Activities
	General Fund	Governmental Funds		
Federal Government				
Categorical aid	\$ 69,310	\$ 37,198	\$ 106,508	\$ -
State Government				
Categorical aid	108,845	17,369	126,214	-
Lottery	56,234	-	56,234	-
Local Government				
Other local sources	239,444	840	240,284	308,380
Total	\$ 473,833	\$ 55,407	\$ 529,240	\$ 308,380

B. Note Receivable

The District had a note receivable outstanding at June 30, 2025 in the amount of \$200,000 related to the sale of Mendocino Community Network to the City of Fort Bragg (see Note 15). The note is interest-free and is payable in annual installments of \$50,000 for the next four fiscal years beginning in 2025-26. The District recognized \$0 in current year principal payments on the note. At June 30, 2025, the principal balance expected to be collected in less than a year was \$50,000 and the non-current portion of the note receivable was \$150,000.

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2024	Additions	Deletions	Balance June 30, 2025
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 3,109,699	\$ -	\$ -	\$ 3,109,699
Construction in progress	29,217,882	2,386,370	-	31,604,252
Total capital assets not being depreciated	32,327,581	2,386,370	-	34,713,951
Capital assets being depreciated				
Land improvements	756,368	-	-	756,368
Buildings & improvements	37,489,494	-	-	37,489,494
Furniture & equipment	2,553,165	1,119,573	-	3,672,738
Total capital assets being depreciated	40,799,027	1,119,573	-	41,918,600
Less: Accumulated depreciation				
Land improvements	549,041	34,555	-	583,596
Buildings & improvements	15,519,584	829,250	-	16,348,834
Furniture & equipment	1,464,244	295,283	-	1,759,527
Total accumulated depreciation	17,532,869	1,159,088	-	18,691,957
Total capital assets being depreciated, net	23,266,158	(39,515)	-	23,226,643
Governmental Activities				
Capital Assets, net	\$ 55,593,739	\$ 2,346,855	\$ -	\$ 57,940,594

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 4 – CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 834,962
School site administration	11,950
Home-to-school transportation	259,437
Food services	7,739
All other general administration	27,291
Plant services	1,962
Community services	15,747
Total	\$ 1,159,088

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2025 consisted of the following:

Due To Other Funds	Due From Other Funds		
	Non-Major Governmental Funds		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ 2,612	\$ 2,612	\$ 2,612
Non-Major Governmental Funds	279	279	279
Total	\$ 2,891	\$ 2,891	\$ 2,891

Due from the General Fund to the Cafeteria Fund for contribution to fund.	\$ 2,612
Due from the Child Development Fund to the Cafeteria Fund for contribution to fund.	279
Total	\$ 2,891

B. Operating Transfers

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

Interfund Transfers Out	Interfund Transfers In				
	Non-Major Governmental Funds		Enterprise Fund - Mendocino Community Network		
	General Fund	General Fund	Non-Major Governmental Funds	Mendocino Community Network	Total
General Fund	\$ -	\$ 197,349	\$ 8,955	\$ 206,304	
Enterprise Fund - Mendocino Community Network	42,500	-	-	-	42,500
Total	\$ 42,500	\$ 197,349	\$ 8,955	\$ 248,804	

Transfer from the General Fund to the Child Development Fund to support program expenditures.	\$ 45,113
Transfer from the General Fund to the Cafeteria Fund to support program expenditures.	109,587
Transfer from the General Fund to the Pupil Transportation Equipment Fund to cover the costs of electric bus charging stations.	16,998
Transfer from the General Fund to the Special Reserve Fund for Capital Outlay Projects for contribution to fund.	25,651
Transfer from the General Fund to the Enterprise Fund - Mendocino Community Network for phone services.	8,955
Transfer from the Enterprise Fund - Mendocino Community Network to the General Fund for year-end contribution.	42,500
Total	\$ 248,804

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 6 – ACCRUED LIABILITIES

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	District-Wide	Governmental Activities	Business-Type Activities
Payroll	\$ 310,592	\$ -	\$ 7,423	\$ -	\$ -	\$ 318,015	\$ -
Construction	-	54,275	-	-	-	54,275	-
Vendors payable	162,472	-	1,883	8,019	-	172,374	44,915
Unmatured interest	-	-	-	-	424,577	424,577	-
Total	\$ 473,064	\$ 54,275	\$ 9,306	\$ 8,019	\$ 424,577	\$ 969,241	\$ 44,915

NOTE 7 – UNEARNED REVENUE

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

	General Fund
Federal sources	\$ 9,741
State categorical sources	13,636
Total	\$ 23,377

NOTE 8 – LONG-TERM LIABILITIES

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

	Restated Balance		Balance June 30, 2025	Balance Due In One Year
	July 01, 2024	Additions		
Governmental Activities				
General obligation bonds	\$ 39,609,008	\$ 576,621	\$ 1,530,000	\$ 38,655,629
Unamortized premium	2,069,546	-	81,862	1,987,684
Total general obligation bonds	41,678,554	576,621	1,611,862	40,643,313
Compensated absences*	346,686	-	71,991	274,695
Total OPEB liability	960,660	85,762	-	1,046,422
Net pension liability	10,332,139	-	2,044,462	8,287,677
Total	\$ 53,318,039	\$ 662,383	\$ 3,728,315	\$ 50,252,107
				946,302

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

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. Compensated Absences

Restated beginning total unpaid employee compensated absences was \$346,686 and decreased by a net amount of \$71,991 during the year ended June 30, 2025. The ending compensated absences at June 30, 2025 amounted to \$274,695. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. General Obligation Bonds

On April 5, 2007, the District issued \$15,499,521 of General Obligation Bonds, which were authorized at an election held in the District on November 7, 2006. The issue was comprised of \$10,325,000 Current Interest Bonds and \$5,174,521 of Capital Appreciation Bonds. The proceeds of the bonds were used for construction and modernization projects at the Little Lake Campus, the downtown grammar school and to qualify for \$4 million in State aid.

On May 20, 2020, the District issued \$17,000,000 of General Obligation Bonds, which were authorized at an election held in the District on March 3, 2020. The proceeds of the bonds will be used for the purpose of financing the renovation, construction and improvement of school facilities.

On February 24, 2022, the District issued \$13,997,127 of General Obligation Bonds, which were authorized at an election held in the District on March 3, 2020. The proceeds of the bonds will be used for the purpose of financing the renovation, construction and improvement of school facilities.

The outstanding bonded debt of Mendocino Unified School District at June 30, 2025, including accreted interest is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding			Bonds Outstanding		
				July 01, 2024	Additions	Deductions	June 30, 2025		
2007	8/1/2031	4.5 - 7.0%	\$ 15,499,521	\$ 11,147,285	\$ 488,105	\$ 1,410,000	\$ 10,225,390		
2020	8/1/2049	2.0 - 4.0%	17,000,000	14,630,000	-	50,000	14,580,000		
2022	8/1/2051	3.1 - 4.0%	13,997,127	13,831,723	88,516	70,000	13,850,239		
			Total	\$ 39,609,008	\$ 576,621	\$ 1,530,000	\$ 38,655,629		

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 8 – LONG-TERM LIABILITIES (continued)

B. General Obligation Bonds (continued)

The following table summarizes the annual debt service requirements:

Year Ended June 30,	Principal	Interest	Total
2026	\$ 809,274	\$ 1,768,676	\$ 2,577,950
2027	855,776	1,835,574	2,691,350
2028	902,525	1,905,425	2,807,950
2029	952,601	1,975,149	2,927,750
2030	1,007,928	2,047,622	3,055,550
2031 - 2035	4,047,047	6,806,553	10,853,600
2036 - 2040	4,464,630	3,830,643	8,295,273
2041 - 2045	5,529,096	4,319,055	9,848,151
2046 - 2050	9,098,401	2,601,209	11,699,610
2051 - 2052	5,045,000	229,500	5,274,500
Accretion	5,943,351	(5,943,351)	-
Total	\$ 38,655,629	\$ 21,376,055	\$ 60,031,684

C. Other Postemployment Benefits

The District's beginning total OPEB liability was \$960,660 and increased by \$85,762 during the year ended June 30, 2025. The ending total OPEB liability at June 30, 2025 was \$1,046,422. See Note 10 for additional information regarding the total OPEB liability.

D. Net Pension Liability

The District's beginning net pension liability was \$10,332,139 and decreased by \$2,044,462 during the year ended June 30, 2025. The ending net pension liability at June 30, 2025 was \$8,287,677. See Note 11 for additional information regarding the net pension liability.

MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 9 – FUND BALANCES

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000
Stores inventory	-	-	-	16,772	16,772
Prepaid expenditures	13,315	-	-	-	13,315
Total non-spendable	23,315	-	-	16,772	40,087
Restricted					
Educational programs	713,464	-	-	2,151	715,615
Food service	-	-	-	8,163	8,163
Associated student body	-	-	-	144,952	144,952
Capital projects	-	1,482,985	-	372,145	1,855,130
Debt service	-	-	2,252,234	-	2,252,234
All others	-	-	-	800	800
Total restricted	713,464	1,482,985	2,252,234	528,211	4,976,894
Committed					
Deferred maintenance	-	-	-	134,931	134,931
Total committed	-	-	-	134,931	134,931
Assigned					
Other assignments	70,592	-	-	-	70,592
Total assigned	70,592	-	-	-	70,592
Unassigned					
Total	\$ 3,930,760	\$ 1,482,985	\$ 2,252,234	\$ 679,914	\$ 8,345,893

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 4 percent of General Fund expenditures and other financing uses.

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Benefits Provided

The Mendocino Unified School District's defined benefit OPEB plan, the Mendocino Unified School District's Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Certificated, Certificated Management, and Classified Management employees are eligible to retire and receive District-paid health benefits after attaining age 55, completing at least 5 years of full-time service, and retiring under CalSTRS. All retirees are subject to the limit on District-paid premiums effective in the first year of retirement. The cap is currently \$5,200 per year for retiree coverage and \$8,320 per year with a dependent. This limit is not expected to increase in future years. At age 65, full benefits stop, and a supplemental benefit is provided. The monthly supplemental amount of \$100 per month will be provided to these retirees at age 65 for a maximum of five years. Employees with full time employment status (FTE) less than 50% are not eligible for District-paid healthcare benefits, either before or after retirement. Benefits are prorated for employees working between 50% FTE and less than 75% FTE. Employees working 75% FTE or greater are treated as full time employees. Classified employees may continue on any of the District health plans at their own expense. While the District does not directly contribute towards the cost of premiums for these retirees, the ability to obtain coverage at the active employee rate constitutes a significant economic benefit to the retirees, called an "implicit subsidy" under GASB 75. The inclusion of the retirees increases the District's overall health insurance rates, therefore is included in this valuation.

B. Contributions

For the measurement period, the District contributed \$31,450 to the Plan, all of which was used for current premiums. There is no actuarially determined contribution, nor any contribution requirement established by statute or contract. The District's contribution is currently based on a projected pay as-you-go funding method, that is, benefits are payable when due.

C. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	8
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	107
Total number of participants**	115

*Information not provided

**As of the June 30, 2023 valuation date

D. Total OPEB Liability

The Mendocino Unified School District's total OPEB liability of \$1,046,422 was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2023. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

E. Actuarial Assumptions and Other Inputs

The total OPEB liability was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2023 and was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Economic assumptions:

Salary increases	3.00%
Inflation rate	2.50%
Discount rate	3.97%
2024 trend rate	5.50%

Pre-retirement mortality rates were based on the CalSTRS Active Member Mortality (2015-2018) and the CalPERS Pre-Retirement Mortality Miscellaneous and School (2000-2019). Post-retirement mortality rates were based on the CalSTRS Retired Member Mortality (2015-2018) and the CalPERS Pre-Retirement Mortality Miscellaneous and School (2000-2019). Actuarial assumptions used in the June 30, 2023 valuation were based on a review of plan experience during the period July 1, 2021 to June 30, 2023. The discount rate was based on a yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

F. Changes in Total OPEB Liability

	<u>June 30, 2025</u>
Total OPEB Liability	
Service cost	\$ 86,386
Interest on total OPEB liability	39,815
Changes of assumptions	(8,989)
Benefits payments	(31,450)
Net change in total OPEB liability	85,762
Total OPEB liability - beginning	960,660
Total OPEB liability - ending	<u>\$ 1,046,422</u>
 Covered-employee payroll	 \$ 6,540,787
 District's total OPEB liability as a percentage of covered-employee payroll	 16.00%

G. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Mendocino Unified School 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:

	Valuation		
	1% Decrease	Discount Rate	1% Increase
	(2.97%)	(3.97%)	(4.97%)
Total OPEB liability	\$ 1,129,572	\$ 1,046,422	\$ 966,793

MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

H. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Mendocino Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	Healthcare Cost		
	1% Decrease	Trend Rate	1% Increase
	(4.50%)	(5.50%)	(6.50%)
Total OPEB liability	\$ 934,937	\$ 1,046,422	\$ 1,179,697

I. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the Mendocino Unified School District recognized OPEB expense of \$102,807. At June 30, 2025, the Mendocino Unified School District reported deferred outflows of resources related to OPEB 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	\$ 185,219	\$ 91,497
Changes in assumptions	80,320	286,947
District contributions subsequent to the measurement date	40,961	-
Total	\$ 306,500	\$ 378,444

The \$40,961 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	\$ 39,767	\$ 63,161
2027	39,767	63,161
2028	39,767	63,161
2029	35,992	52,864
2030	29,374	39,261
Thereafter	80,872	96,836
Total	\$ 265,539	\$ 378,444

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 11 – PENSION PLANS

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

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
CalSTRS Pension	\$ 3,612,425	\$ 1,365,320	\$ 813,222	\$ 296,286
CalPERS Pension	4,675,252	1,380,038	438,320	142,681
Total	\$ 8,287,677	\$ 2,745,358	\$ 1,251,542	\$ 438,967

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate annual comprehensive financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, CA 95851-0275.

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 11 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2025, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2025 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$675,106 for the year ended June 30, 2025.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$334,647 to CalSTRS.

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

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

District's proportionate share of the net pension liability	\$ 3,612,425
State's proportionate share of the net pension liability associated with the District	1,657,419
Total	\$ 5,269,844

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023 and rolling forward the total pension liability to June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2024, the District's proportion was 0.005 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2023.

MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 11 – 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)

For the year ended June 30, 2025, the District recognized pension expense of \$296,286. In addition, the District recognized pension expense and revenue of \$(158,356) 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 of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ -	\$ 14,576
Differences between expected and actual experience	408,612	157,969
Changes in assumptions	15,813	246,716
Changes in proportion and differences between District contributions and proportionate share of contributions	265,789	393,961
District contributions subsequent to the measurement date	<u>675,106</u>	-
Total	<u>\$ 1,365,320</u>	<u>\$ 813,222</u>

The \$675,106 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	\$ 169,485	\$ 409,579
2027	160,961	(138,661)
2028	130,616	169,636
2029	128,840	159,560
2030	76,914	171,852
2031	23,398	41,256
Total	<u>\$ 690,214</u>	<u>\$ 813,222</u>

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2024 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2024, are summarized in the following table:

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

*Real return is net of assumed 2.75% inflation.

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 6,425,322	\$ 3,612,425	\$ 1,263,539

Pension Plan Fiduciary Net Position

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate annual comprehensive financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, CA 95811.

Benefits Provided

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

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2025 was 27.05% of annual payroll. Contributions to the plan from the District were \$689,744 for the year ended June 30, 2025.

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

At June 30, 2025, the District reported a liability of \$4,675,252 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2023 and rolling forward the total pension liability to June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2024, the District's proportion was 0.013 percent, which was a decrease of 0.003 percent from its proportion measured as of June 30, 2023.

MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2025, the District recognized pension expense of \$142,681. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ 181,607	\$ -
Differences between expected and actual experience	391,952	33,461
Changes in assumptions	103,339	-
Changes in proportion and differences between District contributions and proportionate share of contributions	13,396	404,859
District contributions subsequent to the measurement date	689,744	-
Total	\$ 1,380,038	\$ 438,320

The \$689,744 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	\$ 273,539	\$ 269,526
2027	428,487	168,794
2028	45,730	-
2029	(57,462)	-
Total	\$ 690,294	\$ 438,320

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

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

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

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

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

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*
Global Equity – cap-weighted	30.0%	4.54%
Global Equity – non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	(5.0)%	(0.59)%
	<hr/>	<hr/>
	100.0%	

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

Discount Rate

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	\$ 6,945,126	\$ 4,675,252	\$ 2,800,156

Pension Plan Fiduciary Net Position

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Construction Commitments

As of June 30, 2025, the District had commitments with respect to unfinished capital projects of \$337,691.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in four joint ventures under joint powers authorities (JPAs), the Northern California Schools Insurance Group, the Schools Insurance Group Northern Alliance, the Schools Excess Liability Fund, and the Mendocino County Youth Project. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

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

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2025, total deferred outflows related to pensions was \$2,745,358 and total deferred inflows related to pensions was \$1,251,542.

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2025**

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2025, total deferred outflows related to other postemployment benefits was \$306,500 and total deferred inflows related to other postemployment benefits was \$378,444.

NOTE 15 – SALE OF MENDOCINO COMMUNITY NETWORK/SPECIAL ITEM

On May 23, 2025, the District signed an agreement to sell Mendocino Community Network to the City Of Fort Bragg. The sale closed on June 30, 2025 with a purchase price of \$300,000. \$100,000 was part of closing and is recorded as an accounts receivable and special item in the District's Mendocino Community Network fund. The remaining \$200,000 is an interest-free note receivable that is payable in annual installments of \$50,000 for the next four fiscal years beginning in 2025-26. This amount is recorded as a note receivable and special item on the District's government-wide financial statements.

NOTE 16 – RESTATEMENT OF NET POSITION

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

The effect of these restatements of the beginning net position are as follows:

	Governmental Activities	Business-Type Activities
Net Position - Beginning, as Previously Reported	\$ 15,473,391	\$ (878,064)
Restatement	(1,152,728)	939,409
Net Position - Beginning, as Restated	<u>\$ 14,320,663</u>	<u>\$ 61,345</u>

REQUIRED SUPPLEMENTARY INFORMATION

**MENDOCINO UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual*	Variances -	
	Original	Final	(Budgetary Basis)	Final to Actual	
REVENUES					
LCFF sources	\$ 8,121,078	\$ 8,333,457	\$ 8,730,599	\$ 397,142	
Federal sources	376,920	376,989	398,692	21,703	
Other state sources	815,085	967,927	1,004,445	36,518	
Other local sources	454,921	523,213	805,526	282,313	
Total Revenues	9,768,004	10,201,585	10,939,262	737,677	
EXPENDITURES					
Certificated salaries	3,735,993	3,833,192	3,779,786	53,406	
Classified salaries	1,892,628	1,914,322	1,953,612	(39,290)	
Employee benefits	2,836,085	2,818,881	2,644,223	174,658	
Books and supplies	416,088	546,032	450,417	95,615	
Services and other operating expenditures	1,226,270	1,391,269	1,527,644	(136,375)	
Capital outlay	100,000	115,881	107,794	8,087	
Other outgo					
Transfers of indirect costs	(6,000)	-	(6,000)	6,000	
Total Expenditures	10,201,064	10,619,577	10,457,476	162,101	
Excess (Deficiency) of Revenues Over Expenditures	(433,060)	(417,992)	481,786	899,778	
Other Financing Sources (Uses)					
Transfers in	42,500	42,500	42,500	-	
Transfers out	(168,304)	(215,728)	(206,304)	9,424	
Net Financing Sources (Uses)	(125,804)	(173,228)	(163,804)	9,424	
NET CHANGE IN FUND BALANCE					
Fund Balance - Beginning	2,666,540	2,666,540	2,666,540	-	
Fund Balance - Ending	\$ 2,107,676	\$ 2,075,320	\$ 2,984,522	\$ 909,202	

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

- The amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects with the fund type definitions promulgated by GASB Statement No. 54.

MENDOCINO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2025

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability								
Service cost	\$ 86,386	\$ 118,113	\$ 100,913	\$ 89,793	\$ 93,507	\$ 71,923	\$ 64,096	\$ 62,151
Interest on total OPEB liability	39,815	34,327	19,517	23,924	28,656	33,809	26,697	25,369
Changes of benefit terms	-	-	-	-	-	50,967	-	-
Difference between expected and actual experience	-	227,797	-	(38,811)	-	(187,834)	-	-
Changes of assumptions	(8,989)	(201,108)	(145,670)	49,285	53,971	71,765	(44,997)	-
Benefits payments	(31,450)	(60,711)	(95,747)	(94,750)	(127,737)	(34,214)	(39,190)	(50,934)
Net change in total OPEB liability	85,762	118,418	(120,987)	29,441	48,397	6,416	6,606	36,586
Total OPEB liability - beginning	960,660	842,242	963,229	933,788	885,391	878,975	872,369	835,783
Total OPEB liability - ending	<u>\$ 1,046,422</u>	<u>\$ 960,660</u>	<u>\$ 842,242</u>	<u>\$ 963,229</u>	<u>\$ 933,788</u>	<u>\$ 885,391</u>	<u>\$ 878,975</u>	<u>\$ 872,369</u>
Covered-employee payroll	\$ 6,540,787	\$ 6,764,344	\$ 6,401,261	\$ 5,850,239	\$ 5,994,605	\$ 5,770,884	\$ 5,470,137	\$ 3,215,612
District's total OPEB liability as a percentage of covered-employee payroll	16.00%	14.20%	13.16%	16.46%	15.58%	15.34%	16.07%	27.13%

See accompanying notes to required supplementary information.

MENDOCINO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2025

	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
District's proportion of the net pension liability	0.005%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%	0.006%
District's proportionate share of the net pension liability	\$ 3,612,425	\$ 4,689,264	\$ 4,178,422	\$ 2,821,041	\$ 5,940,296	\$ 5,345,552	\$ 5,361,321	\$ 5,493,330	\$ 5,120,771	\$ 4,536,357
State's proportionate share of the net pension liability associated with the District	1,657,419	2,246,799	2,092,566	1,419,468	3,062,198	2,916,380	3,069,621	3,249,834	2,915,593	2,399,226
Total	\$ 5,269,844	\$ 6,936,063	\$ 6,270,988	\$ 4,240,509	\$ 9,002,494	\$ 8,261,932	\$ 8,430,942	\$ 8,743,164	\$ 8,036,364	\$ 6,935,583
District's covered payroll	\$ 3,579,402	\$ 3,732,520	\$ 3,485,913	\$ 3,350,746	\$ 3,321,128	\$ 3,193,217	\$ 3,145,267	\$ 3,159,346	\$ 3,174,056	\$ 2,742,880
District's proportionate share of the net pension liability as a percentage of its covered payroll	100.92%	125.63%	119.87%	84.19%	178.86%	167.40%	170.46%	173.88%	161.33%	165.39%
Plan fiduciary net position as a percentage of the total pension liability	83.55%	80.62%	81.20%	87.21%	71.82%	72.56%	70.99%	69.46%	70.04%	74.02%

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

See accompanying notes to required supplementary information.

MENDOCINO UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2025

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
District's proportion of the net pension liability	0.013%	0.016%	0.017%	0.016%	0.017%	0.016%	0.016%	0.017%	0.019%	0.019%
District's proportionate share of the net pension liability	\$ 4,675,252	\$ 5,621,600	\$ 5,736,533	\$ 3,254,783	\$ 5,239,825	\$ 4,795,147	\$ 4,370,373	\$ 4,167,306	\$ 3,682,090	\$ 2,803,902
District's covered payroll	\$ 2,580,745	\$ 2,686,101	\$ 2,556,210	\$ 2,297,891	\$ 2,459,327	\$ 2,279,850	\$ 2,163,202	\$ 2,226,041	\$ 2,154,416	\$ 2,242,514
District's proportionate share of the net pension liability as a percentage of its covered payroll	181.16%	209.28%	224.42%	141.64%	213.06%	210.33%	202.03%	187.21%	170.91%	125.03%
Plan fiduciary net position as a percentage of the total pension liability	72.29%	69.96%	69.76%	80.97%	70.00%	70.05%	70.85%	71.87%	73.90%	79.43%

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

See accompanying notes to required supplementary information.

**MENDOCINO UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Contractually required contribution	\$ 675,106	\$ 678,940	\$ 714,215	\$ 586,782	\$ 539,928	\$ 553,964	\$ 507,461	\$ 444,563	\$ 390,777	\$ 340,205
Contributions in relation to the contractually required contribution*	(675,106)	(678,940)	(714,215)	(586,782)	(539,928)	(553,964)	(507,461)	(444,563)	(390,777)	(340,205)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,568,970	\$ 3,579,402	\$ 3,732,520	\$ 3,485,913	\$ 3,350,746	\$ 3,321,128	\$ 3,193,217	\$ 3,145,267	\$ 3,159,346	\$ 3,174,056
Contributions as a percentage of covered payroll	18.92%	18.97%	19.13%	16.83%	16.11%	16.68%	15.89%	14.13%	12.37%	10.72%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

**MENDOCINO UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Contractually required contribution	\$ 689,744	\$ 688,456	\$ 562,976	\$ 459,959	\$ 475,349	\$ 389,222	\$ 328,863	\$ 267,326	\$ 240,545	\$ 263,301
Contributions in relation to the contractually required contribution*	(689,744)	(688,456)	(562,976)	(459,959)	(475,349)	(389,222)	(328,863)	(267,326)	(240,545)	(263,301)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,549,860	\$ 2,580,745	\$ 2,686,101	\$ 2,556,210	\$ 2,297,891	\$ 2,459,327	\$ 2,279,850	\$ 2,163,202	\$ 2,226,041	\$ 2,154,416
Contributions as a percentage of covered payroll	27.05%	26.68%	20.96%	17.99%	20.69%	15.83%	14.42%	12.36%	10.81%	12.22%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms

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

Changes in Assumptions

The discount rate was changed from 3.86% to 3.97% and the initial healthcare cost trend rate changed from 6.00% to 5.50% since the previous measurement.

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

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

Changes in Benefit Terms

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

Changes in Assumptions

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

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2025**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Classified salaries	\$ 1,914,322	\$ 1,953,612	\$ 39,290
Services and other operating expenditures	\$ 1,391,269	\$ 1,527,644	\$ 136,375

SUPPLEMENTARY INFORMATION

**MENDOCINO UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2025**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	92.39	91.47
Total TK/K through Third	92.39	91.47
Fourth through Sixth		
Regular ADA	73.17	72.33
Total Fourth through Sixth	73.17	72.33
Seventh through Eighth		
Regular ADA	58.47	57.62
Total Seventh through Eighth	58.47	57.62
Ninth through Twelfth		
Regular ADA	127.32	126.03
Total Ninth through Twelfth	127.32	126.03
TOTAL SCHOOL DISTRICT	351.35	347.45

See accompanying note to supplementary information.

**MENDOCINO UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2025**

Grade Level	Minutes Requirement	Actual Instructional Minutes	Number of Days	Status
Kindergarten	36,000	45,900	180	Complied
Grade 1	50,400	51,100	180	Complied
Grade 2	50,400	51,100	180	Complied
Grade 3	50,400	51,100	180	Complied
Grade 4	54,000	57,440	180	Complied
Grade 5	54,000	59,425	180	Complied
Grade 6	54,000	59,425	180	Complied
Grade 7	54,000	60,029	180	Complied
Grade 8	54,000	60,029	180	Complied
Grade 9	64,800	64,920	180	Complied
Grade 10	64,800	64,920	180	Complied
Grade 11	64,800	64,920	180	Complied
Grade 12	64,800	64,920	180	Complied

See accompanying note to supplementary information.

**MENDOCINO UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

	2026 (Budget)	2025	2024	2023
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 10,401,294	\$ 10,981,762	\$ 10,975,603	\$ 10,709,480
Expenditures And Other Financing Uses	10,932,625	10,663,780	10,662,353	11,028,167
Net change in Fund Balance	\$ (531,331)	\$ 317,982	\$ 313,250	\$ (318,687)
Ending Fund Balance	\$ 2,453,191	\$ 2,984,522	\$ 2,666,540	\$ 2,353,290
Available Reserves*	\$ 2,830,935	\$ 3,123,389	\$ 2,466,893	\$ 2,192,889
Available Reserves As A Percentage Of Outgo	25.89%	29.29%	23.14%	19.88%
Long-term Liabilities	\$ 49,305,805	\$ 50,252,107	\$ 51,959,518	\$ 53,353,731
Average Daily Attendance At P-2	341	351	358	357

The General Fund balance has increased by \$631,232 over the past two years. However, the fiscal year 2025-26 budget projects a decrease of \$531,331. For a District this size, the State recommends available reserves of 4% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2025-26 fiscal year. Total long-term obligations have decreased by \$3,101,624 over the past two years.

Average daily attendance has decreased by 6 ADA over the past two years. A further decrease of 10 ADA is anticipated during the 2025-26 fiscal year.

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

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

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

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects
June 30, 2025, annual financial and budget report fund balance	\$ 2,984,522	\$ 946,238
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	946,238	(946,238)
Net adjustments and reclassifications	946,238	(946,238)
June 30, 2025, audited financial statement fund balance	<u>\$ 3,930,760</u>	<u>\$ -</u>

See accompanying note to supplementary information.

**MENDOCINO UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2025**

There were no charter schools sponsored by the District for the year ended June 30, 2025.

**MENDOCINO UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2025**

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
ASSETS								
Cash and investments	\$ 144,952	\$ 4,819	\$ 325	\$ 135,721	\$ 10	\$ 371,220	\$ 925	\$ 657,972
Accounts receivable	-	840	54,567	-	-	-	-	55,407
Due from other funds	-	-	2,891	-	-	-	-	2,891
Stores inventory	-	-	16,772	-	-	-	-	16,772
Total Assets	\$ 144,952	\$ 5,659	\$ 74,555	\$ 135,721	\$ 10	\$ 371,220	\$ 925	\$ 733,042
LIABILITIES								
Deficit cash	\$ -	\$ -	\$ 43,543	\$ -	\$ -	\$ -	\$ -	\$ 43,543
Accrued liabilities	-	3,229	6,077	-	-	-	-	9,306
Due to other funds	-	279	-	-	-	-	-	279
Total Liabilities	-	3,508	49,620	-	-	-	-	53,128
FUND BALANCES								
Non-spendable	-	-	16,772	-	-	-	-	16,772
Restricted	144,952	2,151	8,163	790	10	371,220	925	528,211
Committed	-	-	-	134,931	-	-	-	134,931
Total Fund Balances	144,952	2,151	24,935	135,721	10	371,220	925	679,914
Total Liabilities and Fund Balances	\$ 144,952	\$ 5,659	\$ 74,555	\$ 135,721	\$ 10	\$ 371,220	\$ 925	\$ 733,042

See accompanying note to supplementary information.

MENDOCINO UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

	Student Activity Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Pupil Transportation Equipment Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds
REVENUES								
LCFF sources	\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Federal sources	-	-	174,210	-	-	-	-	174,210
Other state sources	-	-	101,716	-	1,019,426	-	426,489	1,547,631
Other local sources	136,962	55,664	22,631	5,309	11	56,775	3,091	280,443
Total Revenues	136,962	55,664	298,557	55,309	1,019,437	56,775	429,580	2,052,284
EXPENDITURES								
Current								
Instruction	-	81,040	-	-	-	-	-	81,040
Pupil services								
Home-to-school transportation	-	-	-	-	1,036,425	-	-	1,036,425
Food services	-	-	430,756	-	-	-	-	430,756
General administration								
All other general administration	-	-	6,000	-	-	-	-	6,000
Plant services	-	19,186	-	11,458	-	-	-	30,644
Facilities acquisition and construction	-	-	-	100,365	-	-	455,065	555,430
Ancillary services	93,268	-	-	-	-	-	-	93,268
Total Expenditures	93,268	100,226	436,756	111,823	1,036,425	-	455,065	2,233,563
Excess (Deficiency) of Revenues Over Expenditures	43,694	(44,562)	(138,199)	(56,514)	(16,988)	56,775	(25,485)	(181,279)
Other Financing Sources (Uses)								
Transfers in	-	45,113	109,587	-	16,998	-	25,651	197,349
Net Financing Sources (Uses)	-	45,113	109,587	-	16,998	-	25,651	197,349
NET CHANGE IN FUND BALANCE	43,694	551	(28,612)	(56,514)	10	56,775	166	16,070
Fund Balance - Beginning	101,258	1,600	53,547	192,235	-	314,445	759	663,844
Fund Balance - Ending	\$ 144,952	\$ 2,151	\$ 24,935	\$ 135,721	\$ 10	\$ 371,220	\$ 925	\$ 679,914

See accompanying note to supplementary information.

**MENDOCINO UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2025**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

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

Combining Statements – Non-Major Funds

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

OTHER INFORMATION

**MENDOCINO UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2025**

The Mendocino Unified School District was established in 1964 and is comprised of an area of approximately 420 square miles located in Mendocino County. There were no changes in the boundaries of the District during the current year. The District operates three elementary schools, one high school, one preschool and one alternative education K-12.

GOVERNING BOARD

Member	Office	Term Expires
Windspirit Aum	President	November 2026
Mark Morton	Clerk	November 2028
Mea Bloyd	Member	November 2026
Emily Griffen	Member	November 2026
Michael Schaeffer	Member	November 2028

DISTRICT ADMINISTRATORS

Jason Morse
Superintendent/Secretary to the Board

Meg Kailikole
Business Manager

OTHER INDEPENDENT AUDITORS' REPORTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditors' Report

Governing Board
Mendocino Unified School District
Mendocino, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Mendocino 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 Mendocino Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
December 15, 2025

REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

Independent Auditors' Report

Governing Board
Mendocino Unified School District
Mendocino, California

Report on State Compliance

Opinion on State Compliance

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

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

Basis for Opinion on State Compliance

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

We are required to be independent of Mendocino 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. Our audit does not provide a legal determination of Mendocino 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 the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Mendocino Unified School District's state programs.

Auditor's Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mendocino 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 K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mendocino Unified School District's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mendocino Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of Mendocino 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 K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Mendocino Unified School District's internal control over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine Mendocino Unified School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	No
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools or Programs	Not Applicable
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Yes
Home to School Transportation Reimbursement	Yes

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

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

We did not perform testing for Independent Study because the ADA reported was not material.

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Finding #2025-001. Our opinion on state compliance is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
December 15, 2025

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**MENDOCINO UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2025**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

STATE AWARDS

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

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

**MENDOCINO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING #2025-001: EXPANDED LEARNING OPPORTUNITIES PROGRAM (40000)

Criteria: Pursuant to Education Code Section 46120(c)(2) & 46120(c)(3)(A) & (B) local educational agencies that receive funds pursuant to subdivision (d) shall offer to at least all unduplicated pupils in classroom-based instructional programs in kindergarten and grades 1 to 6, access to expanded learning opportunity programs. On schooldays, as described in Section 46100 and Sections 46110 to 46119, inclusive, and days on which school is taught for the purpose of meeting the 180-instructional-day offering as described in Section 46208 for school districts and the 175-instructional-day offering as described in Section 11960 of Title 5 of the California Code of Regulations for charter schools, in-person before or after school expanded learning opportunities that, when added to daily instructional minutes, recess, and meals, are no fewer than nine hours of combined instructional time, recess, meals, and expanded learning opportunities per instructional day. Per Education Code Section 46120 (B) 30 nonschool days are required inclusive of extended school year days provided pursuant to paragraph (3) of subdivision (b) of Section 56345, no fewer than nine hours of in-person expanded learning opportunities per day.

Condition: In testing of Expanded Learning Opportunities requirements, it was noted that Mendocino Unified School District did not either “offer access” or “provide access” to the ELOP on 30 nonschool days.

Cause: The District was not able to offer or operate the Expanded Learning Opportunities Program on non school days due to staffing.

Effect: The District did not adhere to the mandate of either “offering access” or “providing access” to the expanded opportunities program on the 30 nonschool days and consequently was not in compliance with Education Code Section 46120.

Questioned Costs: \$32,019, as calculated on the following page:

**MENDOCINO UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2025**

FINDING #2025-001: EXPANDED LEARNING OPPORTUNITIES PROGRAM (40000) (continued)

Questioned Costs: (continued)

Item Number	Calculating the Cost of ELO-P Audit Finding	Instructions	District Data Input and Calculated
1	LEA Funding Rate	Select Rate 1, Rate 2, or N/A under the applicable column for a school district or a charter school from the LEA's ELO-	Rate 2
2	ELO-P Entitlement Calculation based on Rate 1 or Rate	Enter entitlement amount from the LEA's ELO-P P-2 funding	\$222,357
9	Section B - Days Instructional Days	Section B - Days Enter the number of instructional days	180
10	ELO-P offered on instructional days totaling 9 hours [EC 46120(b)(1)(A)]	Enter the number of instructional days in which ELO-P was operated to meet the 9 hours requirement pursuant to EC 46120(b)(1)(A) or (C)	180
11	Required Intersession ELO-P days	Preload	30
12	Actual ELO-P intersession days totaling 9 hours	Enter the number of actual ELO-P intersession days totaling 9 hours pursuant to EC 46120(b)(1)(B) or (C)	0
13	ELO-P days short	Calculated field	30
14	Penalty Factor	Preload [EC 46120(c)(3)]	0.0048
15	Penalty Calculation	Calculated field	\$32,019
16	Total Penalty Total penalty	Calculated field	\$32,019

Repeat Finding: Yes, this is a repeat of Finding #2024-001.

Recommendation: We recommend that the District offer the Expanded Learning Opportunities Program on the 30 nonschool days.

Corrective Action Plan: For the 2024-25 school year, the District was unable to offer and/or provide the ELO Program for the required 30 nonschool days and expects to be penalized. The District has looked for ways to meet this requirement in future years and will offer and/or provide the service in the future if we are able.

**MENDOCINO UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

FINDING #2024-001: EXPANDED LEARNING OPPORTUNITIES PROGRAM (40000)

Criteria: Pursuant to Education Code Section 46120(c)(2) & 46120(c)(3)(A) & (B) local educational agencies that receive funds pursuant to subdivision (d) shall offer to at least all unduplicated pupils in classroom-based instructional programs in kindergarten and grades 1 to 6, access to expanded learning opportunity programs. On schooldays, as described in Section 46100 and Sections 46110 to 46119, inclusive, and days on which school is taught for the purpose of meeting the 180-instructional-day offering as described in Section 46208 for school districts and the 175-instructional-day offering as described in Section 11960 of Title 5 of the California Code of Regulations for charter schools, in-person before or after school expanded learning opportunities that, when added to daily instructional minutes, recess, and meals, are no fewer than nine hours of combined instructional time, recess, meals, and expanded learning opportunities per instructional day. Per Education Code Section 46120 (B) 30 nonschool days are required inclusive of extended school year days provided pursuant to paragraph (3) of subdivision (b) of Section 56345, no fewer than nine hours of in-person expanded learning opportunities per day.

Condition: In testing of Expanded Learning Opportunities requirements, it was noted that Mendocino Unified School District did not either “offer access” or “provide access” to the ELOP on 30 nonschool days.

Cause: The District was not able to offer or operate the Expanded Learning Opportunities Program on non school days due to staffing.

Effect: The District did not adhere to the mandate of either “offering access” or “providing access” to the expanded opportunities program on the 30 nonschool days and consequently was not in compliance with Education Code Section 46120.

Questioned Costs: \$23,906, as calculated on the following page.

MENDOCINO UNIFIED SCHOOL DISTRICT
 SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
 FOR THE YEAR ENDED JUNE 30, 2025

FINDING #2024-001: EXPANDED LEARNING OPPORTUNITIES PROGRAM (40000) (continued)

Questioned Costs: (continued)

Item Number	Calculating the Cost of ELO-P Audit Finding	Instructions	School District Data Input and Calculated Fields
1	LEA Funding Rate	Select Rate 1, Rate 2, or N/A under the applicable column for a school district or a charter school from the LEA's ELO-P P-2 funding exhibit, Line C-4.	Rate 2
2	ELO-P Entitlement Calculation based on Rate 1 or Rate 2	Enter entitlement amount from the LEA's ELO-P P-2 funding exhibit, Line C-8.	\$166,012
9	Section B - Days Instructional Days	Section B - Days Enter the number of instructional days	180
10	ELO-P offered on instructional days totaling 9 hours [EC 46120(b)(1)(A)]	Enter the number of instructional days in which ELO-P was operated to meet the 9 hours requirement pursuant to EC 46120(b)(1)(A) or (C)	180
11	Required Intersession ELO-P days	Preload	30
12	Actual ELO-P intersession days totaling 9 hours	Enter the number of actual ELO-P intersession days totaling 9 hours pursuant to EC 46120(b)(1)(B) or (C)	0
13	ELO-P days short	Calculated field	30
14	Penalty Factor	Preload [EC 46120(c)(3)]	0.0048
15	Penalty Calculation	Calculated field	\$23,906
16	Total Penalty Total penalty	Calculated field	\$23,906

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District offer the Expanded Learning Opportunities Program on the 30 nonschool days.

Corrective Action Plan: For the 2023-24 school year, we were unable to offer and/or provide the ELO Program for the required 30 nonschool days, and expected to be penalized. We will continue to look for ways to meet this requirement in future years, and will offer and/or provide the service if we are able.

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