



Financial Statements
June 30, 2023

Orange County Department of
Education

Orange County Department of Education

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Independent Auditor's Report

To the Superintendent of Schools
and County Board of Education
Orange County Department of Education
Costa Mesa, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orange County Department of Education (the County) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Orange County Department of Education, as of June 30, 2023, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Notes 1 and 17 to the financial statements, the County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County'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 County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

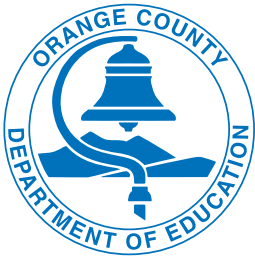
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements,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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 on our consideration of the County'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 County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Rancho Cucamonga, California
December 15, 2023



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This section of the Orange County Department of Education's (the County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on June 30, 2023, with comparative information for the year ended June 30, 2022. Please read it in conjunction with the County's financial statements, which immediately follow this section.

Overview of the Financial Statements

The Financial Statements

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

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

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

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

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

The Primary unit of the government is the Orange County Department of Education.

Financial Highlights of the Past Year

In the 2022-2023 school year, COVID-19 continued to impact our financial picture. County Office's are funded different from school districts. The funding for the County Office's Average Daily Attendance in 2022-2023 is based on the current Average Daily Attendance. Which means that there is no protection if there is a significant decrease in funded average daily attendance. This year we continued using the one-time funding given to the county office to help mitigate the loss of funding related to absences due to the pandemic. The impact of the pandemic continues to be a concern and we are finding alternative methods to address and mitigate loss of learning, and increased awareness about mental health options. We continued to see an increase in state and federal categorical programs to help mitigate learning loss. County Offices are funded under the Local Control Funding Formula (LCFF) with funding for an Operations grant based on the total number of districts and students served in our county and the Alternative Education grant. We receive funding for school district referred students in local revenue. One of the complex calculations specific to County Office of Education and LCFF is when county property taxes increase and ADA decreases, COE's move into a category called minimum state aid. We have been considered minimum state aid for multiple years which requires us to give any excess funds (from property taxes) to the County Courts which reduces their state contribution. As the amount sent to the County Courts increases, we continue to see increases on expenditures without an offsetting increase to revenue from cost-of-living increases. This will continue to have a financial impact in future years.

In the current fiscal year, the County School Service Fund revenue (not including transfers from other funds) increased by \$26 million. AB602 requires a transfer to Special Education of 36% of the total property tax received. Property tax increased by \$8.6 million which required a transfer totaling \$48.7 million to the Special Education Pass-Through Fund (SELPA). This was an increase of \$3 million to the SELPA and the remaining \$5.6 million remained in the County School Service Fund. The County continues to receive increases in local taxes, overall LCFF funding for 2022-2023 grew by \$8.4 million, an increase of \$9.4 million for Alternative Education programs, a decrease of \$371 thousand for the College & Career Preparatory Academy charter school, and a decrease of \$17 million for our contribution to the County Courts. Federal funding increased \$1 million or .3% of the County School Service Fund revenues (and an increase of \$16 million or 3.3% of government-wide revenues). The increase is mostly due to an increase of \$548 thousand for Education Innovation & Research, an increase of \$389 thousand for Title I programs, an increase of \$237 thousand for various COVID-19 Relief funds including CARES Act (Coronavirus Aid Relief Economic Security Act), GEER (Governor's Emergency Education Relief), and ESSER I, II, III (Elementary and Secondary School Emergency Relief) funding, and changes in various other federal programs. Other State revenue decreased \$11 million or 3% of the County School Service Fund revenues (and a decrease of \$11 million or 2.4 % of government-wide revenues). The decrease is largely due to an increase of \$10.8 million for Model Curriculum, an increase of \$5.4 million for Learning Recovery Emergency, an increase of \$1.7 million for the Classified Employee Grant, an increase of \$1.6 million for K12 Strong Workforce, an increase of \$1.4 million for Arts, Music, & Instructional Materials Discretionary Block Grant, a decrease of \$17 million in COE Mitigating funds, a decrease of \$9 million in Multi-Tiered System of Support, a decrease of \$2 million for Educator Effectiveness, a decrease of \$1.3 million for STRS on behalf, a decrease of \$1 million for Lottery funds, a decrease of \$359 thousand for A-G Completion Improvement programs, a decrease of \$809 thousand for various Expanded Learning Opportunities (ELO) and In Person Instruction (IPI) CARES Learning Loss Mitigating funds, a decrease of \$679 thousand for one-time Special Education Learning Recovery Support and Special Education Dispute Prevention & Dispute Resolution programs,

a decrease of \$400 thousand for Safe Schools for All, a decrease of \$337 thousand for FEMA State Social Emotional Learning Common Practice, and other state grants and entitlements. Finally, government-wide local revenue for 2022-2023 increased by \$27 million as a result of various increases in interagency fees, GASB 31 evaluation, increase in tuition fees, increase in interest earnings, and decrease for the Medi-Cal Administrative Activities program.

The expenditures in the County School Service Fund (not including transfers to other funds) increased by \$5.8 million or 2% of expenditures. This includes the decrease of GASB 68 CalSTRS on behalf of the County contribution of \$1.3 million, and the rate decrease for CalSTRS from 16.92% to 16.10%, as well as the CalPERS rate increase from 22.91% to 25.37%. In 2022-2023, the certificated bargaining unit received a 6% on-going salary increase, the classified bargaining unit and the management groups received a 5% on-going salary increase and a one-time 1% off-schedule payment. In addition, the cap to the health and welfare benefit plans was raised and the County agreed to contribute and cover the increase to eliminate an increase in employee contributions for 2022-2023 for all groups. Salaries and benefits increased by \$9.2 million, which includes a decrease for retirements and staff attrition, and the decrease for the GASB 68 CalSTRS on behalf of the County contribution. In 2022-2023 the annual Local Control Accountability Plan (LCAP) was required. This is year two of the three-year cycle. In addition, CDE required to present to the County Board and education partners the mid-year report Supplement to the Annual Update to the 2021-2022 Local Control Accountability Plan, incorporating the addition of COVID-19 relief funds received to support students, teachers, staff, and communities in recovering from the COVID-19 pandemic, and to address the impact of distance learning and mitigating learning loss. The focus of the LCAP continues to be on improving the academic outcomes of students in our schools with an emphasis on increasing or improving support for students who are English Learners, Foster Youth, or Socioeconomically Disadvantaged. Books, computers, and instructional materials and various other changes in services and contracts remain part of the focus in our LCAP.

In 2022-2023 we had an overall increase of 165 average daily attendance (ADA), and we continue to look at staffing ratios and new ways to improve attendance. As always, our focus is on providing world-class education and services to support students in Orange County. We also continue to plan and design permanent facilities for the Alternative Education Program and joint-use projects for Special Schools.

Vision

Orange County students will lead the nation in college and career readiness and success.

Mission

The mission of the Orange County Department of Education (OCDE) is to ensure that all students are equipped with the competencies they need to thrive in the 21st century.

OCDE is a public education organization offering support to 28 school districts and more than 600 schools and 20,000 educators serving approximately 450,000 students in Orange County.

OCDE's personnel offer support, professional development, and student programs through its divisions and departments: Administrative Services, Alternative Education, Business Services, Communications, Educational Services, Governance, Leadership, and Community Partnerships Services, Information Technology, Legal Services, and Special Education.

Values

OCDE is dedicated to the fundamental human values of respect, responsibility, integrity, and professional ethics. Our priority is service to students, schools, districts, families, and community members. We provide a safe, caring, courteous, and professional environment that fosters collaborative work and individual development for our employees. We hold ourselves and each other accountable for the highest level of performance, efficiency, resource management, and professionalism.

Enrollment

A primary source of revenue for the County is generated by ADA of students in the County programs. The changes of ADA can have significant impact on the financial stability of the office. In 2022-2023, the County operated student programs increased by 165 ADA, a 3.8% increase from last year. County-wide enrollment experienced a decrease of 6%.

Solvency

The County is required to maintain a 2% Reserve for Economic Uncertainties and strives to meet a budgetary reserve of 3%. In 2022-2023, we met our goal with a minimum 3% Reserve for Economic Uncertainties.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

Governmental Activities - All of the County's services are reported in this category. This includes services to preschool through grade twelve students, the operation of child development activities, the coordination of educational programs among school districts within Orange County, and the ongoing effort to improve and maintain buildings and sites. Property taxes, State income and sales taxes, user fees, interest income, as well as Federal, State and local grants, finance these activities.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds - The County's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the County's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statements.

Proprietary Funds – When the County charges users for the services it provides, whether to outside customers or to other departments within the County, these services are generally reported in proprietary funds.

Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use internal service funds (the other component of proprietary funds – the County does not use enterprise funds) to report activities that provide supplies and services for the County's other programs and activities, such as the County's Internal Service Fund. The internal service fund is reported with the governmental activities in the government-wide financial statements.

THE COUNTY AS A TRUSTEE

Reporting the County's Fiduciary Responsibilities

The County is the trustee, or *fiduciary*, for funds held on behalf of others, such as funds for payroll withholding accounts. The County's fiduciary activities are reported in the *Statement of Net Position* and the *Statement of Changes in Net Position*. These activities are excluded from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

Net Position

The County's net position was \$395,974,987 for the fiscal year ended June 30, 2023. Of this amount, \$167,327,724 was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants, grantors, constitutional provisions, and is enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the County's governmental activities.

Table 1

	Governmental Activities	
	2023	2022 as restated
Assets		
Current and other assets	\$ 593,217,917	\$ 519,161,698
Lease receivables	1,856,050	2,101,830
Capital assets, right-to-use leased assets, and right-to-use subscription IT assets	106,380,165	106,299,757
Total assets	701,454,132	627,563,285
Deferred outflows of resources	57,624,505	31,799,353
Liabilities		
Current liabilities	129,621,418	121,185,563
Long-term liabilities other than OPEB and Pension	11,501,749	12,763,885
Net other postemployment benefits (OPEB) liability	3,335,125	3,423,306
Aggregate net pension liability	191,530,070	121,318,140
Total liabilities	335,988,362	258,690,894
Deferred inflows of resources	27,115,288	81,032,844
Net Position		
Net investment in capital assets	98,543,242	96,248,055
Restricted	130,104,021	117,373,181
Unrestricted	167,327,724	106,017,664
Total net position	\$ 395,974,987	\$ 319,638,900

The \$167,327,724 in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations.

Changes in Net Position

The results of this year's operations for the County as a whole are reported in the *Statement of Activities* on page 19. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2023	2022*
Revenues		
Program revenues		
Charges for services and sales	\$ 44,612,420	\$ 40,154,335
Operating grants and contributions	150,552,467	140,291,015
Capital grants and contributions	3,158,936	13,505
General revenues		
Federal and State aid not restricted	32,697,735	29,449,108
Property taxes	140,743,769	132,326,117
Other general revenues	96,393,480	76,225,433
Total revenues	468,158,807	418,459,513
Expenses		
Instruction-related	222,582,753	182,537,169
Pupil services	20,907,914	17,415,562
Administration	35,928,222	28,894,127
Plant services	14,633,260	13,547,751
All other services	97,770,571	116,023,440
Total expenses	391,822,720	358,418,049
Change in net position	\$ 76,336,087	\$ 60,041,464

* The revenues and expenses for fiscal year 2022 were not restated to show the effects of GASB Statement No. 96 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities* on page 19, the cost of all of our governmental activities this year was \$391,822,720. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$140,743,769 because the cost was paid by those who benefited from the programs (\$44,612,420) or by other governments and organizations who subsidized certain programs with grants and contributions (\$153,711,403). We paid for the remaining "public benefit" portion of our governmental activities with \$129,091,215 in unrestricted Federal and State funds and with other revenues, such as interest and general entitlements.

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

Table 3

	Total Cost of Services		Net Cost of Services	
	2023	2022*	2023	2022*
Instruction-related	\$ 222,582,753	\$ 182,537,169	\$ (71,608,973)	\$ (48,543,582)
Pupil services	20,907,914	17,415,562	(14,604,808)	(11,909,127)
Administration	35,928,222	28,894,127	(24,194,633)	(18,476,011)
Plant services	14,633,260	13,547,751	(13,382,695)	(12,208,313)
All other services	97,770,571	116,023,440	(69,707,788)	(86,822,161)
Total	\$ 391,822,720	\$ 358,418,049	\$ (193,498,897)	\$ (177,959,194)

* The total and net cost of services for fiscal year 2022 were not restated to show the effects of GASB Statement No. 96 for comparative purposes.

The County's Funds

As the County completed this year, our governmental funds reported a combined fund balance of \$456,315,246, which is an increase of \$65,027,485, or 16.6% from last year (Table 4).

Table 4

	Balances and Activities			June 30, 2023
	July 01, 2022	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	
County School Service Fund	\$ 342,731,817	\$ 349,156,613	\$ 289,191,915	\$ 402,696,515
Special Education				
Pass-Through Fund	12,358,734	53,858,162	54,757,570	11,459,326
Child Development Fund	(171,037)	59,889,857	58,889,017	829,803
Deferred Maintenance Fund	32,038,994	2,957,596	1,326,341	33,670,249
County School Facilities Fund	357,620	3,146,897	344,045	3,160,472
Special Reserve Fund for				
Capital Outlay Projects	2,722,250	2,638,042	2,129,035	3,231,257
Debt Service Fund	1,249,383	1,392,907	1,374,666	1,267,624
Total	\$ 391,287,761	\$ 473,040,074	\$ 408,012,589	\$ 456,315,246

The County School Service Fund is our principal operating fund. The fund balance in the County School Service Fund increased to \$403 million, this includes a \$22.8 million increase in the Local Control Funding Formula (LCFF) from an increase in Property Tax and due to the minimum state aid status, \$21.4 million will be transferred to the County Courts reducing the state's obligation to the courts, an increase of \$11 million for Model Curriculum, an increase of \$5.3 million for Learning Recovery Emergency, \$4.6 million increase for Regional K-16 Collaborative, \$2 million increase for Classified School Employee grant, \$1.6 million increase for K12 Strong Workforce, \$1.4 million increase for Arts, Music & Instructional Materials Discretionary Block grant, \$630 thousand increase for California Community School Partnership Program, \$450 thousand increase for Literacy Coach & Reading Specialist, \$282 thousand increase for Career Technical Education (CTE) programs, \$114 thousand increase for Kitchen infrastructure and staff training, \$548 thousand increase for Education Innovation & Research, a \$19 million decrease for one-time COVID-19 response relief funds to address and mitigate the students learning loss and negative effects of the pandemic, a decrease of \$9.3 million for Multi-Tiered System of Support (MTSS), \$5.6 million decrease for Medical Administrative Activities, \$2 million decrease for Educator Effectiveness, \$400 thousand decrease for Safe Schools, \$389 thousand increase for Title I programs, \$359 thousand decrease for A-G Completion Improvement programs, and staff reductions.

County School Service Fund Budgetary Highlights

Over the course of the year, the County revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on March 1, 2023. (Schedules showing the County's original and final budget amounts compared with amounts actually paid and received are provided in our annual report beginning on page 78).

CAPITAL ASSETS, RIGHT-TO-USE LEASED ASSETS, RIGHT-TO-USE SUBSCRIPTION IT ASSETS, AND LONG-TERM LIABILITIES

Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

At June 30, 2023, the County had \$106,380,165 in a broad range of capital assets, right-to-use leased assets, and right-to-use subscription IT assets (net of depreciation and amortization), including land and construction in process, buildings and improvements, furniture and equipment, right-to-use leased assets, and right-to-use subscription IT assets. This amount represents a net increase (including additions, deductions, depreciation, and amortization) of \$80,408, or 0.08%, from last year (Table 5).

Table 5

	Governmental Activities	
	2023	2022 as restated
Land and construction in process	\$ 32,095,698	\$ 30,655,895
Buildings and improvements	64,887,451	66,326,142
Furniture and equipment	8,376,476	7,785,908
Right-to-use leased assets	102,021	242,284
Right-to-use subscription IT	918,519	1,289,528
Total	\$ 106,380,165	\$ 106,299,757

The \$80 thousand increase in capital assets was the result of an increase of \$1.4 million of capital asset acquisitions, an increase of \$590 thousand in equipment and related accumulated depreciation, a decrease of \$1.4 million in capital purchases, a decrease of \$140 thousand in the right to use leased assets, and a decrease of \$371 thousand for the right to use IT subscriptions.

Several capital projects are planned for the 2023-2024 year. We anticipate capital additions to be approximately \$15 million for the 2023-2024 year. We present more detailed information about our capital assets, right-to-use leased assets, and right-to-use subscription IT assets in Note 5 to the financial statements.

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

At the year-end, the County had \$11,501,749 in long-term liabilities other than OPEB and pension versus \$12,763,885 last year, a decrease of \$1,262,136, or 9.9%. Those liabilities consisted of:

Table 6

	Governmental Activities	
	2023	2022 as restated
Certificates of participation (net of discount)	\$ 7,431,000	\$ 8,555,000
Leases	91,152	207,174
Subscription-based IT arrangements	314,771	1,289,528
Supplemental early retirement plan	1,423,338	337,385
Compensated absences	2,241,488	2,374,798
Total	\$ 11,501,749	\$ 12,763,885

We present more detailed information regarding our long-term liabilities other than OPEB and pension in Note 10 of the financial statements.

OPEB and Pension Liabilities

At year-end, the County had \$3,335,125 in net OPEB liability versus \$3,423,306 last year, a decrease of \$88,181, or 2.6%.

We present more detailed information regarding our net OPEB liability in Note 11 of the financial statements.

At the year-end, the County had \$191,530,070 in aggregate net pension liability versus \$121,318,140 last year, an increase of \$70,211,930, or 57.9%.

We present more detailed information regarding our aggregate net pension liability in Note 14 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As a County Office of Education (COE), we have reached our funding target and because the increase in property taxes above the statewide averages and declining enrollment changes, we maintain the status of minimum state aid guarantee. Under the minimum state aid guarantee, we will not receive any new LCFF funding from either growth in attendance or cost of living increases. Future growth in funding will be limited until the Average Daily Attendance (ADA) significantly increases, or changes occur in targeted sub-group populations, and/or property taxes decline. As a COE, our declining ADA has a negative impact on funding for various programs.

Operational costs continue to increase, and we continue to be concerned about unfunded and mandated activities. Although the State provided some relief to the districts for the CalSTRS liability in prior years the CalSTRS and CalPERS rates are scheduled to show significant increases annually. The cost for health and welfare benefits continues to be an area with rising costs. We collaborate with our broker and Health Benefits Committee to ensure we are able to continue providing quality health care for all employees. We have negotiated a cap on medical benefits and increases to the cap are part of our total compensation calculation for negotiations. We are also budgeting for one-time expenditures in this current year from funding received in prior years. We will continue to adjust our budget revenue and expenditure projections as we receive more clarity on attendance, legislative changes, the State budget, and the current economy.

Items specifically addressed in the budget are as follows:

2022-2023 is the tenth year of our Local Control Accountability Plan (LCAP) and the need to address increased and improved services to our students continues to be our focus. We continue to see great progress and look forward to successfully continue providing: (1) Counselors, Teachers on Special Assignments, and Academic Support Assistants that are providing a greater level of support to students and staff through individualized interactions, direct services, and the sharing of best practices, (2) continue providing more opportunities for parents and guardians to increase family engagement in their students educational experience, (3) to fully complete the upgrade of the bandwidth and site connectivity that has increased the number of devices for student usage and provided offsite internet connection to students, and greater collaboration between the Special Education and Alternative Education divisions. We continue to receive students in our program with more significant attendance, academic, behavioral, and emotional needs that impact attendance rates negatively. Our plan is to address these needs by conducting student intervention meetings, utilizing the support of the District Attorney, and the Student Attendance Board. In addition, we will continue to expand opportunities for career technical activities to better engage students in their learning. This year we continued to offer after school programs to help mitigate learning loss and to engage the students in their instructional careers. We continue to see great interest from the students and look forward to continue to expand the program. As we prepare and revise our Budget Reports, our ADA continues to project a decline in some areas. The County will continue to evaluate vacancies and anticipate not replacing most positions not related to Special Education. We continue to monitor ADA and to establish better control over staffing ratios at each site.

The LCFF changed how students are recorded and COEs are funded directly from the state for students that reside in Juvenile Hall, are probation referred, or expelled. Probation and the County of Orange continue to implement alternatives to incarceration programs which have a significant impact on our Juvenile Court population. Because of the changes in the LCFF funding model, students referred by school districts are credited to the district of residence and then CDE transfers the funding back to the COE who provides the services. This has created a more favorable impact on our districts cash flow. We will continue to monitor our expenditures and will concentrate on evaluating our multi-year projections to ensure that we have fiscal stability for future years.

Legislation passed by the State of California in recent years has increased the oversight responsibilities for COEs. COEs are required to review and give technical assistance for school districts with their LCAPs. In addition to approving the LCAP, the County is required to ensure that the district's budget is aligned with the services required in their plan. Financial oversight continues to be a significant issue, as every school district will have different funding under LCFF, and they have to address the needs in their LCAPs. We are currently waiting for the release of the 2022-2023 dashboard and preliminary reports show that we will have a significant increase in districts qualifying for differentiated assistance which requires interventions from our office. We have successfully completed the fourteen round of school inspections for the Williams Settlement. The Williams Settlement required visits to over 86 schools within Orange County that were in deciles one through three in Academic Performance Index (API) scores. With the new legislative requirements and the continued focus on the Every Student Succeeds (formerly No Child Left Behind) Act, all facets of our office will be focused on aiding our school districts to meet all State and Federal requirements.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and teachers with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact David Giordano, Associate Superintendent of Administrative Services, at the Orange County Department of Education, 200 Kalmus Drive, Costa Mesa, California, 92626, or e-mail at dgiordano@ocde.us.

Orange County Department of Education
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Deposits and investments	\$ 529,866,413
Receivables	63,351,504
Lease receivables	1,856,050
Capital assets not depreciated	32,095,698
Capital assets, net of accumulated depreciation	73,263,927
Right-to-use leased assets, net of accumulated amortization	102,021
Right-to-use subscription IT assets, net of accumulated amortization	918,519
Total assets	701,454,132
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	101,825
Deferred outflows of resources related to pensions	57,522,680
Total deferred outflows of resources	57,624,505
Liabilities	
Accounts payable	84,468,538
Accrued interest payable	17,715
Unearned revenue	44,922,226
Claims liability	212,939
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	1,477,609
Long-term liabilities other than OPEB and pensions due in more than one year	10,024,140
Net other postemployment benefits (OPEB) liability	3,335,125
Aggregate net pension liability	191,530,070
Total liabilities	335,988,362
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	565,674
Deferred inflows of resources related to pensions	24,754,218
Deferred inflows of resources related to leases	1,795,396
Total Deferred Inflows of Resources	27,115,288
Net Position	
Net investment in capital assets	98,543,242
Restricted for	
Debt service	1,249,909
Capital projects	6,391,729
Educational programs	102,813,632
Other activities	19,648,751
Unrestricted	167,327,724
Total net position	\$ 395,974,987

Orange County Department of Education
Statement of Activities
Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities					
Instruction	\$ 114,673,777	\$ 11,154,010	\$ 56,409,686	\$ 3,158,936	\$ (43,951,145)
Instruction-related activities					
Supervision of instruction	95,050,132	8,911,034	69,520,118	-	(16,618,980)
Instructional library, media, and technology	1,308,398	75	288,619	-	(1,019,704)
School site administration	11,550,446	1,152,466	378,836	-	(10,019,144)
Pupil services					
Home-to-school transportation	6,564,199	110	2	-	(6,564,087)
Food services	1,623,717	-	670,943	-	(952,774)
All other pupil services	12,719,998	3,278,970	2,353,081	-	(7,087,947)
Administration					
Data processing	11,348,022	-	-	-	(11,348,022)
All other administration	24,580,200	2,348,572	9,385,017	-	(12,846,611)
Plant services	14,633,260	644,990	605,575	-	(13,382,695)
Interest on long-term liabilities	258,716	-	-	-	(258,716)
Other outgo	97,511,855	17,122,193	10,940,590	-	(69,449,072)
Total governmental activities	\$ 391,822,720	\$ 44,612,420	\$ 150,552,467	\$ 3,158,936	(193,498,897)
General Revenues and Subventions					
Property taxes, levied for general purposes					136,572,877
Taxes levied for other specific purposes					4,170,892
Federal and State aid not restricted to specific purposes					32,697,735
Interest and investment earnings					14,452,457
Interagency revenues					11,677,723
Miscellaneous					70,263,300
Subtotal, general revenues and subventions					269,834,984
Change in Net Position					76,336,087
Net Position - Beginning, as restated					319,638,900
Net Position - Ending					\$ 395,974,987

Orange County Department of Education

Balance Sheet – Governmental Funds

June 30, 2023

	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund	Non-Major Governmental Fund	Total Governmental Funds
Assets					
Deposits and investments	\$ 440,763,381	\$ 11,099,648	\$ 30,048,549	\$ 40,426,449	\$ 522,338,027
Receivables	35,982,637	12,285,472	14,765,980	294,838	63,328,927
Due from other funds	4,019,722	8,972,050	677,825	980,735	14,650,332
Lease receivables	-	-	-	1,856,050	1,856,050
Total assets	\$ 480,765,740	\$ 32,357,170	\$ 45,492,354	\$ 43,558,072	\$ 602,173,336
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 52,024,665	\$ 20,435,759	\$ 11,451,223	\$ 433,074	\$ 84,344,721
Due to other funds	10,771,059	462,085	3,562,603	-	14,795,747
Unearned revenue	15,273,501	-	29,648,725	-	44,922,226
Total liabilities	78,069,225	20,897,844	44,662,551	433,074	144,062,694
Deferred Inflows of Resources					
Deferred inflows of resources related to leases	-	-	-	1,795,396	1,795,396
Fund Balances					
Nonspendable	70,000	-	-	-	70,000
Restricted	102,813,632	11,459,326	829,803	7,659,353	122,762,114
Committed	-	-	-	33,670,249	33,670,249
Assigned	122,031,303	-	-	-	122,031,303
Unassigned	177,781,580	-	-	-	177,781,580
Total fund balances	402,696,515	11,459,326	829,803	41,329,602	456,315,246
Total liabilities, deferred inflows of resources, and fund balances	\$ 480,765,740	\$ 32,357,170	\$ 45,492,354	\$ 43,558,072	\$ 602,173,336

Orange County Department of Education
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds		\$ 456,315,246
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of capital assets is	\$ 165,554,644	
Accumulated depreciation is	<u>(60,195,019)</u>	
Net capital assets		105,359,625
<p>Right-to-use leased assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of right-to-use leased assets is	382,547	
Accumulated amortization is	<u>(280,526)</u>	
Net right-to-use leased assets		102,021
<p>Right-to-use subscription IT assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of right-to-use subscription IT assets is	1,289,528	
Accumulated amortization is	<u>(371,009)</u>	
Net right-to-use subscription IT assets		918,519
<p>In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.</p>		
		(17,715)
<p>An internal service fund is used by the County's management to charge the costs of the dental care program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities in the statement of net position.</p>		
		7,359,622
<p>Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to</p>		
Net other postemployment benefits (OPEB) liability	101,825	
Aggregate net pension liability	<u>57,522,680</u>	
Total deferred outflows of resources		57,624,505

Orange County Department of Education
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2023

Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to

Net other postemployment benefits (OPEB) liability	\$ (565,674)
Aggregate net pension liability	<u>(24,754,218)</u>

Total deferred inflows of resources	\$ (25,319,892)
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Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.	(191,530,070)
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The County's net OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	(3,335,125)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of

Certificates of participation	(7,485,000)
Unamortized discount	54,000
Leases	(91,152)
Subscription-based IT arrangements	(314,771)
Supplemental early retirement plan	(1,423,338)
Compensated absences	<u>(2,241,488)</u>

Total long-term liabilities	<u>(11,501,749)</u>
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Total net position - governmental activities	<u><u>\$ 395,974,987</u></u>
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Orange County Department of Education
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund
Revenues			
Local Control Funding Formula	\$ 122,005,699	\$ 41,652,324	\$ -
Federal sources	17,535,883	8,886,196	35,760,984
Other State sources	60,967,556	2,966,750	22,709,011
Other local sources	148,647,475	352,892	803,276
Total revenues	<u>349,156,613</u>	<u>53,858,162</u>	<u>59,273,271</u>
Expenditures			
Current			
Instruction	68,329,229	-	45,115,803
Instruction-related activities			
Supervision of instruction	93,539,834	-	8,146,891
Instructional library, media, and technology	1,392,340	-	-
School site administration	12,200,285	-	-
Pupil services			
Home-to-school transportation	6,588,147	-	-
Food services	1,682,429	-	-
All other pupil services	13,377,888	-	-
Administration			
Data processing	11,948,688	-	-
All other administration	19,802,933	-	4,907,886
Plant services	13,734,911	-	104,042
Other outgo	42,754,285	54,757,570	-
Facility acquisition and construction	1,142,122	-	614,395
Debt Service			
Principal	1,090,779	-	-
Interest and other	10,724	-	-
Total expenditures	<u>287,594,594</u>	<u>54,757,570</u>	<u>58,889,017</u>
Excess (Deficiency) of Revenues over Expenditures	<u>61,562,019</u>	<u>(899,408)</u>	<u>384,254</u>
Other Financing Sources (Uses)			
Transfers in	-	-	616,586
Transfers out	(1,597,321)	-	-
Net Financing Sources (Uses)	<u>(1,597,321)</u>	<u>-</u>	<u>616,586</u>
Net Change in Fund Balances	59,964,698	(899,408)	1,000,840
Fund Balances - Beginning	<u>342,731,817</u>	<u>12,358,734</u>	<u>(171,037)</u>
Fund Balances - Ending	<u>\$ 402,696,515</u>	<u>\$ 11,459,326</u>	<u>\$ 829,803</u>

Orange County Department of Education
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	Non-Major Governmental Fund	Total Governmental Funds
Revenues		
Local Control Funding Formula	\$ 1,022,520	\$ 164,680,543
Federal sources	-	62,183,063
Other State sources	3,094,690	89,738,007
Other local sources	3,662,831	153,466,474
Total revenues	7,780,041	470,068,087
Expenditures		
Current		
Instruction	-	113,445,032
Instruction-related activities		
Supervision of instruction	-	101,686,725
Instructional library, media, and technology	-	1,392,340
School site administration	-	12,200,285
Pupil services		
Home-to-school transportation	-	6,588,147
Food services	-	1,682,429
All other pupil services	-	13,377,888
Administration		
Data processing	-	11,948,688
All other administration	-	24,710,819
Plant services	754,369	14,593,322
Other outgo	-	97,511,855
Facility acquisition and construction	1,670,386	3,426,903
Debt Service		
Principal	1,130,000	2,220,779
Interest and other	244,666	255,390
Total expenditures	3,799,421	405,040,602
Excess (Deficiency) of Revenues over Expenditures	3,980,620	65,027,485
Other Financing Sources (Uses)		
Transfers in	2,355,401	2,971,987
Transfers out	(1,374,666)	(2,971,987)
Net Financing Sources (Uses)	980,735	-
Net Change in Fund Balances	4,961,355	65,027,485
Fund Balances - Beginning	36,368,247	391,287,761
Fund Balances - Ending	\$ 41,329,602	\$ 456,315,246

Orange County Department of Education

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds \$ 65,027,485

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

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

Capital outlay	\$ 5,571,589
Depreciation and amortization expense	<u>(5,491,181)</u>

Net expense adjustment 80,408

In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (supplemental early retirement plan) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned by \$133,310. Special termination benefits added was more than the amount paid by \$1,085,953.

(952,643)

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

9,267,098

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of the changes in the net OPEB liability during the year.

118,968

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities

Certificates of participation	1,130,000
Leases	116,022
Subscription-based IT arrangements	974,757

Orange County Department of Education

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended June 30, 2023

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment represents the change of the following balance

Amortization of debt discount	\$ (6,000)
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Interest on long-term liabilities in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of the decrease in accrued interest on the certificates of participation by \$2,674.

2,674

An internal service fund is used by the County's management to charge the costs of the dental care program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

577,318

Change in net position of governmental activities

\$ 76,336,087

Orange County Department of Education
Statement of Net Position – Proprietary Funds
June 30, 2023

	Governmental Activities - Internal Service Fund <u>Self-Insurance Fund</u>
Assets	
Current Assets	
Deposits and investments	\$ 7,528,386
Receivables	22,577
Due from other funds	<u>145,415</u>
Total current assets	<u>7,696,378</u>
Liabilities	
Current Liabilities	
Accounts payable	123,817
Claim liability	<u>212,939</u>
Total current liabilities	<u>336,756</u>
Net Position	
Restricted	<u><u>\$ 7,359,622</u></u>

Orange County Department of Education
Statement of Revenues, Expenses, and Change in Fund Net Position – Proprietary Funds
Year Ended June 30, 2023

	Governmental Activities - Internal Service Fund <hr/> Self-Insurance Fund <hr/>
Operating Revenues	
Local and intermediate sources	<u>\$ 1,726,556</u>
Operating Expenses	
Claims payments	1,285,418
Other operating cost	<u>84,308</u>
Total operating expenses	<u>1,369,726</u>
Operating income	<u>356,830</u>
Nonoperating Revenues	
Interest income	181,764
Fair market value adjustments	<u>38,724</u>
Total nonoperating revenues	<u>220,488</u>
Change in Net Position	577,318
Total Net Position - Beginning	<u>6,782,304</u>
Total Net Position - Ending	<u><u>\$ 7,359,622</u></u>

Orange County Department of Education
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2023

	Governmental Activities - Internal Service Fund <hr/> Self-Insurance Fund
Operating Activities	
Cash receipts from customers	\$ 1,724,636
Cash payments to other suppliers of goods or services	(1,440,623)
Other operating cash payments	<u>(84,308)</u>
Net Cash Provided By Operating Activities	<u>199,705</u>
Investing Activities	
Interest and loss on investments	<u>201,677</u>
Net Increase in Cash and Cash Equivalents	401,382
Cash and Cash Equivalents - Beginning	<u>7,127,004</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 7,528,386</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 356,830
Changes in assets and liabilities	
Due from other fund	(1,920)
Accounts payable	(129,775)
Claim liability	<u>(25,430)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 199,705</u></u>

Orange County Department of Education
Statement of Net Position – Fiduciary Funds
June 30, 2023

	<u>Custodial Funds</u>
Assets	
Investments	<u>\$ 39,292,257</u>
Liabilities	
Due to other governments	<u>\$ 39,292,257</u>

Orange County Department of Education
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2023

	Custodial Funds
Additions	
Contributions	
Funds collected for others	\$ 12,665,650,646
Investment income (net of fair market valuations)	207,428
	12,665,858,074
Total additions	12,665,858,074
Deductions	
Funds distributed to others	12,665,858,074
Change in Net Position	-
Net Position - Beginning	-
Net Position - Ending	\$ -

Note 1 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The Orange County Department of Education (the "County") operates under the laws of the State of California. The County operates under a locally elected five-member board form of government and provides coordination of educational services to grades K-12 as mandated by the State and/or Federal agencies. The County provides professional and administrative assistance to 13 elementary school districts, three high school districts, 12 unified school districts, four community college districts, three regional occupational programs, and 36 charter schools, within Orange County.

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 County consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Orange County Department of Education, this includes general operations of the County.

Component Units

Component units are legally separate organizations for which the County is financially accountable. Component units may also include organizations that are fiscally dependent on the County, in that the County 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 County is not financially accountable but the nature and significance of the organization's relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit discussed below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units*, and thus is included in the financial statements of the County. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the County's operations because the governing board of the component unit is essentially the same as the governing board of the County and because its purpose is to finance the construction of facilities to be used for the direct benefit of the County.

The Orange County Department of Education Facilities Corporation (the Corporation) is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation was formed for the sole purpose of providing financial assistance to the County by acquiring, constructing, financing, selling, and leasing public facilities, land, personal property, and equipment for the use and benefit of the County. The County leases certain facilities from the corporation under various lease-purchase agreements recorded in long-term liabilities.

The Corporation's financial activity is presented in the financial statements as the Special Reserve Fund for Capital Outlay Projects and Debt Service Fund. Certificates of participation bonds issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Corporation.

Other Related Entities

Charter School The County has approved Samueli Academy, Vista Heritage Global Academy, Citrus Springs Charter, Ednovate – Legacy College Prep., Orange County Academy of Sciences and Arts, Orange County Classical Academy, Scholarship Prep – Orange County, Orange County Workforce Innovation High, EPIC Charter, Oxford Preparatory Academy, Unity Middle College High, Vista Condor Global Academy, Vista Meridian Global Academy (opens August 2023), Tomorrow’s Leadership Collaborative (TLC) Charter, Suncoast Preparatory Academy, Sycamore Creek Community Charter, International School for Science and Culture, Irvine International Academy, OCSA, California Republic Leadership Academy Capistrano (opens August 2023), and College and Career Preparatory Academy pursuant to *Education Code* Section 47605. The Samueli Academy, Vista Heritage Global Academy, Citrus Springs Charter, Ednovate – Legacy College Prep., Orange County Academy of Sciences and Arts, Orange County Classical Academy, Scholarship Prep - Orange County, Orange County Workforce Innovation High, EPIC Charter, Oxford Preparatory Academy, Unity Middle College High, Vista Condor Global Academy, Vista Meridian Global Academy (opens August 2023), Tomorrow’s Leadership Collaborative (TLC) Charter, Suncoast Preparatory Academy, Sycamore Creek Community Charter, International School for Science and Culture, Irvine International Academy, OCSA, and California Republic Leadership Academy Capistrano (opens August 2023) are direct-funded and are not considered component units of the County. The Charter Schools are independent of the County, but subject to periodic charter renewal by the County. The College and Career Preparatory Academy is operated by the County, and its financial activity is presented in the County School Service Fund.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

County School Service Fund The County School Service Fund accounts for all financial resources except those required to be accounted for in another fund. The County School Service Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of California.

One fund currently defined as a special revenue fund in the California School Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the County School Service Fund, and accordingly has been combined with the County School Service Fund for presentation in these audited financial statements.

As a result, the County School Service Fund reflects an increase of \$26,604,529 in fund balance.

Special Education Pass-Through Fund The Special Education Pass-Through Fund is used by the Administrative Unit of a multi-district Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member districts.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Non-Major Governmental Fund

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of County School Service Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

- **Debt Service Fund** The Debt Service Fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term liabilities.

Proprietary Funds 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 local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The County has the following proprietary funds:

- **Internal Service Fund** Internal Service Funds may be used to account for goods or services provided to other funds of the County on a cost-reimbursement basis. The County operates a dental self-insurance fund that is accounted for in an internal service fund.

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

The County's custodial funds are used to account for resources, not in a trust, that are held by the County for other parties outside the County's reporting entity. The County's custodial fund accounts for payroll revolving activity, vendor revolving activity, and pass-thru funds to the districts within the County, including Federal and State apportionments and charter school activity.

Basis of Accounting - Measurement Focus

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

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

Net position should be reported as restricted when constraints placed on net asset 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 result from special revenue funds and the internal service fund, and the restrictions on their net asset use.

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

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary fund.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the County.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The County considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

Cash and Cash Equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. 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 the county investment pool are determined by the program sponsor.

Capital Assets, Depreciation, and Amortization

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the County. The County maintains a capitalization threshold of \$5,000. The County does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide financial statement of net position. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

The County records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

The County records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract or useful life of the underlying asset.

The County records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. 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 reported in the fund from which the employees who have accumulated leave are paid. The compensated absence liability will be paid by the County School Service Fund and Child Development Fund.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the County's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the MPP's fiduciary net position have been determined on the same basis as they are reported by the MPP. For this purpose, the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the County School Service Fund.

Leases

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

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

Subscriptions

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

Fund Balances - Governmental Funds

As of June 30, 2023, fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the County Superintendent of Schools. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the County Superintendent of Schools.

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

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

It has been the practice of the governing board to adopt a budget and also to ensure throughout the year that interim budget reports are built reflecting a minimum fund balance for the County School Service Fund which is sufficient to protect the County against revenue shortfalls, unexpected expenditures, and to meet the cash-flow needs of the office, recognizing the impact of state deferrals and the practice of advancing cash to programs that begin before funding is received. This practice of reserving for economic uncertainties necessitates starting with the State's recommended minimum reserve of two percent and adding to its sufficient unassigned reserves to meet the unique cash needs of the County.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position 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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The County first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$130,104,021 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges to other funds for self-insurance. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 column of the statement of activities.

Estimates

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 11 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Orange bills and collects the taxes on behalf of the County. Local property tax revenues are recorded when received.

Change in Accounting Principles**Implementation of GASB Statement No. 96**

As of July 1, 2022, the County adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 17 and the additional disclosures required by this standard are included in Notes 5 and 10.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 529,866,413
Fiduciary funds	<u>39,292,257</u>
Total deposits and investments	<u><u>\$ 569,158,670</u></u>

Deposits and investments as of June 30, 2023, consist of the following:

Cash on hand and in banks	\$ 178,717
Cash with fiscal agent	203,720
Cash in revolving	70,000
Investments	<u>568,706,233</u>
Total deposits and investments	<u><u>\$ 569,158,670</u></u>

Policies and Practices

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

Investment in County Treasury - The County is considered to be an involuntary participant in an external investment pool as the County is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the County's investment in the pool is reported in the accounting financial statements at amounts based upon the County's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County manages its exposure to interest rate risk by investing in the Orange County Treasury Investment Pool. The County maintains an investment of \$566,935,972 with the Orange County Treasury Investment Pool. This investment has an average weighted maturity of 225 days. In addition, the County maintains an investment of \$1,770,261 with US Bank Money Market Account.

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 investment with the Orange County Treasury Investment Pool and US Bank Money Market Account are not required to be rated nor have they been rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of

the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2023, the County's bank balance of \$256,352 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 3 - Fair Value Measurements

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

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

The County's fair value measurements are as follows at June 30, 2023:

Investment Type	Reported Amount	Fair Value Measurements Using Level 2 Inputs
US Bank Money Market Mutual Funds	\$ 1,770,261	\$ 1,770,261
Investments not measured for fair value or subject to fair value hierarchy		
Orange County Treasury Investment Pool	566,935,972	
Total investments	\$ 568,706,233	

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

Note 4 - Receivables

Receivables at June 30, 2023, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>County School Service Fund</u>	<u>Special Education Pass-Through Fund</u>	<u>Child Development Fund</u>
Federal Government			
Categorical aid	\$ 5,618,045	\$ 10,651,004	\$ 13,145,341
State Government			
Categorical aid	3,460,178	-	1,460,243
Lottery	250,844	-	-
Special education	-	1,605,024	-
Local Government			
Interest	1,538,320	29,444	114,008
Local educational agencies	19,610,732	-	-
Other Local Sources	<u>5,504,518</u>	<u>-</u>	<u>46,388</u>
Total	<u>\$ 35,982,637</u>	<u>\$ 12,285,472</u>	<u>\$ 14,765,980</u>
	<u>Non-Major Governmental Funds</u>	<u>Internal Service Fund</u>	<u>Total Governmental Activities</u>
Federal Government			
Categorical aid	\$ -	\$ -	\$ 29,414,390
State Government			
Categorical aid	-	-	4,920,421
Lottery	-	-	250,844
Special education	-	-	1,605,024
Local Government			
Interest	117,564	22,577	1,821,913
Local educational agencies	-	-	19,610,732
Other Local Sources	<u>177,274</u>	<u>-</u>	<u>5,728,180</u>
Total	<u>\$ 294,838</u>	<u>\$ 22,577</u>	<u>\$ 63,351,504</u>

Note 5 - Capital Assets, Right-to-Use Leased Assets, and Right-to-Use Subscription IT Assets

Capital assets, right-to-use leased assets, and right-to-use subscription IT assets activity for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1, 2022 as restated	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 28,641,315	\$ -	\$ -	\$ 28,641,315
Construction in process	2,014,580	3,325,503	(1,885,700)	3,454,383
Total capital assets not being depreciated	<u>30,655,895</u>	<u>3,325,503</u>	<u>(1,885,700)</u>	<u>32,095,698</u>
Capital assets being depreciated				
Land improvements	4,511,925	-	-	4,511,925
Buildings and improvements	102,960,265	1,885,700	-	104,845,965
Furniture and equipment	22,084,384	2,246,086	(229,414)	24,101,056
Total capital assets being depreciated	<u>129,556,574</u>	<u>4,131,786</u>	<u>(229,414)</u>	<u>133,458,946</u>
Total capital assets	<u>160,212,469</u>	<u>7,457,289</u>	<u>(2,115,114)</u>	<u>165,554,644</u>
Less accumulated depreciation				
Land improvements	(3,906,804)	(185,771)	-	(4,092,575)
Buildings and improvements	(37,239,244)	(3,138,620)	-	(40,377,864)
Furniture and equipment	(14,298,476)	(1,655,518)	229,414	(15,724,580)
Total accumulated depreciation	<u>(55,444,524)</u>	<u>(4,979,909)</u>	<u>229,414</u>	<u>(60,195,019)</u>
Net depreciable capital assets	<u>74,112,050</u>	<u>(848,123)</u>	<u>-</u>	<u>73,263,927</u>
Right-to-use leased assets being amortized				
Buildings and improvements	335,118	-	-	335,118
Furniture and equipment	47,429	-	-	47,429
Total right-to-use leased assets being amortized	<u>382,547</u>	<u>-</u>	<u>-</u>	<u>382,547</u>
Accumulated amortization				
Buildings and improvements	(129,723)	(129,723)	-	(259,446)
Furniture and equipment	(10,540)	(10,540)	-	(21,080)
Total accumulated amortization	<u>(140,263)</u>	<u>(140,263)</u>	<u>-</u>	<u>(280,526)</u>
Net right-to-use leased assets	<u>242,284</u>	<u>(140,263)</u>	<u>-</u>	<u>102,021</u>
Right-to-use subscription IT assets being amortized				
Right-to-use subscription IT assets	1,289,528	-	-	1,289,528
Accumulated amortization	-	(371,009)	-	(371,009)
Net right-to-use subscription IT assets	<u>1,289,528</u>	<u>(371,009)</u>	<u>-</u>	<u>918,519</u>
Governmental activities capital assets, right-to-use leased assets, and right-to-use subscription IT assets, net	<u>\$ 106,299,757</u>	<u>\$ 1,966,108</u>	<u>\$ (1,885,700)</u>	<u>\$ 106,380,165</u>

Depreciation and amortization expenses were charged to governmental functions as follows:

Governmental Activities

Instruction	\$ 4,726,873
Supervision of instruction	126,055
All other pupil services	248,995
Data processing	248,995
Plant services	<u>140,263</u>
 Total depreciation and amortization expenses governmental activities	 <u><u>\$ 5,491,181</u></u>

Note 6 - Lease Receivables

Lease receivables are recorded by the County at the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the County charges the lessee. The County has accrued a receivable for leasing a portion of its facilities to various lessees. These leases are non-cancelable for periods more than one year. During the fiscal year, the County recognized \$1,507,528 in lease revenue and \$63,841 in interest revenue related to these agreements. As of June 30, 2023, the County recorded \$1,856,050 in leases receivable and \$1,795,396 in deferred inflows of resources for these arrangements. The interest rates on these leases range were 3.5%.

Note 7 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2023, between major, non-major governmental funds and the internal service fund are as follows:

Due To	Due From			Total
	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund	
County School Service Fund	\$ -	\$ 462,085	\$ 3,557,637	\$ 4,019,722
Special Education Pass-Through Fund	8,972,050	-	-	8,972,050
Child Development Fund	677,825	-	-	677,825
Non-Major Governmental Funds	980,735	-	-	980,735
Internal Service Fund	140,449	-	4,966	<u>145,415</u>
 Total	 <u><u>\$ 10,771,059</u></u>	 <u><u>\$ 462,085</u></u>	 <u><u>\$ 3,562,603</u></u>	 <u><u>\$ 14,795,747</u></u>

The balance of \$462,085 is due to the County School Service Fund from the Special Education Pass-Through Fund for the special education allocation.

The balance of \$3,557,637 is due to the County School Service Fund from the Child Development Fund for indirect costs and reimbursement of operating costs.

The balance of \$8,972,050 is due to the Special Education Pass-Through Fund from the County School Service Fund for SELPA funding.

The balance of \$677,825 is due to the Child Development Fund from the County School Service Fund for operating costs.

The balance of \$980,735 is due the Deferred Maintenance Non-Major Governmental Fund from the County School Service Fund for future deferred maintenance projects.

The balance of \$140,449 is due to the Internal Service Fund from the County School Service Fund for insurance premiums.

The balance of \$4,966 is due to the Internal Service Fund from the Child Development Fund for insurance premiums.

Operating Transfers

Interfund transfers for the year ended June 30, 2023, consisted of the following:

Transfer To	County School Service Fund	Transfer From Non-Major Governmental Fund	Total
Child Development Fund	\$ 616,586	\$ -	\$ 616,586
Non-Major Governmental Funds	980,735	1,374,666	2,355,401
Total	\$ 1,597,321	\$ 1,374,666	\$ 2,971,987

The County School Service Fund transferred to the Child Development Fund to cover excess costs of programs. \$ 616,586

The County School Service Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for future deferred maintenance projects. 980,735

The Special Reserve Non-Major Governmental Fund for Capital Outlay Projects transferred to the Debt Service Non-Major Governmental Fund for debt service payments for the certificates of participation. 1,374,666

Total \$ 2,971,987

Orange County Department of Education

Notes to Financial Statements

June 30, 2023

Note 8 - Accounts Payable

Accounts payable at June 30, 2023, consisted of the following:

	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund
Salaries and benefits	\$ 7,120,444	\$ -	\$ 410,751
Excess property tax	21,489,812	-	-
Local educational agencies	2,922,378	20,435,759	-
Other vendor payable	20,492,031	-	11,040,472
	<u>\$ 52,024,665</u>	<u>\$ 20,435,759</u>	<u>\$ 11,451,223</u>
	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Salaries and benefits	\$ -	\$ -	\$ 7,531,195
Excess property tax	-	-	21,489,812
Local educational agencies	-	-	23,358,137
Other vendor payable	433,074	123,817	32,089,394
	<u>\$ 433,074</u>	<u>\$ 123,817</u>	<u>\$ 84,468,538</u>

Note 9 - Unearned Revenue

Unearned revenue at June 30, 2023, consists of the following:

	County School Service Fund	Child Development Fund	Total Governmental Activities
Federal financial assistance	\$ 3,499,938	\$ 16,075,462	\$ 19,575,400
State categorical aid	8,615,234	13,573,263	22,188,497
Other local	3,158,329	-	3,158,329
	<u>\$ 15,273,501</u>	<u>\$ 29,648,725</u>	<u>\$ 44,922,226</u>

Note 10 - Long-Term Liabilities Other than OPEB and Pensions

Summary

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

	(as restated) Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Due in One Year
Long-Term Liabilities					
Certificates of participation	\$ 8,615,000	\$ -	\$ (1,130,000)	\$ 7,485,000	\$ 1,160,000
Unamortized discount	(60,000)	-	6,000	(54,000)	-
Leases	207,174	-	(116,022)	91,152	75,302
Subscription-based IT arrangements	1,289,528	-	(974,757)	314,771	242,307
Supplemental early retirement plan	337,385	2,034,845	(948,892)	1,423,338	-
Compensated absences	2,374,798	-	(133,310)	2,241,488	-
Total	<u>\$ 12,763,885</u>	<u>\$ 2,034,845</u>	<u>\$ (3,296,981)</u>	<u>\$ 11,501,749</u>	<u>\$ 1,477,609</u>

The certificates of participation are paid by the Debt Service Fund. Leases and subscription-based IT arrangements are paid by the County School Service Fund. Payments for the supplemental early retirement plan are made by the County School Service Fund. The compensated absences are paid by the County School Service Fund and the Child Development Fund.

Certificates of Participation (Private Placement)

In June 2002, the Orange County Department of Education Facilities Corporation issued Certificates of Participation in the amount of \$20,000,000 with weekly variable interest rates, and a final maturity date of June 1, 2029. In February 2012, the Certificates of Participation were restructured. As of June 30, 2023, the principal balance outstanding was \$7,485,000 and unamortized discount on issuance was \$54,000.

The certificates mature through 2029 as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,160,000	\$ 212,574	\$ 1,372,574
2025	1,195,000	179,630	1,374,630
2026	1,230,000	145,692	1,375,692
2027	1,265,000	110,760	1,375,760
2028	1,300,000	74,834	1,374,834
2029	1,335,000	37,914	1,372,914
Total	<u>\$ 7,485,000</u>	<u>\$ 761,404</u>	<u>\$ 8,246,404</u>

Leases

The County has entered into agreements to lease various facilities and equipment. As of June 30, 2023, the County recognized a right-to-use asset of \$102,021 and a lease liability of \$91,152 related to these agreements. The County is required to make principal and interest payments through January 2026. The lease agreements have interest rates between 0.20% and 3.50%.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 75,302	\$ 1,018	\$ 76,320
2025	10,561	24	10,585
2026	5,289	4	5,293
Total	\$ 91,152	\$ 1,046	\$ 92,198

Subscriptions-Based Information Technology Arrangements (SBITAs)

The County entered into a SBITA for the use of instructional software. At June 30, 2023, the County has recognized a right-to-use subscriptions IT asset of \$918,519 and a SBITA liability of \$314,771 related to this agreement. During the fiscal year, the County recorded \$371,009 in amortization expense. The County is required to make annual principal and interest payments through August 2024. The subscription has an interest rate of 3.50%.

The remaining principal and interest payment requirements for the SBITA obligation debt as of June 30, 2023 are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 242,307	\$ 8,642	\$ 250,949
2025	72,464	2,536	75,000
Total	\$ 314,771	\$ 11,178	\$ 325,949

Supplemental Early Retirement Plan (SERP)

During fiscal 2021-2022 and 2022-2023, the County adopted the supplemental early retirement plan whereby certain eligible certificated and classified employees are provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System. The annuities offered to the employees are to be paid over a five-year period.

Future annuity payments are as follows:

Year Ending June 30,	Amount
2024	\$ -
2025	474,446
2026	474,446
2027	474,446
	\$ 1,423,338

Compensated Absences

Compensated absences (unpaid employee vacation) for the County at June 30, 2023 amounted to \$2,241,488.

Note 11 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2023, the County reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
County Plan	\$ 2,962,718	\$ 101,825	\$ 565,674	\$ 219,788
Medicare Premium Payment (MPP) Program	372,407	-	-	(113,519)
Total	\$ 3,335,125	\$ 101,825	\$ 565,674	\$ 106,269

The details of each plan are as follows:

County Plan

Plan Administration

The County's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

As of June 30, 2022, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	43
Active employees	946
	989
	989

Benefits Provided

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

The benefit payment requirements of the Plan members and the County are established and may be amended by the County, the Orange County Schools Educators Association (OCSEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefits payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the County, OCSEA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2023, the County paid \$225,237 in benefits.

Total OPEB Liability of the County

The County's total OPEB liability of \$2,962,718 was measured as of June 30, 2023. The total OPEB liability was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions

The total OPEB liability as of June 30, 2023 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total OPEB liability to June 30, 2023. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%
Discount rate	3.65% for 2023
Healthcare cost trend rates	4.00%

The discount rate was based on an index of 20-year General Obligation municipal bonds rated AA or higher.

Mortality rates were based on the 2020 CalSTRS Mortality table for certificated employees and the 2017 CalPERS Mortality for Miscellaneous and Schools Employees table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actual experience study for the period July 1, 2021 to June 30, 2022.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2022	\$ 2,937,380
Service cost	168,989
Interest	102,988
Changes of assumptions	(21,402)
Benefit payments	<u>(225,237)</u>
Net change in total OPEB liability	<u>25,338</u>
Balance at June 30, 2023	<u><u>\$ 2,962,718</u></u>

Change of assumptions reflect a change in the discount rate from 3.54% in 2022 to 3.65% in 2023.

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

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

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.65%)	\$ 3,143,621
Current discount rate (3.65%)	2,962,718
1% increase (4.65%)	2,793,364

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

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

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (3.00%)	\$ 2,665,309
Current healthcare cost trend rate (4.00%)	2,962,718
1% increase (5.00%)	3,303,841

OPEB Expense and Deferred Outflows of Resources

For the year ended June 30, 2023, the County recognized OPEB expense of \$219,788. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience in the measurement of the total OPEB liability	\$ -	\$ 346,980
Changes of assumptions	<u>101,825</u>	<u>218,694</u>
Total	<u>\$ 101,825</u>	<u>\$ 565,674</u>

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

<u>Year Ending June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ (52,189)
2025	(52,189)
2026	(52,189)
2027	(52,189)
2028	(52,189)
Thereafter	<u>(202,904)</u>
Total	<u>\$ (463,849)</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

Net OPEB Liability and OPEB Expense

At June 30, 2023, the County reported a liability of \$372,407 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The County's proportion of the net OPEB liability was based on a projection of the County's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating local educational agencies, actuarially determined. The County's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively was 0.1131%, and 0.1218%, resulting in a net decrease in the proportionate share of 0.0087 %

For the year ended June 30, 2023, the County recognized OPEB expense of (\$113,519).

Actuarial Methods and Assumptions

The June 30, 2022 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total OPEB liability to June 30, 2022, using the assumptions listed in the following table:

Measurement Date	June 30, 2022	June 30, 2021
Valuation Date	June 30, 2021	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.54%	2.16%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2021, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 209 or an average of 0.14% of the potentially eligible population (145,282).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2022, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2022, is 3.54%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.54%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2022, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 1.38% from 2.16% as of June 30, 2021.

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

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

<u>Discount Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.54%)	\$ 405,995
Current discount rate (3.54%)	372,407
1% increase (4.54%)	343,323

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 341,697
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	372,407
1% increase (5.50% Part A and 6.40% Part B)	407,218

Note 12 - Fund Balances

Fund balances are composed of the following elements:

	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 70,000	\$ -	\$ -	\$ -	\$ 70,000
Restricted					
Legally restricted programs	102,813,632	11,459,326	829,803	-	115,102,761
Capital projects	-	-	-	6,391,729	6,391,729
Debt service	-	-	-	1,267,624	1,267,624
Total restricted	<u>102,813,632</u>	<u>11,459,326</u>	<u>829,803</u>	<u>7,659,353</u>	<u>122,762,114</u>
Committed					
Deferred maintenance program	-	-	-	33,670,249	33,670,249
Assigned					
ACCESS LCFF/LCAP priorities	42,828,530	-	-	-	42,828,530
Mandated costs	8,170,245	-	-	-	8,170,245
COE LCAP support and approval	7,976,042	-	-	-	7,976,042
Medical Administrative Activities (MAA)	5,680,051	-	-	-	5,680,051
Reserve for Rancho Sonado/ITO	15,000,000	-	-	-	15,000,000
Reserve for classroom equipment upgrade	5,000,000	-	-	-	5,000,000
Reserve for Information Technology Projects	2,000,000	-	-	-	2,000,000
OCDE E-Rate	2,555,496	-	-	-	2,555,496
Reserve for workstation improvements	2,750,000	-	-	-	2,750,000
Reserve for Information Technology Systems	1,000,000	-	-	-	1,000,000
Reserve for infrastructure upgrades	2,500,000	-	-	-	2,500,000
Reserve for health and safety equipment	1,500,000	-	-	-	1,500,000
2015-16 one-time discretionary funding	1,361,813	-	-	-	1,361,813
MTSS Professional Learning Workshop	1,260,314	-	-	-	1,260,314
Reserve for flooring building D	1,000,000	-	-	-	1,000,000
Classified school employee entitlement	862,320	-	-	-	862,320
Risk management safety and security	765,659	-	-	-	765,659
Reserve for outdated checks	815,858	-	-	-	815,858
Various other designated programs	491,092	-	-	-	491,092
EISS workshops	443,488	-	-	-	443,488
FIS V-Card district discretionary	857,726	-	-	-	857,726
Various workshops & trainings	851,215	-	-	-	851,215
Information technology Bi-Tech	409,114	-	-	-	409,114
Special Education JPA	376,733	-	-	-	376,733
County Board Discretionary	250,000	-	-	-	250,000
Courier Services	290,681	-	-	-	290,681
Special Schools Tier III	236,484	-	-	-	236,484
Instructional materials lottery	10,533,443	-	-	-	10,533,443
CTEp (ROP) lottery	328,629	-	-	-	328,629
CCPA instructional material lottery	79,807	-	-	-	79,807
OPEB ARC	4,274,297	-	-	-	4,274,297
GASB 31 fair market value adjustment	(417,734)	-	-	-	(417,734)
Total assigned	<u>122,031,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,031,303</u>
Unassigned					
Reserve for economic uncertainties	177,775,690	-	-	-	177,775,690
Remaining unassigned	5,890	-	-	-	5,890
Total unassigned	<u>177,781,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,781,580</u>
Total	<u>\$ 402,696,515</u>	<u>\$ 11,459,326</u>	<u>\$ 829,803</u>	<u>\$ 41,329,602</u>	<u>\$ 456,315,246</u>

Note 13 - Risk Management

The County is exposed to various risks of losses related to torts; thefts, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County's risk management activities are recorded in the County School Service Fund and in the Internal Service Fund. The purpose of the Internal Service Fund is to administer retiree and employee dental program of the County on a cost-reimbursement basis. The County participates in the various public entity risk pools for health, workers' compensation, and property and liability risks. The participation in the public entity risk pools represents a transfer of risk to the pools. Provisions of the agreements with the public entity risk pools provide for additional assessments for deficits within the pool based upon specific calculations. As of June 30, 2023, information was not available that indicates that the County has an outstanding obligation for any calculated deficits. See Note 16 for additional information regarding the pools.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Claims Liability

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

Unpaid Claims Liability

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liability for the County from July 1, 2021 to June 30, 2023:

	<u>Dental Care</u>
Liability Balance, July 1, 2021	\$ 230,174
Claims and changes in estimates	1,401,632
Claims payments	<u>(1,393,437)</u>
Liability Balance, July 1, 2022	238,369
Claims and changes in estimates	1,285,687
Claims payments	<u>(1,311,117)</u>
Liability Balance, June 30, 2023	<u>\$ 212,939</u>
Assets available to pay claims at June 30, 2023	<u>\$ 7,696,378</u>

Note 14 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS), classified employees are members of the California Public Employees' Retirement System (CalPERS), and employees whose hire date was prior to July 1, 1977 are members of the Orange County Employees Retirement System (OCERS).

For the fiscal year ended June 30, 2023, the County reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 52,342,520	\$ 13,176,804	\$ 17,212,000	\$ 1,299,943
CalPERS	135,864,178	43,275,184	7,373,791	14,752,293
OCERS	3,323,372	1,070,692	168,427	151,657
Total	\$ 191,530,070	\$ 57,522,680	\$ 24,754,218	\$ 16,203,893

The details of each plan are as follows:

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

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2023, are summarized as follows:

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

Contributions

Required member local educational agencies and the State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the County's total contributions were \$8,598,843.

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

At June 30, 2023, the County reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County. The amount recognized by the County 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 County were as follows:

Total Net Pension Liability, Including State Share:

County's proportionate share of net pension liability	\$ 52,342,520
State's proportionate share of the net pension liability associated with the County	26,212,929
	<hr/>
Total	\$ 78,555,449
	<hr/> <hr/>

The net pension liability was measured as of June 30, 2022. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating school County's and the State, actuarially determined. The County's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.0753% and 0.0810%, resulting in a net decrease in the proportionate share of 0.0057%.

For the year ended June 30, 2023, the County recognized pension expense of \$1,299,943. In addition, the County recognized pension expense and revenue of \$2,114,055 for support provided by the State. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 8,598,843	\$ -
Change in proportion and differences between contributions made and County's proportionate share of contributions	1,939,215	10,727,752
Difference between projected and actual earnings on pension plan investments	-	2,559,650
Differences between expected and actual experience in the measurement of the total pension liability	42,937	3,924,598
Changes of assumptions	2,595,809	-
	<u>\$ 13,176,804</u>	<u>\$ 17,212,000</u>
Total		

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ (1,880,253)
2025	(2,036,937)
2026	(3,059,892)
2027	4,417,432
Total	<u>\$ (2,559,650)</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ (1,117,024)
2025	(2,874,644)
2026	(2,789,608)
2027	(1,412,470)
2028	(927,713)
Thereafter	<u>(952,930)</u>
Total	<u>\$ (10,074,389)</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 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 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	(0.4%)

Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 88,897,013
Current discount rate (7.10%)	52,342,520
1% increase (8.10%)	21,991,301

California Public Employees' Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2023, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	25.37%	25.37%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the total County contributions were \$16,568,834.

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

As of June 30, 2023, the County reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$135,864,178. The net pension liability was measured as of June 30, 2022. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating school County's, actuarially determined. The County's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively, was 0.3948% and 0.4077%, resulting in a net decrease in the proportionate share of 0.0129%.

For the year ended June 30, 2023, the County recognized pension expense of \$14,752,293. At June 30, 2023, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 16,568,834	\$ -
Change in proportion and differences between contributions made and County's proportionate share of contributions	-	3,993,316
Difference between projected and actual earnings on pension plan investments	16,041,864	-
Differences between expected and actual experience in the measurement of the total pension liability	614,027	3,380,475
Changes of assumptions	<u>10,050,459</u>	<u>-</u>
Total	<u>\$ 43,275,184</u>	<u>\$ 7,373,791</u>

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

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 2,675,273
2025	2,372,782
2026	1,212,045
2027	<u>9,781,764</u>
	<u>\$ 16,041,864</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2024	\$ 1,057,111
2025	1,290,498
2026	1,139,344
2027	<u>(196,258)</u>
	<u>\$ 3,290,695</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	\$ 196,262,685
Current discount rate (6.90%)	135,864,178
1% increase (7.90%)	85,947,032

Orange County Employees Retirement System (OCERS)**Plan Description**

All qualified regular full time and part-time employees, whose hire date was prior to July 1, 1977, participate in the Orange County Employees Retirement System (OCERS), a cost-sharing multiple-employer defined benefit pension plan. OCERS was established in 1945. OCERS is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.). OCERS main function is to provide service retirement, disability, death, and survivor benefits to the plan participants, who include the County of Orange, Orange County Courts, the Orange County Retirement System, two Cities, and thirteen special Counties, including the County.

Management of OCERS is vested with the Orange County Board of Retirement. The Board consists of nine members and one alternate. The County Treasurer is a member of the Board of Retirement by law. Four members are appointed by the Board of Supervisors, one of whom may be a County supervisor. Two members are elected by the General membership; one member and one alternate are elected by the Safety membership; one member is elected by the retired members of the System. All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with the term as County Treasurer. OCERS issues a stand-alone annual financial report, which can be obtained at OCERS website (www.ocers.org).

Benefits Provided

OCERS provides service retirement, disability, death, and survivor benefits to eligible employees. All regular full-time employees of the County of Orange or contracting agencies who work a minimum of 20 hours per week become members of OCERS effective on the first day of employment in an eligible position. There are separate retirement plans for General and Safety member employees. New General Members employed after January 1, 2013 are designated as PEPRA General subject to the provisions of California Government Code 7522 et seq. and AB 197. The County's employees participate as General members.

General members hired prior to January 1, 2013 are eligible to retire once they attain the age of 50 and have acquired ten or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. All General members can also retire at the age of 70 regardless of service. The County participates in Plan M, which is 2.0% at 55 benefits. Plan M is for General Members hired before September 21, 1979.

The retirement benefits the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

General member benefits are calculated pursuant to the provisions of California Government Code Sections 31676.01, 31676.1, 31676.12, 31676.16, 31676.18 or 31676.19. For section 31676.01, the monthly allowance is equal to 1/90th of final compensation times years of accrued retirement service credit times age factor from that Section. For Section 31676.1, the monthly allowance is equal to 1/60th of final compensation times years of accrued retirement service credit times age factor from the Section. For Sections 31676.12, 31676.16, 31676.18 or 31676.19, the monthly allowance is equal to 1/50th of final compensation times years of accrued retirement service credit times age factor from the corresponding Section.

For members with membership dates before January 1, 2013 the maximum monthly retirement allowance is 100% of final compensation. There is no maximum with membership dates on or after January 1, 2013.

Final average compensation consists of the highest 12 consecutive months for Plan M.

The member may elect an unmodified retirement allowance or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

OCERS provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustments, based upon the Consumer Price Index for All Urban Consumers for the Los Angeles-Riverside-Orange County Area, is capped at 3.0%.

Contributions

The County contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from OCERS' actuary after the completion of the annual actuarial valuation. Contributions to the plan in 2022-2023 were \$366,917, which were immediately recognized as part of fiduciary net position by the Plan.

All members are required to make contributions to OCERS regardless of the retirement plan or tier in which they are included. The member contribution rates for 2022-2023 vary by member based on age of entry.

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

As of June 30, 2023, the County reported a net pension liability for its proportionate share of the OCERS net pension liability of \$3,323,372. The collective net pension liability for the Plan was measured as of December 31, 2022. Plan fiduciary net position was valued as of the measurement date, while the total pension liability (TPL) was determined based upon rolling forward the TPL from an actuarial valuation as of December 31, 2021. The plan provisions used in the measurement of the net pension liability are the same as those used in the OCERS actuarial valuations as of December 31, 2021. The County's proportionate share for the measurement period December 31, 2022 and December 31, 2021, respectively, was 0.062% and 0.074%, resulting in a net decrease of 0.012%.

For the year ended June 30, 2023, the County recognized pension expense of \$(151,657). At June 30, 2023, the County 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 pension plan investments	\$ 462,616	\$ -
Differences between expected and actual experience in the measurement of the total pension liability	607,487	108,970
Changes of assumptions	589	59,457
Total	<u>\$ 1,070,692</u>	<u>\$ 168,427</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 74,745
2025	173,583
2026	225,727
2027	391,730
2028	36,480
Total	<u>\$ 902,265</u>

Actuarial Methods and Assumptions

The collective total pension liability as of December 31, 2022 was determined by rolling forward the total pension liability from the actuarial valuation as of December 31, 2021. The actuarial assumptions used were based on the results of an experience study for the period from January 1, 2017 through December 31, 2019. Following are the key methods and assumptions used for the total pension liability as of December 31, 2022.

Actuarial Cost Method	Entry age normal
Inflation	2.50%
Salary Increases	General: 4.00% to 11.00%, vary by service, including inflation
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation
Discount Rate	7.00%
Cost of Living Adjustment	2.75% of retirement income

Post – Retirement Mortality Rates:

Healthy: For General Members and All Beneficiaries: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, projected generationally with the two-dimensional MP-2019 projection scale.

Disabled: For General Members: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, projected generationally with two-dimensional MP-2019 projection scale, set forward five years.

Discount Rate

The discount rate used to measure the TPL as of December 31, 2022 and 2021 was 7.00%. In determining the discount rate, OCERS took into account the projection of cash flows and assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. 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 as of December 31, 2022 and 2021.

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. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. Additional information on the target allocation and projected arithmetic real rate of return for each major asset class is available in the OCERS' Comprehensive Annual Financial Report for the year ended December 31, 2022. This information will change every three years based on the actuarial experience study. The expected investment rate of return assumption is summarized in the following table:

Asset Class	Assumed asset Allocation	Long-term Expected real Rate of return
Large Cap Equity	23.10%	5.43%
Small Cap Equity	1.90%	6.21%
International Developed Equity	13.00%	6.67%
Emerging Markets Equity	9.00%	8.58%
Core Bonds	9.00%	1.10%
High Yield Bonds	1.50%	2.91%
TIPS	2.00%	0.65%
Emerging Market Debt	2.00%	3.25%
Corporate Credit	1.00%	0.53%
Long Duration Fixed Income	2.50%	1.44%
Real Estate	3.01%	4.42%
Private Equity	13.00%	9.41%
Value Added Real Estate	3.01%	7.42%
Opportunistic Real Estate	0.98%	10.18%
Energy	2.00%	9.68%
Infrastructure (Core Private)	1.50%	5.08%
Infrastructure (Non-Core Private)	1.50%	8.92%
CTA - Trend Following	2.50%	2.38%
Global Macro	2.50%	2.13%
Private Credit	2.50%	5.47%
Alternative Risk Premia	2.50%	2.50%

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.00%)	\$ 4,897,822
Current discount rate (7.00%)	3,323,372
1% increase (8.00%)	2,039,142

Alternative Retirement Plan

As established by Federal Law, all public sector employees who are not members their employer’s exiting retirement systems (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The County has elected to use the Public Agency Retirement System as its alternative plan. Contributions made by the County and an employee vest immediately. The County contributes 3.75% of an employee’s gross earnings. An employee is required to contribute 3.75% of his or her gross earnings to the pension plan.

During the year, the County’s required and actual contributions amounted to \$57,998.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the County. These payments consist of State County School Service Fund contributions to CalSTRS in the amount of \$4,205,099 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 15 - Commitments and Contingencies

Grants

The County 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 County School Service 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 County at June 30, 2023.

Litigation

The County 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 County at June 30, 2023.

Construction Commitments

As of June 30, 2023, the County had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Argosy Site Relocation Access	\$ 113,115	12/31/23
Hillview Shade	659,800	06/30/24
Community School #9 - HLC-North	75,000	12/31/23
Interior Office Remodel - Esplanade Bldg 4-104	50,000	12/31/23
Shade Structures - Esplanade	300,251	06/30/24
Kalmus/Hillview Construction	4,843,322	06/30/24
Interior Office Remodel - Esplanade Bldg 4-108,109	<u>844,000</u>	06/30/24

Note 16 - Participation in Public Entity Risk Pools and Joint Power Authorities

The County is a member of the Western Orange County Self-Funded Workers' Compensation Agency (WOCSSWCA) and the Alliance of Schools for Cooperative Insurance Programs Joint Powers Authority. The County pays an annual premium to each entity for its property and liability, and workers' compensation coverage. The relationships between the County, the pools, and the JPA are such that they are not component units of the County for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the County are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2023, the County made payments of \$2,682,773 and \$423,817 to WOCSSWCA and Alliance of Schools for Cooperative Insurance Programs Joint Powers Authority, respectively, for annual premium payments.

Note 17 - Adoption of New Accounting Standard

As of July 1, 2022, the County adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

Governmental Activities	
Net Position - Beginning, as previously reported on June 30, 2022	\$ 319,638,900
Right-to-use subscription IT assets, net of amortization	1,289,528
Subscription liabilities	<u>(1,289,528)</u>
Net Position - Beginning, as restated on July 1, 2022	<u><u>\$ 319,638,900</u></u>



Required Supplementary Information
June 30, 2023

Orange County Department of Education

Orange County Department of Education
Budgetary Comparison Schedule – County School Service Fund
Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 118,550,882	\$ 121,672,219	\$ 122,005,699	\$ 333,480
Federal sources	15,290,261	19,642,261	17,535,883	(2,106,378)
Other State sources	26,183,573	60,339,249	60,967,556	628,307
Other local sources	126,272,723	145,610,037	148,647,475	3,037,438
Total revenues ¹	<u>286,297,439</u>	<u>347,263,766</u>	<u>349,156,613</u>	<u>1,892,847</u>
Expenditures				
Current				
Certificated salaries	52,626,991	52,179,950	51,554,630	625,320
Classified salaries	63,557,092	64,553,018	63,031,112	1,521,906
Employee benefits	64,541,003	59,584,061	57,256,290	2,327,771
Books and supplies	26,386,206	23,674,468	8,803,922	14,870,546
Services and operating expenditures	62,830,368	81,909,343	65,239,068	16,670,275
Other outgo	58,957,145	40,335,678	37,846,400	2,489,278
Capital outlay	3,330,302	6,354,738	2,761,669	3,593,069
Debt service - principal	-	-	1,090,779	(1,090,779)
Debt service - interest	-	-	10,724	(10,724)
Total expenditures ¹	<u>332,229,107</u>	<u>328,591,256</u>	<u>287,594,594</u>	<u>40,996,662</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(45,931,668)</u>	<u>18,672,510</u>	<u>61,562,019</u>	<u>42,889,509</u>
Other Financing Uses				
Transfers out	<u>(1,888,096)</u>	<u>(1,516,968)</u>	<u>(1,597,321)</u>	<u>(80,353)</u>
Net Change in Fund Balance	(47,819,764)	17,155,542	59,964,698	42,809,156
Fund Balance - Beginning	<u>342,731,817</u>	<u>342,731,817</u>	<u>342,731,817</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 294,912,053</u>	<u>\$ 359,887,359</u>	<u>\$ 402,696,515</u>	<u>\$ 42,809,156</u>

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

Orange County Department of Education
 Budgetary Comparison Schedule – Special Education Pass-Through Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 40,983,683	\$ 42,312,774	\$ 41,652,324	\$ (660,450)
Federal sources	7,668,538	8,991,933	8,886,196	(105,737)
Other State sources	2,474,551	2,754,870	2,966,750	211,880
Other local sources	21,257	435,659	352,892	(82,767)
Total revenues	<u>51,148,029</u>	<u>54,495,236</u>	<u>53,858,162</u>	<u>(637,074)</u>
Expenditures				
Current				
Other outgo	<u>49,463,628</u>	<u>54,634,179</u>	<u>54,757,570</u>	<u>(123,391)</u>
Net Change in Fund Balances	1,684,401	(138,943)	(899,408)	(760,465)
Fund Balance - Beginning	<u>12,358,734</u>	<u>12,358,734</u>	<u>12,358,734</u>	-
Fund Balance - Ending	<u>\$ 14,043,135</u>	<u>\$ 12,219,791</u>	<u>\$ 11,459,326</u>	<u>\$ (760,465)</u>

Orange County Department of Education
 Budgetary Comparison Schedule – Child Development Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Federal sources	\$ 37,572,544	\$ 26,286,740	\$ 35,760,984	\$ 9,474,244
Other State sources	38,420,740	23,301,649	22,709,011	(592,638)
Other local sources	84,002	664,688	803,276	138,588
Total revenues	<u>76,077,286</u>	<u>50,253,077</u>	<u>59,273,271</u>	<u>9,020,194</u>
Expenditures				
Current				
Certificated salaries	152,586	241,539	223,708	17,831
Classified salaries	3,633,452	3,539,374	3,598,920	(59,546)
Employee benefits	2,252,501	2,026,801	2,012,007	14,794
Books and supplies	667,816	450,449	193,409	257,040
Services and operating expenditures	63,692,043	39,249,895	47,343,837	(8,093,942)
Other outgo	6,594,017	4,224,484	4,907,886	(683,402)
Capital outlay	-	794,000	609,250	184,750
Total expenditures	<u>76,992,415</u>	<u>50,526,542</u>	<u>58,889,017</u>	<u>(8,362,475)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(915,129)</u>	<u>(273,465)</u>	<u>384,254</u>	<u>657,719</u>
Other Financing Sources				
Transfers in	<u>907,361</u>	<u>536,233</u>	<u>616,586</u>	<u>80,353</u>
Net Change in Fund Balances	(7,768)	262,768	1,000,840	738,072
Fund Balance - Beginning	<u>(171,037)</u>	<u>(171,037)</u>	<u>(171,037)</u>	<u>-</u>
Fund Balance - Ending	<u>\$ (178,805)</u>	<u>\$ 91,731</u>	<u>\$ 829,803</u>	<u>\$ 738,072</u>

Orange County Department of Education
Schedule of Changes in the County's Total OPEB Liability and Related Ratios
Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total OPEB Liability			
Service cost	\$ 168,989	\$ 214,768	\$ 207,457
Interest	102,988	72,623	73,454
Differences between expected and actual experience	-	(236,920)	-
Changes of assumptions	(21,402)	(244,034)	9,057
Benefit payments	<u>(225,237)</u>	<u>(247,707)</u>	<u>(292,807)</u>
Net change in total OPEB liability	25,338	(441,270)	(2,839)
Total OPEB liability - beginning	<u>2,937,380</u>	<u>3,378,650</u>	<u>3,381,489</u>
Total OPEB liability - ending	<u>\$ 2,962,718</u>	<u>\$ 2,937,380</u>	<u>\$ 3,378,650</u>
Covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB liability as a percentage of covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 223,211	\$ 207,170	\$ 201,625
Interest	120,570	117,952	128,023
Differences between expected and actual experience	(229,356)	-	-
Changes of assumptions	85,167	63,344	-
Benefit payments	<u>(302,691)</u>	<u>(340,709)</u>	<u>(327,605)</u>
Net change in total OPEB liability	(103,099)	47,757	2,043
Total OPEB liability - beginning	<u>3,484,588</u>	<u>3,436,831</u>	<u>3,434,788</u>
Total OPEB liability - ending	<u>\$ 3,381,489</u>	<u>\$ 3,484,588</u>	<u>\$ 3,436,831</u>
Covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB liability as a percentage of covered payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

¹ The County's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

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

Orange County Department of Education
Schedule of the County's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2023

Year ended June 30,	2023	2022	2021
Proportion of the net OPEB liability	0.1131%	0.1218%	0.1330%
Proportionate share of the net OPEB liability	\$ 372,407	\$ 485,926	\$ 563,713
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of its covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)	(0.71%)
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020
Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.1421%	0.1621%	0.1647%
Proportionate share of the net OPEB liability	\$ 529,058	\$ 620,596	\$ 693,007
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of its covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

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

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

Orange County Department of Education
Schedule of the County's Proportionate Share of the Net Pension Liability – CalSTRS
Year Ended June 30, 2023

CalSTRS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.0753%	0.0810%	0.0763%	0.0803%	0.0903%
Proportionate share of the net pension liability	\$ 52,342,520	\$ 36,883,061	\$ 73,979,992	\$ 72,532,183	\$ 83,019,800
State's proportionate share of the net pension liability associated with the County	26,212,929	18,558,126	38,136,694	39,571,148	47,532,718
Total	<u>\$ 78,555,449</u>	<u>\$ 55,441,187</u>	<u>\$ 112,116,686</u>	<u>\$ 112,103,331</u>	<u>\$ 130,552,518</u>
Covered payroll	\$ 44,309,622	\$ 42,721,907	\$ 43,217,982	\$ 43,101,112	\$ 48,515,759
Proportionate share of the net pension liability as a percentage of its covered payroll	118%	86%	171%	168%	171%
Plan fiduciary net position as a percentage of the total pension liability	81%	87%	72%	73%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
		2018	2017	2016	2015
Proportion of the net pension liability		0.0910%	0.0950%	0.1040%	0.1110%
Proportionate share of the net pension liability		\$ 84,144,083	\$ 76,836,950	\$ 70,016,960	\$ 64,865,070
State's proportionate share of the net pension liability associated with the County		49,778,929	43,748,345	37,031,154	39,168,723
Total		<u>\$ 133,923,012</u>	<u>\$ 120,585,295</u>	<u>\$ 107,048,114</u>	<u>\$ 104,033,793</u>
Covered payroll		\$ 47,398,000	\$ 48,203,000	\$ 47,996,000	\$ 49,181,000
Proportionate share of the net pension liability as a percentage of its covered payroll		178%	159.40%	145.88%	131.89%
Plan fiduciary net position as a percentage of the total pension liability		69%	70%	74%	77%
Measurement Date		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Orange County Department of Education
Schedule of the County's Proportionate Share of the Net Pension Liability - CalPERS
Year Ended June 30, 2023

CalPERS	2023	2022	2021	2020	2019
Proportion of the net pension liability	0.3948%	0.4077%	0.4096%	0.4087%	0.4230%
Proportionate share of the net pension liability	\$ 135,864,178	\$ 82,912,021	\$ 125,681,012	\$ 119,105,453	\$ 112,783,669
Covered payroll	\$ 59,701,056	\$ 58,851,845	\$ 58,988,865	\$ 55,802,192	\$ 55,298,184
Proportionate share of the net pension liability as a percentage of its covered payroll	228%	141%	213%	213%	204%
Plan fiduciary net position as a percentage of the total pension liability	70%	81%	70%	70%	71%
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
		2018	2017	2016	2015
Proportion of the net pension liability		0.4292%	0.4443%	0.4474%	0.4904%
Proportionate share of the net pension liability		\$ 102,455,197	\$ 87,749,525	\$ 65,947,202	\$ 55,672,340
Covered payroll		\$ 54,825,000	\$ 53,475,000	\$ 49,525,000	\$ 49,734,000
Proportionate share of the net pension liability as a percentage of its covered payroll		187%	164.09%	133.16%	111.94%
Plan fiduciary net position as a percentage of the total pension liability		72%	74%	79%	83%
Measurement Date		June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Orange County Department of Education
Schedule of the County's Proportionate Share of the Net Pension Liability - OCERS
Year Ended June 30, 2023

OCERS ¹	2023	2022	2021
Proportion of the net pension liability	0.062%	0.074%	0.063%
Proportionate share of the net pension liability	\$ 3,323,372	\$ 1,523,058	\$ 2,661,390
Covered payroll	N/A ²	N/A ²	N/A ²
Proportionate share of the net pension liability as a percentage of its covered payroll	N/A ²	N/A ²	N/A ²
Plan fiduciary net position as a percentage of the total pension liability	79%	91%	77%
Measurement Date	December 31, 2022	December 31, 2021	December 31, 2020
	2020	2019	2018
Proportion of the net pension liability	0.061%	0.057%	0.051%
Proportionate share of the net pension liability	\$ 3,099,339	\$ 3,517,372	\$ 2,530,324
Covered payroll	N/A ²	N/A ²	N/A ²
Proportionate share of the net pension liability as a percentage of its covered payroll	N/A ²	N/A ²	N/A ²
Plan fiduciary net position as a percentage of the total pension liability	77%	70%	75%
Measurement Date	December 31, 2019	December 31, 2018	December 31, 2017

¹ Prior to June 30, 2018, the County did not implement GASB Statement No. 68 for OCERS.

² As of June 30, 2018, the County did not have any active members participating in OCERS; therefore, the covered payroll disclosure is not applicable.

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

Orange County Department of Education
Schedule of the County's Contributions - CalSTRS
Year Ended June 30, 2023

CalSTRS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 8,598,843	\$ 7,497,188	\$ 6,899,588	\$ 7,390,275	\$ 7,016,861
Contributions in relation to the contractually required contribution	<u>(8,598,843)</u>	<u>(7,497,188)</u>	<u>(6,899,588)</u>	<u>(7,390,275)</u>	<u>(7,016,861)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 45,020,120</u>	<u>\$ 44,309,622</u>	<u>\$ 42,721,907</u>	<u>\$ 43,217,982</u>	<u>\$ 43,101,112</u>
Contributions as a percentage of covered payroll	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>
		2018	2017	2016	2015
Contractually required contribution		\$ 7,000,824	\$ 6,030,647	\$ 5,172,158	\$ 4,262,028
Contributions in relation to the contractually required contribution		<u>(7,000,824)</u>	<u>(6,030,647)</u>	<u>(5,172,158)</u>	<u>(4,262,028)</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		<u>\$ 48,515,759</u>	<u>\$ 47,398,000</u>	<u>\$ 48,203,000</u>	<u>\$ 47,996,000</u>
Contributions as a percentage of covered payroll		<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>

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

Orange County Department of Education
Schedule of the County's Contributions - CalPERS
Year Ended June 30, 2023

CalPERS	2023	2022	2021	2020	2019
Contractually required contribution	\$ 16,568,834	\$ 13,677,512	\$ 12,182,332	\$ 11,633,194	\$ 10,078,992
Contributions in relation to the contractually required contribution	<u>(16,568,834)</u>	<u>(13,677,512)</u>	<u>(12,182,332)</u>	<u>(11,633,194)</u>	<u>(10,078,992)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 65,308,766</u>	<u>\$ 59,701,056</u>	<u>\$ 58,851,845</u>	<u>\$ 58,988,865</u>	<u>\$ 55,802,192</u>
Contributions as a percentage of covered payroll	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>
		2018	2017	2016	2015
Contractually required contribution		\$ 8,588,361	\$ 7,614,077	\$ 6,335,210	\$ 5,829,589
Contributions in relation to the contractually required contribution		<u>(8,588,361)</u>	<u>(7,614,077)</u>	<u>(6,335,210)</u>	<u>(5,829,589)</u>
Contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		<u>\$ 55,298,184</u>	<u>\$ 54,825,000</u>	<u>\$ 53,475,000</u>	<u>\$ 49,525,000</u>
Contributions as a percentage of covered payroll		<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

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

Orange County Department of Education
Schedule of the County's Contributions - OCERS
Year Ended June 30, 2023

OCERS ¹	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 366,917	\$ 345,566	\$ 286,085
Contributions in relation to the contractually required contribution	<u>(366,917)</u>	<u>(345,566)</u>	<u>(286,085)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>N/A²</u>	<u>N/A²</u>	<u>N/A²</u>
Contributions as a percentage of covered payroll	<u>N/A²</u>	<u>N/A²</u>	<u>N/A²</u>
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 267,432	\$ 301,464	\$ 524,000
Contributions in relation to the contractually required contribution	<u>(267,432)</u>	<u>(301,464)</u>	<u>(524,000)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>N/A²</u>	<u>N/A²</u>	<u>N/A²</u>
Contributions as a percentage of covered payroll	<u>N/A²</u>	<u>N/A²</u>	<u>N/A²</u>

¹ Prior to June 30, 2018, the County did not implement GASB Statement No. 68 for OCERS.

² As of June 30, 2018, the County did not have any active members participating in OCERS; therefore, the covered payroll disclosure is not applicable.

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

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

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

These schedules present information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

At June 30, 2023, the County major funds exceeded the budgeted amount in total as follows:

	Budget	Expenditures Actual	Excess
Special Education Pass-Through Fund	\$ 54,634,179	\$ 54,757,570	\$ 123,391
Child Development Fund	\$ 50,526,542	\$ 58,889,017	\$ 8,362,475

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

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

- *Change in Benefit Terms* – There were no changes in benefit terms.
- *Changes of Assumptions* – The discount rate changed from 3.54% to 3.65% since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 2.16% to 3.54% since the previous valuation.

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

This schedule presents information on the County's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the County. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for either the CalSTRS, CalPERS, or OCERS plans.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS or OCERS plans from the previous valuations. The CalPERS plan rate of investment return assumption was changed from 7.15% to 6.90% since the previous valuation.

Schedule of the County's Contributions

This schedule presents information on the County's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information
June 30, 2023

Orange County Department of Education

Orange County Department of Education
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Education				
Perkins Innv & Mdrn Grant Program	84.051F	[1]	\$ 47,428	\$ -
EIR (Education Innovation and Research)	84.411C	[1]	1,030,959	-
Passed through California Department of Education (CDE):				
Special Education Cluster (IDEA):				
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	7,961,937	7,005,473
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	17,146	17,146
Special Ed: IDEA Local Assistance, Part B, Sec 611, Early Intervening Services	84.027	10119	238,488	238,488
Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Coordinated Early Intervening Services	84.027	10170	27,300	27,300
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	418,799	418,799
COVID-19 - Special Ed: ARP IDEA Part B, Sec 611, Local Assistance Entitlement	84.027	15638	1,036,995	939,090
COVID-19 - Special Ed: ARP IDEA Part B, Sec 611, Local Assistance Private Schools	84.027	10169	1,567	1,567
Alternate Dispute Resolution	84.027A	13007	14,045	-
Subtotal			<u>9,716,277</u>	<u>8,647,863</u>
Preschool Grants, Part B, Sec 619	84.173	13430	198,987	147,470
COVID-19 - Special Ed: ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	98,880	80,863
Preschool Staff Development, Part B, Sec 619	84.173A	13431	2,222	-
Subtotal			<u>300,089</u>	<u>228,333</u>
Total Special Education Cluster (IDEA)			<u>10,016,366</u>	<u>8,876,196</u>
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	2,639,790	-
Title I, Part D, Local Delinquent Programs	84.010	14357	1,088,823	-
ESSA: School Improvement Funding for LEAs	84.010	15438	94,559	-
School Improvement Funding for COEs	84.010	15439	84,647	-
Comprehensive Support and Improvement (CSI) COE Plan Approval Subgrant	84.010	15565	169,878	-
Subtotal			<u>4,077,697</u>	<u>-</u>
COVID-19 - Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	3,959,526	-
COVID-19 - Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	83,668	-
COVID-19 - Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D	15618	1,226,189	-
COVID-19 - Expanded Learning Opportunities (ELO) Grant: GEER II	84.425C	15619	282,522	-
COVID-19 - Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U	15620	2,661	-
COVID-19 - Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	10,089	-
COVID-19 - American Rescue Plan - Homeless Children and Youth Program	84.425W	15564	298,766	-
Subtotal			<u>5,863,421</u>	<u>-</u>

[1] Pass-Through Entity Number not available

Orange County Department of Education
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
Title III, English Learner Student Program	84.365	14346	\$ 94,884	\$ -
Title III, Immigrant Student Program	84.365	15146	2,471	-
Subtotal			<u>97,355</u>	<u>-</u>
Title II, Part A, Supporting Effective Instruction	84.367	14341	192,597	-
Title IV, 21st Century Community Learning Centers Technical Assistance	84.287	14350	172,001	-
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	299,575	-
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332	265,458	-
Early Intervention Grants, Part C	84.181	23761	401,107	-
Total U.S. Department of Education			<u>22,416,536</u>	<u>8,876,196</u>
U.S. Department of Health and Human Services				
Passed through California Department of Public Health:				
Cooperative Agreement for Emergency Response - Public Health Crisis Response	93.434	[1]	1,244,922	-
Passed through California Department of Social Services:				
Child Care and Development Fund Cluster:				
Federal Alternative Payment	93.596	13694	1,636,504	-
Federal Alternative Payment	93.596	14153	1,624,006	-
Federal Alternative Payment, Stage 3	93.596	15452	228,537	-
Subtotal			<u>3,489,047</u>	<u>-</u>
Quality Improvement Activities	93.575	14130	82,700	-
Federal Alternative Payment	93.575	15558	7,646,829	-
Federal Alternative Payment	93.575	15554	405,557	-
Federal Alternative Payment	93.575	12414	4,609,786	-
Federal Alternative Payment	93.575	15534	423,274	-
Federal Alternative Payment	93.575	15400	11,649,743	-
COVID-19 - CARES Act Federal Alternative Payment, Stage 2	93.575	[1]	1,653,374	-
COVID-19 CARES Act Federal Alternative Payment, Stage 3	93.575	[1]	555,677	-
Local Planning Councils	93.575	13946	72,623	-
Federal Alternative Payment, Stage 2	93.575	14178	1,992,339	-
Federal Alternative Payment, Stage 2	93.575	14551	931,750	-
Federal Alternative Payment, Stage 3	93.575	15551	218,158	-
Federal Alternative Payment, Stage 3	93.575	13881	1,973,100	-
Federal Alternative Payment, Stage 3	93.575	14551	612,704	-
Subtotal			<u>32,827,614</u>	<u>-</u>
Total Child Care and Development Fund Cluster			<u>36,316,661</u>	<u>-</u>
Passed through County of Orange:				
Alcohol and Other Drug Prevention Services Friday Night Live	93.959	[1]	570,820	-
Block Grant for Substance Abuse Prevention Services	93.959	[1]	573,113	-
Subtotal			<u>1,143,933</u>	<u>-</u>
Foster Youth Services Coordinating Programs	93.658	[1]	491,555	-
Total U.S. Department of Health and Human Services			<u>39,197,071</u>	<u>-</u>

[1] Pass-Through Entity Number not available

Orange County Department of Education
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program	Federal Financial Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed through CDE:				
Child Nutrition Cluster:				
Basic School Breakfast Program	10.553	13525	\$ 45,246	\$ -
Especially Needy Breakfast Program	10.553	13526	<u>105,653</u>	<u>-</u>
Subtotal			<u>150,899</u>	<u>-</u>
National School Lunch Program - Section 4	10.555	13523	50,214	-
National School Lunch Program - Section 11	10.555	13524	187,858	-
Supply Chain Assistance for School Meals	10.555	15655	<u>20,382</u>	<u>-</u>
Subtotal			<u>258,454</u>	<u>-</u>
Total Child Nutrition Cluster			<u>409,353</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>409,353</u>	<u>-</u>
U.S. Department of Justice				
Stop School Violence	16.839	[1]	<u>111,062</u>	<u>-</u>
Total U.S. Department of Justice			<u>111,062</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 62,181,450</u>	<u>\$ 8,876,196</u>

[1] Pass-Through Entity Number not available

Organization

The Orange County Department of Education was established in 1889 and consists of an area comprising approximately 782 square miles. The County operates one community home education site, one homeless outreach program site, 29 community schools/independent study program sites, three juvenile court schools program sites, one field program site, and eight special education program sites. There were no boundary changes during the year.

The County provides professional and administrative assistance to 13 elementary school districts, 3 high school districts, 12 unified school districts, four community college districts, three regional occupational programs, and 36 charter schools, within Orange County.

The Board of Education and the County Administrators for the fiscal year ended June 30, 2023 is presented herein.

County Board of Education

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Ms. Mari Barke	President	2026
Dr. Ken L. Williams	Vice President	2024
Dr. Lisa Sparks	Member	2026
Mr. Jorge Valdes	Member	2024
Mr. Tim Shaw	Member	2024

Administration

Dr. Al Mijares	County Superintendent of Schools and Board Secretary
Dr. Ramon Miramontes	Deputy Superintendent of Instruction
Renee Hendrick	Deputy Superintendent of Operations
Dr. Sonia Llamas	Associate Superintendent, Educational Services
David Giordano	Associate Superintendent, Administrative Services

Orange County Department of Education
 Schedule of Average Daily Attendance
 Year Ended June 30, 2023

County Office of Education

	Final Report	
	Second Period Report 9F31999F	Annual Report B2756749
Juvenile Halls, Homes, and Camps		
Elementary	18.93	20.69
High School	296.18	300.22
Total Juvenile Halls, Homes, and Camps	315.11	320.91
Probation Referred, On Probation or Parole, Expelled		
Elementary	69.66	94.25
High School	804.11	867.51
Total Probation Referred, on Probation or Parole, Expelled	873.77	961.76
Total ADA	1,188.88	1,282.67

Charter School - College and Career Preparatory Academy

	Final Report	
	Second Period Report 2B7860A7	Annual Report D0EFF029
Community Day School		
Ninth through twelfth	106.99	103.95

Note: All Charter School ADA is generated through non-classroom based instruction.

Orange County Department of Education
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2023

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2023.

Orange County Department of Education
Schedule of Financial Trends and Analysis
Year Ended June 30, 2023

	(Budget) 2024 ¹	2023	2022 ¹	2021 ¹
County School Service Fund ³				
Revenues	\$ 335,628,414	\$ 349,692,995	\$ 323,663,704	\$ 275,200,692
Expenditures	342,032,806	288,944,348	284,976,341	226,294,252
Other uses	1,504,065	1,597,321	1,467,517	1,613,906
Total expenditures and other uses	343,536,871	290,541,669	286,443,858	227,908,158
Increase (Decrease) in Fund Balance	\$ (7,908,457)	\$ 59,151,326	\$ 37,219,846	\$ 47,292,534
Ending Fund Balance	\$ 368,183,529	\$ 376,091,986	\$ 316,940,660	\$ 279,720,814
Available Reserves ²	\$ 217,643,079	\$ 155,033,614	\$ 145,519,939	\$ 140,784,218
Available Reserves as a Percentage of Total Outgo	63.4%	53.4%	50.8%	61.8%
Long-Term Obligations including OPEB and Pensions	N/A	\$ 206,366,944	\$ 137,505,331	\$ 220,417,461
K-12 Average Daily Attendance at Annual	1,259	1,283	683	2,597

The County School Service Fund balance has increased by \$96,371,172 over the past two years. The fiscal year 2023-2024 budget projects a decrease of \$7,908,457 (2.1%). For a County this size, the State recommends available reserves of at least two percent of total County School Service Fund expenditures, and other uses (total outgo).

The County has incurred operating surpluses for three of the past three years. The County anticipates incurring an operating deficit during the 2023-2024 fiscal year. Total long-term liabilities have decreased by \$14,050,517 over the past two years.

Average daily attendance has decreased by 1,314 over the past two years. A decrease of 24 ADA is anticipated during fiscal year 2023-2024.

¹ Financial information for 2024, 2022, and 2021 are included for analytical purposes only and has not been subjected to audit.

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

³ County School Service Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other Capital Outlay Projects as required by GASB Statement No. 54.

Orange County Department of Education

Schedule of Charter Schools

Year Ended June 30, 2023

Name of Charter School	Charter Number	Included in Audit Report
College and Career Preparatory Academy	1761	Yes
California Republic Leadership Academy Capistrano*	2138	No
Citrus Springs Charter	1831	No
Ednovate - Legacy College Prep.	1798	No
EPIC Charter (Excellence Performance Innovation Citizenship)	1807	No
International School for Science and Culture	2048	No
Irvine International Academy	2116	No
OCSA	0290	No
Orange County Academy of Sciences and Arts	1799	No
Orange County Classical Academy	2127	No
Orange County Workforce Innovation High	1833	No
Oxford Preparatory Academy - Saddleback Valley	1784	No
Samueli Academy	1419	No
Scholarship Prep - Orange County	1808	No
Suncoast Preparatory Academy	2025	No
Sycamore Creek Community Charter	2047	No
Tomorrow's Leadership Collaborative (TLC) Charter	1987	No
Unity Middle College High	1800	No
Vista Condor Global Academy	1930	No
Vista Heritage Global Academy	1752	No
Vista Meridian Global Academy*	2132	No

* Operations start in August 2023

Orange County Department of Education
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2023

	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund	Total Non-Major Governmental Funds
Assets					
Deposits and investments	\$ 32,699,965	\$ 3,150,709	\$ 3,310,168	\$ 1,265,607	\$ 40,426,449
Receivables	99,221	9,763	183,837	2,017	294,838
Due from other funds	980,735	-	-	-	980,735
Lease receivables	-	-	1,856,050	-	1,856,050
Total assets	\$ 33,779,921	\$ 3,160,472	\$ 5,350,055	\$ 1,267,624	\$ 43,558,072
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	\$ 109,672	\$ -	\$ 323,402	\$ -	\$ 433,074
Deferred Inflows of Resources					
Deferred inflows of resources related to leases	-	-	1,795,396	-	1,795,396
Fund Balances					
Restricted	-	3,160,472	3,231,257	1,267,624	7,659,353
Committed	33,670,249	-	-	-	33,670,249
Total fund balance	33,670,249	3,160,472	3,231,257	1,267,624	41,329,602
Total liabilities, deferred inflows of resources, and fund balances	\$ 33,779,921	\$ 3,160,472	\$ 5,350,055	\$ 1,267,624	\$ 43,558,072

Orange County Department of Education

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds Year Ended June 30, 2023

	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Debt Service Fund	Total Non-Major Governmental Funds
Revenues					
Local Control Funding Formula	\$ 1,022,520	\$ -	\$ -	\$ -	\$ 1,022,520
Other State sources	-	3,094,690	-	-	3,094,690
Other local sources	954,341	52,207	2,638,042	18,241	3,662,831
Total revenues	1,976,861	3,146,897	2,638,042	18,241	7,780,041
Expenditures					
Current					
Plant services	-	-	754,369	-	754,369
Facility acquisition and construction	1,326,341	344,045	-	-	1,670,386
Debt service					
Principal	-	-	-	1,130,000	1,130,000
Interest and other	-	-	-	244,666	244,666
Total expenditures	1,326,341	344,045	754,369	1,374,666	3,799,421
Excess (Deficiency) of Revenue over Expenditures	650,520	2,802,852	1,883,673	(1,356,425)	3,980,620
Other Financing Sources (Uses)					
Transfers in	980,735	-	-	1,374,666	2,355,401
Transfers out	-	-	(1,374,666)	-	(1,374,666)
Net Financing Sources (Uses)	980,735	-	(1,374,666)	1,374,666	980,735
Net Change in Fund Balances	1,631,255	2,802,852	509,007	18,241	4,961,355
Fund Balances - Beginning	32,038,994	357,620	2,722,250	1,249,383	36,368,247
Fund Balances - Ending	\$ 33,670,249	\$ 3,160,472	\$ 3,231,257	\$ 1,267,624	\$ 41,329,602

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Orange County Department of Education (the County) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the County.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

The County has not elected to use the 10% de minimis cost rate.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of COVID-19 – Supply Chain Assistance funds recorded in the current period as revenues that have not been expended as of June 30, 2023. These unspent balances are reported as legally restricted ending balances within the General Fund.

	Federal Financial Assistance Listing Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		\$ 62,183,063
COVID-19 Supply Chain Assistance	10.555	(1,613)
Total Federal Financial Assistance		\$ 62,181,450

Local Education Agency Organization Structure

This schedule provides information about the County's boundaries, schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the County. 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.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the County Office of Education and displays information for each Charter School on whether or not the Charter School is included in the County Office of Education audit.

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

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



Independent Auditor's Reports
June 30, 2023

Orange County Department of
Education



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

To the Superintendent of Schools
and County Board of Education
Orange County Department of Education
Costa Mesa, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orange County Department of Education (the County), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements and have issued our report thereon dated December 15, 2023.

Adoption of New Accounting Standard

As discussed in Notes 1 and 17 to the financial statements, the County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Rancho Cucamonga, California
December 15, 2023



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

To the Superintendent of Schools
and County Board of Education
Orange County Department of Education
Costa Mesa, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Orange County Department of Education's (the County) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2023. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements

of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to

the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the County's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Rancho Cucamonga, California
December 15, 2023



Independent Auditor's Report on State Compliance

To the Superintendent of Schools
and County Board of Education
Orange County Department of Education
Costa Mesa, California

Report on Compliance

Opinion on State Compliance

We have audited Orange County Department of Education's (the County) compliance with the requirements specified in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the County's state program requirements identified below for the year ended June 30, 2023.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County’s compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County’s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the County’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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the County’s compliance with the state laws and regulations applicable to the following items:

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below

2022-2023 K-12 Audit Guide Procedures	Procedures Performed
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program	No, see below
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	No, see below
Immunizations	Yes, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	No, see below
Charter Schools	
Attendance	Yes
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes - Classroom Based	No, see below
Charter School Facility Grant Program	No, see below

The County's kindergarten students are retained using an Individualized Education Program based on the identified special needs; therefore, we did not perform procedures related to Kindergarten Continuance.

The County does not offer a Continuation Education Program; therefore, we did not perform procedures related to the Continuation Education Program.

Instructional Time does not apply to the County; therefore, we did not perform procedures related to Instructional Time.

Ratio of Administrative Employees to Teachers does not apply to the County; therefore, we did not perform procedures related to Ratio of Administrative Employees to Teachers.

Classroom Teachers Salaries does not apply to the County; therefore, we did not perform procedures related to Classroom Teacher Salaries.

The County did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The County does not have a Middle or Early College High School Program; therefore, we did not perform any procedures related to Middle or Early College High School Program.

K-3 Grade Span Adjustment does not apply to the County; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the County.

The County did not elect to operate as a school district of choice; therefore, we did not perform procedures related to District of Choice.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

We did not perform procedures for the After/Before School Education and Safety Program because the County did not offer the program.

The County does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The County was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

The County did not report ADA for transitional kindergarten; therefore, we did not perform procedures related to Transitional Kindergarten.

We did not perform procedures for the Charter Schools Mode of Instruction nor Annual Instruction Minutes Classroom-Based because the County's charter school is entirely nonclassroom-based.

We did not perform procedures for the Charter School Facility Grant Program because the County did not receive funding for this program.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material*

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed name and date.

Rancho Cucamonga, California
December 15, 2023



Schedule of Findings and Questioned Costs
June 30, 2023

Orange County Department of Education

Orange County Department of Education
Summary of Auditor's Results
Year Ended June 30, 2023

Financial Statements

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

Federal Awards

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	Yes

Identification of major programs

Name of Federal Program or Cluster	Federal Financial Assistance Listing Number
COVID-19 - Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D
COVID-19 - Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U
COVID-19 - Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D
COVID-19 - Expanded Learning Opportunities (ELO) Grant: GEER II	84.425C
COVID-19 - Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425U
COVID-19 - Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U
COVID-19 - American Rescue Plan - Homeless Children and Youth Program	84.425W
Title I, Part A, Basic Grants Low-Income and Neglected	84.010
Title I, Part D, Local Delinquent Programs	84.010
ESSA: School Improvement Funding for LEAs	84.010
School Improvement Funding for COEs	84.010
Comprehensive Support and Improvement (CSI) COE Plan Approval Subgrant	84.010
Special Education Cluster (IDEA)	84.027, 84.027A, 84.173, 84.173A
Dollar threshold used to distinguish between Type A and Type B programs	\$1,865,444
Auditee qualified as low-risk auditee?	Yes

State Compliance

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

None reported.

The following findings represent significant deficiencies and instances of noncompliance that are required to be reported by the *Uniform Guidance*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2023-001 50000 – Title I, Part A – Annual Report Card, High School Graduation Rate (Significant Deficiency, Noncompliance)

Federal Program Affected

Federal Agency: U.S. Department of Education

Pass-Through Entity: California Department of Education

Program Name: Title I, Part A

Assistance Listing Number: 84.010

Compliance Requirement: N.3. Annual Report Card, High School Graduation Rate

Criteria or Specific Requirements

Local Education Agencies (LEAs) must report graduation rate data for all public high schools at the school and LEA levels using the four-year adjusted cohort rate and, at an LEA's discretion, one or more extended-year adjusted cohort rates. Graduation rate data must be reported both in the aggregate and disaggregated by the subgroups in Section 1111(c)(2) of the Elementary and Secondary Education Act (ESEA), homeless status, status as a child in foster care using a four-year adjusted cohort graduation rate (and any extended-year adjusted cohort rates) (ESEA sections 1111(h)(1)(C)(iii)(II) and 8101(23), (25)(20 USC 6311(h)(1)(C)(iii)(II) and 7801(23), (25))). Written documentation must be maintained to remove a student from the cohort.

Condition

The County did not maintain written documentation for one of the sampled students that was removed from the cohort.

Questioned Costs

There are no questioned costs associated with the condition identified.

Context

The condition was identified through review of supporting documentation for a sample of students who were identified as removed from the cohort on the California Longitudinal Pupil Achievement Data System (CALPADS) 15.2 Cohort Outcome report. One of four students

identified as removed from the cohort on the CALPADS 15.2 Cohort Outcome report did not have written documentation to support the removal of the students from the cohort. We selected three additional students for testing and determined the event to be an isolated incident.

Effect

The County has not complied with the requirement to maintain written documentation to remove a student from the cohort.

Cause

The County believes the exit code was a data entry error.

Repeat Finding

No.

Recommendation

The County should ensure that they meet all of the requirements of ESEA. The County should revise its procedures to ensure that written documentation for all students removed from the cohort is maintained and data inputted into the system is accurate.

Corrective Action Plan and Views of Responsible Officials

The Attendance and Records Center (ARC) team has put in place a process to check students with any cohort removal codes on a weekly basis, and ensure any required backup documentation is scanned into Aeries. Additionally, all staff received training on the Status Change form and the cohort exit codes that require backup documentation. The ACCESS Administrative Guidelines and Procedures Manual was also shared with staff, including section 3.9 addressing, "Documentation and Evidence Required in Order to Remove a Student from the High School Graduation Rate Cohort." All new staff will receive a copy of the manual.

2023-002 50000 – Reporting (Significant Deficiency, Noncompliance)

Federal Program Affected

Federal Agency: U.S. Department of Education

Pass-Through Entity: California Department of Education

Program Names: COVID-19 – Elementary and Secondary School Emergency Relief Funds

Assistance Listing Number: 84.425D, 84.425U

Compliance Requirement: Reporting

Criteria or Specific Requirements

Local education agencies must comply with all reporting requirements that the Department of Education may reasonably require. Section 15011 of Division B of the Coronavirus Aid, Relief, and Economic Security (CARES) Act requires that a grantee submit quarterly and annual reports. ESSER Funds awarded under the American Rescue Plan (ARP) Act of 2021 are subject to the same quarterly and annual reporting requirements.

Condition

The County misreported Full-Time Equivalent (FTE) positions as of September 20, 2022 on the ESSER Annual Data Collection: General ESSER Information Report that was submitted to the California Department of Education.

Questioned Costs

There were no questioned costs associated with the identified condition.

Context

The condition was identified through inquiry with County personnel and through the review of documentation used to prepare the reports.

Effect

The County has not accurately reported full-time equivalent (FTE) positions and, as such, is not in compliance with the reporting requirements for the programs.

Cause

The identified condition appears to have materialized due to insufficient procedures related to the review process.

Repeat Finding

No.

Recommendation

The County should ensure that all full-time equivalent (FTE) positions reported on the ESSER Annual Data Collection: General ESSER Information Report are based on actual FTE positions.

Corrective Action Plan and Views of Responsible Officials

Excluding the September 30, 2022 reporting cycle, the Department accurately reported Full-Time Equivalent (FTE) positions in the ESSER Annual Data Collection reports. Instead of reporting FTEs as of September 30, 2022, the Department reported total number of positions. This error will be corrected with the next reporting cycle, and staff will ensure that future reports include accurate reporting units.

None reported.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

State Compliance Findings

2022-001 10000 and 40000– Attendance (COE) and Independent Study

Criteria or Specific Requirements

California *Education Code* Section 51749.6 states that a local education agency shall not be eligible to receive apportionments for independent study by pupils, unless it has provided each pupil with a written learning agreement that contains the required elements identified in California Education Code Section 51749.6.

Condition

The County has implemented written learning agreements for each pupil enrolled in independent study; however, the certain school sites were utilizing outdated learning agreements that were lacking the elements required by California *Education Code* Section 51749.6.

Questioned Costs

The County has overclaimed 130.76 and 100.87 ADA for apportionment on its Second Period Report of Attendance and Annual Period Report of Attendance, respectively. The penalty results in a decrease of approximately \$1,830,202. The estimated penalty was calculated using the Target Value of ADA Non-Juvenile Court per CDE's LCFF Value of ADA for County Office of Education.

ADA Overclaimed: 100.87

Value of ADA: \$18,144.17

Estimated Penalty: \$1,830,202

Context

The condition was identified through review of Independent Study records, including written agreements.

Effect

The County overclaimed 130.76 and 100.87 ADA on its Second Period Report of Attendance and Annual Period Report of Attendance, respectively, for the County Funded Non-Juvenile Court Schools ADA (Probation Referred, on Probation or Parole, Expelled).

Cause

It appears that the condition has materialized as a result of certain school sites not replacing the outdated learning agreements with the revised learning agreements.

Repeat Finding

No.

Recommendation

The County should ensure that a process is in place to ensure all sites are utilizing the most current version of the learning agreements.

Current Status

Implemented.

2022-002

70000 – Instructional Materials

Criteria or Specific Requirements

As required by California *Education Code* Section 60119(b), the governing board shall provide 10 days' notice of the required public hearing.

Condition

The County provided 9 days' notice of the required public hearing.

Questioned Costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified as a result of our inquiry with the County's personnel, as well as the review of supporting documents.

Effect

The County has not complied with requirements identified in by California *Education Code* Section 60119(b), which states that the governing board shall provide 10 days' notice of the required public hearing.

Cause

No specific cause was identified, other than it was an oversight.

Repeat Finding

No.

Recommendation

The County should implement procedures to ensure that the notice of public hearing is posted for the time frame required as noted in the above referenced education code.

Current Status

Implemented

2022-003 10000 – Attendance (Charter School)

Criteria or Specific Requirements

Pursuant to California *Education Code* Section 47612, the Second Period Report of Attendance and Annual Period Report of Attendance submitted to the California Department of Education must reconcile back to supporting documents that the Local Educational Agency (LEA) has prepared in connection with the calculation of its Average Daily Attendance (ADA) reported on each of the reporting line items.

Condition

The College and Career Preparatory Academy (the Charter) reported 176.34 ADA on the Second Period Report of Attendance for grades 9-12. However, the reported ADA does not agree to the reports generated from the Charter's attendance system. Based on the reports generated from the Charter's attendance system the ADA for grades 9-12 should be 143.93 for the Second Period Report of Attendance. As a result, the Charter overreported 29.41 ADA.

Questioned Costs

The Charter has overclaimed 29.41 ADA for apportionment on its Second Period Report of Attendance. The penalty results in a decrease of approximately \$411,521. The estimated penalty was calculated using the CDE's LCFF Derived Value of ADA by Grade Span. The correct ADA was used for calculation of the yearend apportionment revenue and related accruals.

ADA Overclaimed: 29.41
Derived Value of ADA by Grade Span: \$13,992.56
Estimated Penalty: \$411,521

Context

The condition was identified through discussion with management and review of attendance records. The management had identified the issue and brought it to our attention. The correct ADA was used for calculation of the yearend apportionment revenue and related accruals.

Effect

The charter overclaimed 29.41 ADA on its Second Period Report of Attendance.

Cause

It appears to have materialized due to change in personnel that are responsible for accumulating and compiling the Charter's attendance reports.

Repeat Finding

No.

Recommendation

The County should provide additional attendance training for the personnel involved in the preparation and review of the Reports of Attendance.

Current Status

Implemented.