

**ORANGE UNIFIED SCHOOL DISTRICT
ORANGE COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2023**

NIGRO & NIGRO^{PC}

ORANGE UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2023
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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Orange Unified School District
Orange, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orange Unified School District, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Orange Unified School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District has implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Accordingly, the beginning net position on the Statement of Activities has been restated to adopt this standard. Our opinion is not modified with respect to this matter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
December 6, 2023

ORANGE UNIFIED SCHOOL DISTRICT
Management’s Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

This discussion and analysis of Orange Unified School District’s financial performance provides an overview of the District’s financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

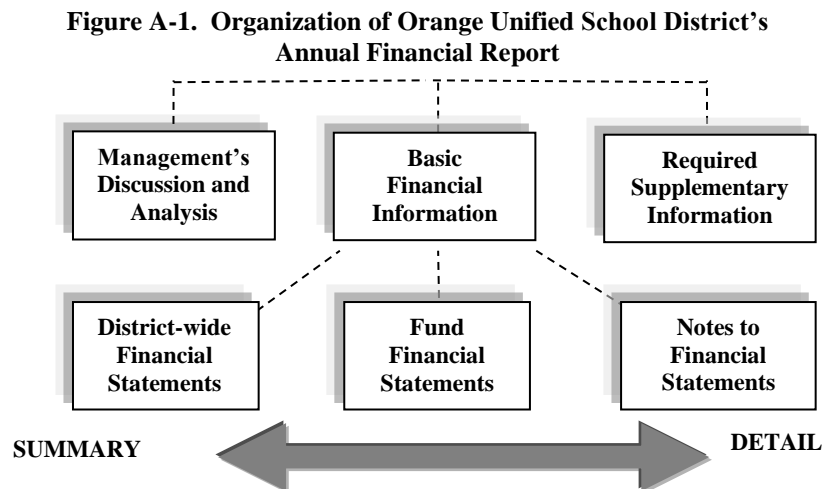
- The District-wide net position, consisting of the entire activities of the District except fiduciary activities, increased by roughly \$139.0 million or 189.9% over the course of the year.
- Overall District-wide revenues were \$502.0 million.
- The total cost of basic programs was \$363.0 million.
- The District increased its outstanding long-term debt by \$89.5 million or 15.5%. This was primarily due to an increase in the net pension liability.
- Governmental funds increased by \$81.9 million, or 27.8%.
- Reserves for the General Fund decreased \$64.6 million from the prior year. Revenues were \$430.4 million and expenditures were \$363.8 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



ORANGE UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

District-Wide Statements

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- 1) **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- 2) **Proprietary funds** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the District-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured programs for workers' compensation claims.

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

- 3) **Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's fiduciary funds include CFD custodial funds and an OPEB Trust Fund. The accounting used for fiduciary funds is much like that used for proprietary funds. Individual fund data for the District's fiduciary funds are provided in the form of combining statements elsewhere in this report.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2023, than it was the year before – increasing 189.8% to \$212.3 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance
	2023	2022*	Increase (Decrease)
Assets			
Current assets	\$ 423,146,641	\$ 336,359,253	\$ 86,787,388
Net OPEB asset	32,633,605	6,839,546	25,794,059
Capital assets	426,167,979	400,636,399	25,531,580
Total assets	881,948,225	743,835,198	138,113,027
Total deferred outflows of resources	131,872,734	104,184,929	27,687,805
Liabilities			
Current liabilities	34,994,062	27,800,147	7,193,915
Long-term liabilities	665,621,885	576,163,401	89,458,484
Total liabilities	700,615,947	603,963,548	96,652,399
Total deferred inflows of resources	100,948,215	170,822,990	(69,874,775)
Net position			
Net investment in capital assets	232,313,440	218,677,069	13,636,371
Restricted	116,247,529	66,993,224	49,254,305
Unrestricted	(136,304,172)	(212,436,704)	76,132,532
Total net position	\$ 212,256,797	\$ 73,233,589	\$ 139,023,208

*As restated

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Changes in net position, governmental activities. The District's total revenues increased 31.3% to \$502.0 million (See Table A-2). The increase is due primarily to additional federal and state grants.

The total cost of all programs and services increased 13.8% to \$363.0 million. The District's expenses are predominantly related to educating and caring for students, 78.4%. The purely administrative activities of the District accounted for just 5.0% of total costs. A significant contributor to the increase in costs was negotiated salary increases.

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2023	2022	
Revenues			
Program Revenues:			
Charges for services	\$ 8,260,630	\$ 7,342,990	\$ 917,640
Operating grants and contributions	151,298,130	99,986,921	51,311,209
Capital grants and contributions	25,287,823	-	25,287,823
General Revenues:			
Property taxes	220,657,569	200,776,624	19,880,945
Federal and state aid not restricted	88,584,509	66,071,719	22,512,790
Other general revenues	7,892,703	8,028,683	(135,980)
Total Revenues	501,981,364	382,206,937	119,774,427
Expenses			
Instruction-related	240,510,706	214,026,246	26,484,460
Pupil services	44,023,087	38,424,007	5,599,080
Administration	18,104,241	15,667,365	2,436,876
Plant services	35,427,119	33,606,110	1,821,009
All other activities	24,893,003	17,355,058	7,537,945
Total Expenses	362,958,156	319,078,786	43,879,370
Increase (decrease) in net position	\$ 139,023,208	\$ 63,128,151	\$ 75,895,057
Total net position	\$ 212,256,797	\$ 73,233,589	\$ 139,023,208

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$376.2 million, which is above last year's ending fund balance of \$294.3 million. The primary cause of the increased fund balance is a surplus in the General Fund.

Table A-3: The District's Fund Balances

Fund	Fund Balances				
	July 1, 2022*	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2023
General Fund	\$ 117,423,994	\$ 430,385,339	\$ 363,795,402	\$ (1,339,729)	\$ 182,674,202
Student Activity Fund	2,139,607	4,126,957	4,049,047	-	2,217,517
Charter School Fund	5,521,707	14,784,669	11,346,793	(609,185)	8,350,398
Adult Education Fund	4,881	9,862	7,791	-	6,952
Child Development Fund	1,318,326	9,214,084	7,003,782	-	3,528,628
Cafeteria Fund	5,118,814	15,966,444	12,098,568	596	8,987,286
Deferred Maintenance Fund	3,460,411	109,337	815,462	-	2,754,286
Special Reserve Fund (Other Than Capital Outlay)	1,153,703	34,064	-	(211,087)	976,680
Building Fund	126,289,466	1,903,123	19,847,141	120,413	108,465,861
Capital Facilities Fund	3,933,136	795,308	171,043	-	4,557,401
County School Facilities Fund	-	24,785,865	-	-	24,785,865
Special Reserve Fund (Capital Outlay)	7,492,880	604,995	6,503,639	4,177,001	5,771,237
Capital Projects Fund for Blended Component Units	821,820	11,151	131,437	-	701,534
Bond Interest and Redemption Fund	5,977,536	11,261,079	9,799,928	-	7,438,687
Debt Service Fund for Blended Component Units	21	1	609,206	609,185	1
Debt Service Fund	13,672,805	7,767,054	4,186,013	(2,288,035)	14,965,811
	<u>\$ 294,329,107</u>	<u>\$ 521,759,332</u>	<u>\$ 440,365,252</u>	<u>\$ 459,159</u>	<u>\$ 376,182,346</u>

*As restated

General Fund Budgetary Highlights

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

- Revenues – increased by \$97.1 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased \$17.3 million to reflect revised cost estimates.
- Other non-personnel expenses – increased \$41.2 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$41.8 million, the actual results for the year show that revenues exceeded expenditures by roughly \$66.6 million. Actual revenues were \$4.1 million less than anticipated, and expenditures were \$28.8 million less than budgeted.

ORANGE UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2022-23 the District had invested \$35.1 million in new capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$9.2 million and amortization expense was \$0.9 million.

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

	Governmental Activities		Variance Increase (Decrease)
	2023	2022*	
Land	\$ 19,082,424	\$ 19,082,424	\$ -
Improvement of sites	19,014,022	4,949,696	14,064,326
Buildings	309,605,091	221,688,705	87,916,386
Equipment	6,638,043	5,505,387	1,132,656
Construction in progress	70,437,683	147,701,709	(77,264,026)
Subscription assets	1,390,716	1,708,478	(317,762)
Total	\$ 426,167,979	\$ 400,636,399	\$ 25,531,580

*As restated

Long-Term Debt

At year-end the District had \$665.6 million in long term debt – an increase of 15.5% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Notes 7-9 to the financial statements).

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

	Governmental Activities		Variance Increase (Decrease)
	2023	2022*	
General obligation bonds	\$ 286,120,611	\$ 286,455,913	\$ (335,302)
Certificates of participation	9,066,035	9,328,703	(262,668)
Certificates of participation - 2012 Site Lease Agreement	4,250,618	8,255,278	(4,004,660)
Retirement health benefits funding bonds	58,570,000	60,835,000	(2,265,000)
Capital leases	3,648,322	4,424,197	(775,875)
Supplementary retirement plan	5,892,992	7,857,323	(1,964,331)
Subscription-based IT agreements	997,752	733,832	263,920
Compensated absences	5,050,033	4,696,116	353,917
Claims liability	8,357,000	7,897,000	460,000
Net pension liability	283,668,522	185,680,039	97,988,483
Total	\$ 665,621,885	\$ 576,163,401	\$ 89,458,484

*As restated

ORANGE UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2023

FACTORS BEARING ON THE DISTRICT'S FUTURE

State Budget

The Legislature passed an initial budget package on June 15, 2023. The Legislature's budget package adopted LAO estimates of local property tax revenues, which resulted in an increase to the Proposition 98 guarantee by \$2.1 billion across 2022-23 and 2023-24. The legislative package used this additional funding primarily to help maintain previously approved programs. Relative to the May Revision, the Legislature's budget package also: (1) reallocated projected unspent funds in child care and State Preschool programs to increase provider rates and reduce family fees beginning October 1, 2023; (2) included a slightly different mix of reductions as the Governor from climate change-related packages (although a similar overall level); (3) restored \$1 billion in 2023-24 in proposed General Fund reductions to transit capital funding and added flexibility to allow local agencies to use this funding for operations; (4) rejected the Governor's proposals to use General Fund cash to pay for certain capital outlay project costs, instead using lease revenue bond financing to pay for these costs; and (5) accelerated the time line to spend funds for MCO tax-related augmentations to around four years from eight to ten years. The Legislature passed an amended budget act and associated trailer bills on June 27, 2023 and June 29, 2023.

K-14 Education

Funds Modest Increase in School and Community College Funding

The Proposition 98 minimum guarantee depends upon various formulas that adjust for several factors, including changes in state General Fund revenue. For 2022-23, the guarantee is down \$3 billion (2.7 percent) compared with the estimates made in June 2022. The decrease in the guarantee is primarily attributable to lower General Fund revenue estimates, somewhat offset by higher local property tax revenue. For 2023-24, the guarantee increases by \$953 million (0.9 percent) relative to the revised 2022-23 level. For 2023-24, projected increases in property tax revenue offset declines associated with lower General Fund revenue estimates.

Increase in Required Reserve Deposits

In certain circumstances, the Constitution requires the state to deposit some of the available Proposition 98 funding into a statewide reserve account for schools and community colleges. Under the adopted budget plan, the state deposits a total of \$7.5 billion into this account across the 2021-22 through 2023-24 period—an increase of \$1.3 billion compared with the estimates made in June 2022. The higher required deposits are primarily due to revenue estimates from the administration that have capital gains accounting for a larger share of General Fund revenue over the period.

Provides Large COLA to School and Community College Districts

In addition to the required reserve deposits, the budget package has several ongoing and one-time increases. The largest ongoing augmentation is \$4.8 billion to provide an 8.22 percent COLA for K-12 and community college programs. In K-12, the budget also includes \$300 million ongoing targeted to low-income schools with relatively high rates of student mobility within the school year, as well as \$250 million one time for literacy coaches and reading specialists.

Budget Has Notable K-14 Structural Gap

The 2023-24 Proposition 98 spending level is not sufficient to fully fund all ongoing spending authorized in the budget package. To cover these costs, the budget package uses \$1.9 billion in one-time, prior-year funding to fund the primary school and community college funding formulas (\$1.6 billion for schools and \$290 million for California Community Colleges). Using one-time funds to cover ongoing costs creates a deficit in the Proposition 98 budget the following year.

ORANGE UNIFIED SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2023

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

Funds School Facilities Grants

The 2022-23 budget package provided \$1.3 billion one-time non-Proposition 98 General Fund to cover the state share for new construction and modernization projects under the School Facility Program (SFP). The 2022-23 budget package also included intent language to provide an additional \$2.1 billion in 2023-24 and \$875 million in 2024-25. The budget provides about \$2 billion to the SFP in 2023-24, which is \$100 million less than the previously intended augmentation, and continues to assume an additional \$875 million will be provided in 2024-25. The budget also delays the intended \$550 million non-Proposition 98 General Fund increase to the California Preschool, Transitional Kindergarten and Full-Day Kindergarten Facilities Grant Program from 2023-24 to 2024-25.

All of these factors were considered in preparing the Orange Unified School District budget for the 2023-24 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact: David Rivera, Deputy Superintendent, Business Services/CBO at (714) 628-4479 or drivera@orangeusd.org. Additional information about the District's operations can be found on the District's Business Services Division webpage at the following link: <https://www.orangeusd.org/departments/business-services>.

ORANGE UNIFIED SCHOOL DISTRICT

Statement of Net Position

June 30, 2023

	Total Governmental Activities
ASSETS	
Deposits and investments	\$ 392,277,750
Accounts receivable	30,588,158
Inventories	280,733
Net OPEB asset	32,633,605
Capital assets:	
Non-depreciable assets	89,520,107
Depreciable assets	457,786,262
Less accumulated depreciation	(122,529,106)
Subscription assets	2,283,614
Less accumulated amortization	(892,898)
Total assets	<u>881,948,225</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	63,652
Deferred outflows from OPEB	22,138,716
Deferred outflows from pensions	<u>109,670,366</u>
Total deferred outflows of resources	<u>131,872,734</u>
LIABILITIES	
Accounts payable	24,572,185
Accrued interest payable	5,059,774
Unearned revenue	5,362,103
Noncurrent liabilities:	
Due or payable within one year	12,305,077
Due in more than one year:	
Other than pensions	369,648,286
Net pension liability	<u>283,668,522</u>
Total liabilities	<u>700,615,947</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from OPEB	26,379,435
Deferred inflows from pensions	<u>74,568,780</u>
Total deferred inflows of resources	<u>100,948,215</u>
NET POSITION	
Net investment in capital assets	232,313,440
Restricted for:	
Capital projects	8,940,377
Debt service	22,404,499
Educational programs	76,229,646
Student activity	2,217,517
Self-Insurance	8,673,007
Unrestricted	<u>(136,304,172)</u>
Total net position	<u>\$ 212,256,797</u>

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instructional Services:					
Instruction	\$ 191,128,209	\$ 641,971	\$ 81,191,044	\$ 25,287,823	\$ (84,007,371)
Instruction-Related Services:					
Supervision of instruction	15,088,365	86,184	5,622,826	-	(9,379,355)
Instructional library, media and technology	9,943,847	181,075	520,321	-	(9,242,451)
School site administration	24,350,285	137,016	216,909	-	(23,996,360)
Pupil Support Services:					
Home-to-school transportation	10,366,497	-	2,056	-	(10,364,441)
Food services	12,284,441	35,298	18,354,592	-	6,105,449
All other pupil services	21,372,149	47,083	6,998,509	-	(14,326,557)
General Administration Services:					
Data processing services	2,622,645	8,572	12,385	-	(2,601,688)
Other general administration	15,481,596	31,763	2,751,705	-	(12,698,128)
Plant services	35,427,119	20,512	15,565,048	-	(19,841,559)
Ancillary services	6,545,931	-	4,103,717	-	(2,442,214)
Community services	161,912	-	-	-	(161,912)
Enterprise activities	64,461	-	-	-	(64,461)
Interest on long-term debt	12,930,750	-	-	-	(12,930,750)
Other outgo	4,297,051	7,071,156	15,959,018	-	18,733,123
Amortization (unallocated)	892,898	-	-	-	(892,898)
Total Governmental Activities	\$ 362,958,156	\$ 8,260,630	\$ 151,298,130	\$ 25,287,823	(178,111,573)

General Revenues:

Property taxes	220,657,569
Federal and state aid not restricted to specific purpose	88,584,509
Interest and investment earnings	(1,520,473)
Interagency revenues	1,088,866
Miscellaneous	8,324,310
Total general revenues	317,134,781
Change in net position	139,023,208
Net position - July 1, 2022, as originally stated	69,007,489
Adjustments for restatements (Note 12)	4,226,100
Net position - July 1, 2022	73,233,589
Net position - June 30, 2023	\$ 212,256,797

ORANGE UNIFIED SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Deposits and investments	\$ 177,559,170	\$ 114,836,911	\$ 82,902,223	\$ 375,298,304
Accounts receivable	25,936,315	361,338	4,240,056	30,537,709
Due from other funds	220,559	-	691,844	912,403
Inventories	154,297	-	126,436	280,733
Prepaid expenditures	-	-	-	-
Total Assets	<u>\$ 203,870,341</u>	<u>\$ 115,198,249</u>	<u>\$ 87,960,559</u>	<u>\$ 407,029,149</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 15,191,263	\$ 6,732,388	\$ 2,573,470	\$ 24,497,121
Due to other funds	761,090	-	226,489	987,579
Unearned revenue	4,267,106	-	1,094,997	5,362,103
Total Liabilities	<u>20,219,459</u>	<u>6,732,388</u>	<u>3,894,956</u>	<u>30,846,803</u>
Fund Balances				
Nonspendable	254,297	-	161,436	415,733
Restricted	62,471,520	108,465,861	72,807,918	243,745,299
Committed	85,391,441	-	2,754,286	88,145,727
Assigned	22,372,081	-	8,341,963	30,714,044
Unassigned	13,161,543	-	-	13,161,543
Total Fund Balances	<u>183,650,882</u>	<u>108,465,861</u>	<u>84,065,603</u>	<u>376,182,346</u>
Total Liabilities and Fund Balances	<u>\$ 203,870,341</u>	<u>\$ 115,198,249</u>	<u>\$ 87,960,559</u>	<u>\$ 407,029,149</u>

ORANGE UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2023

Total fund balances - governmental funds \$ 376,182,346

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

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

Capital assets at historical cost	547,306,369	
Accumulated depreciation	(122,529,106)	
Subscription assets	2,283,614	
Accumulated amortization	<u>(892,898)</u>	
Net:		426,167,979

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

63,652

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

(5,059,774)

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

General obligation bonds payable	286,120,611	
Certificates of participation payable	9,066,035	
Site lease agreement	4,250,618	
Retirement health benefits funding bonds	58,570,000	
Capital lease payable	3,648,322	
Supplementary Retirement Plan	5,892,992	
Subscription-Based IT Agreements	997,752	
Compensated absences	5,050,033	
Net pension liability	<u>283,668,522</u>	
Total		(657,264,885)

In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government wide statements, postemployment benefits costs are recognized in the period they are incurred. The other postemployment benefit net asset is a result of accumulated plan assets that are an irrevocable contribution and dedicated to providing benefits to retirees, in excess of the total OBEB liability.

32,633,605

In governmental funds, deferred outflows and inflows of resources relating to pensions and other post employment benefits (OPEB) are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.

Deferred outflows of resources	131,809,082	
Deferred inflows of resources	<u>(100,948,215)</u>	
Net:		30,860,867

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

8,673,007

Total net position - governmental activities \$ 212,256,797

ORANGE UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2023

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 273,907,943	\$ -	\$ 10,629,798	\$ 284,537,741
Federal sources	34,060,502	-	9,368,079	43,428,581
Other state sources	107,545,008	-	36,455,565	144,000,573
Other local sources	14,905,950	1,903,123	32,983,364	49,792,437
Total Revenues	430,419,403	1,903,123	89,436,806	521,759,332
EXPENDITURES				
Current:				
Instruction	211,392,352	-	11,860,816	223,253,168
Instruction-related services:				
Supervision of instruction	16,901,865	-	458,153	17,360,018
Instructional library, media and technology	10,098,948	-	264,833	10,363,781
School site administration	23,445,434	-	3,126,657	26,572,091
Pupil support services:				
Home-to-school transportation	13,304,032	-	148,700	13,452,732
Food services	81,486	-	11,862,109	11,943,595
All other pupil services	24,131,182	-	473,237	24,604,419
Ancillary services	2,706,719	-	4,063,309	6,770,028
Community services	155,255	-	-	155,255
Enterprise activities	2,552,164	-	-	2,552,164
General administration services:				
Data processing services	2,983,316	-	10,170	2,993,486
Other general administration	13,855,633	-	191,420	14,047,053
Plant services	31,975,781	-	1,661,703	33,637,484
Transfers of indirect costs	(505,344)	-	505,344	-
Intergovernmental	1,595,566	-	149,321	1,744,887
Capital outlay	4,207,408	19,847,141	7,351,790	31,406,339
Debt service:				
Principal	3,236,114	-	4,249,660	7,485,774
Interest	1,677,491	-	10,345,487	12,022,978
Total Expenditures	363,795,402	19,847,141	56,722,709	440,365,252
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	66,624,001	(17,944,018)	32,714,097	81,394,080
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	120,413	4,907,195	5,027,608
Interfund transfers out	(2,009,975)	-	(3,017,633)	(5,027,608)
Proceeds from subscriptions	459,159	-	-	459,159
Total Other Financing Sources and Uses	(1,550,816)	120,413	1,889,562	459,159
Net Change in Fund Balances	65,073,185	(17,823,605)	34,603,659	81,853,239
Fund Balances, July 1, 2022, as originally stated	115,326,243	126,289,466	49,461,944	291,077,653
Adjustment for Restatement (Note 12)	3,251,454	-	-	3,251,454
Fund Balances, July 1, 2022, as restated	118,577,697	126,289,466	49,461,944	294,329,107
Fund Balances, June 30, 2023	\$ 183,650,882	\$ 108,465,861	\$ 84,065,603	\$ 376,182,346

ORANGE UNIFIED SCHOOL DISTRICT

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

Total net change in fund balances - governmental funds \$ 81,853,239

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

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

Expenditures for capital outlay	35,061,653	
Depreciation expense	(9,212,311)	
Expenditures for subscriptions	575,136	
Amortization expense	<u>(892,898)</u>	
Net:		25,531,580

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as a reduction of liabilities. Expenditures for repayment of the principal portion of long term debt were: 7,485,774

In governmental funds, proceeds from debt issuances are reported as other financing sources. In the government-wide statements, proceeds from debt issuances are reported as a liability. Proceeds from debt for the year were: (459,159)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. Deferred amounts on refunding amortized during the year were: (63,665)

In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period was: 352,970

In governmental funds, interest on long-term debt is recognized in the period it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: (1,197,108)

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statements of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was: (353,917)

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time. This year, such liabilities changed by: 1,964,331

In government funds, pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis and actual employer contributions was: 19,143,870

In government funds, OPEB costs are recognized when employer contributions are made in the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between accrual-basis and actual employer contributions was: 6,287,951

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: (1,522,658)

Change in net position of governmental activities \$ 139,023,208

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2023

	Governmental Activities
	Internal Service Fund
ASSETS	
Deposits and investments	\$ 16,979,446
Accounts receivable	50,449
Due from other funds	75,651
	<hr/>
Total assets	17,105,546
	<hr/>
LIABILITIES	
Current liabilities:	
Accounts payable	75,064
Due to other funds	475
Total current liabilities	75,539
Non-current liabilities:	
Estimated liability for open claims and IBNRs	8,357,000
	<hr/>
Total liabilities	8,432,539
	<hr/>
NET POSITION	
Restricted	\$ 8,673,007
	<hr/> <hr/>

ORANGE UNIFIED SCHOOL DISTRICT*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2023*

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Self-insurance premiums	\$ 3,403,081
OPERATING EXPENSES	
Payments for personnel costs	351,501
Payments for materials and supplies	169
Payments for claims and other operating expenses	4,651,735
Total operating expenses	5,003,405
OPERATING INCOME (LOSS)	(1,600,324)
NON-OPERATING REVENUES	
Interest income	420,032
Fair market value adjustment	(342,366)
Total non-operating expenses	77,666
Change in net position	(1,522,658)
Net position, July 1, 2022	10,195,665
Net position, June 30, 2023	\$ 8,673,007

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2023

	Governmental Activities
	Internal Service Fund
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>	
Received from in-district premiums	\$ 3,402,575
Payments to employees and fringe benefits	(541,293)
Payments to vendors and suppliers	(75,256)
Payments on insurance claims	<u>(4,191,735)</u>
Net cash provided (used) by operating activities	(1,405,709)
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>	
Investment income	<u>37,250</u>
Net increase (decrease) in cash and cash equivalents	(1,368,459)
Cash and cash equivalents, July 1, 2022	<u>18,347,905</u>
Cash and cash equivalents, June 30, 2023	<u>\$ 16,979,446</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>	
Operating income (loss)	<u>\$ (1,600,324)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets, liabilities, and deferred outflows of resources:	
Due from other funds	(506)
Estimated liability for open claims and IBNRs	460,000
Accounts payable and accrued liabilities	(75,087)
Due to other funds	<u>(189,792)</u>
Net cash provided (used) by operating activities	<u>\$ (1,405,709)</u>

ORANGE UNIFIED SCHOOL DISTRICT*Statement of Fiduciary Net Position**June 30, 2023*

	Debt Service Fund for Special Tax Bonds	Retiree Benefits Fund
ASSETS		
Deposits and investments	\$ 754,227	\$ 109,448,527
Accounts receivable	-	564
Prepays	-	518,399
Total assets	<u>754,227</u>	<u>109,967,490</u>
LIABILITIES		
Accounts payable	-	3,625
Total liabilities	<u>-</u>	<u>3,625</u>
NET POSITION		
Restricted for debt service	754,227	-
Restricted for postemployment benefits	<u>-</u>	<u>109,963,865</u>
Total net position	<u>\$ 754,227</u>	<u>\$ 109,963,865</u>

ORANGE UNIFIED SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
June 30, 2023

	Debt Service Fund for <u>Special Tax Bonds</u>	Retiree Benefits <u>Fund</u>
ADDITIONS		
Investment income	\$ 23	\$ 7,137,098
Increase (decrease) in fair value of investments	-	921,735
Other income	<u>846,840</u>	<u>-</u>
Total Additions	<u>846,863</u>	<u>8,058,833</u>
DEDUCTIONS		
Administrative expenses	2,200	-
Benefit payments	-	6,151,598
Debt service	<u>812,528</u>	<u>-</u>
Total Deductions	<u>814,728</u>	<u>6,151,598</u>
Change in net position	32,135	1,907,235
Net position - July 1, 2022	<u>722,092</u>	<u>108,056,630</u>
Net position - June 30, 2023	<u>\$ 754,227</u>	<u>\$ 109,963,865</u>

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

The Orange Schools Financing Corporation (the "Corporation") financial activity is presented in the financial statements as the Capital Projects for Blended Component Units Fund and the Debt Service for Blended Component Units Fund. Certificates of participation and other debt issued by the Corporation are included as long-term liabilities in the District-wide financial statements. Individually prepared financial statements are not prepared for the Corporation.

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

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

District-Wide Financial Statements

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

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

District-Wide Financial Statements (continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds (and blended component units). Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. The District also maintains a Special Reserve Fund for Other Than Capital Outlay which does not currently meet the definition of a special revenue fund as it is not composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in the Fund is being reported within the General Fund.

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Non-Major Governmental Funds

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

Student Activity Fund: The District maintains a separate fund for each school that operates an ASB fund, whether it is organized or not.

Charter Schools Special Revenue Fund: This fund may be used by authorizing the District to account separately for the operating activities of District-operated charter schools that would otherwise be reported in the authorizing District's general fund.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.

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

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

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

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

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

County School Facilities Fund: This fund is used primarily to account 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 17070.10 et seq.).

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

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

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

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

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Debt Service Funds: (continued)

Debt Service Fund: This fund is used for the accumulation of resources for and the retirement of principal and interest on certificates of participation.

Debt Service Fund for Blended Component Units: This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

Proprietary Funds: These funds are used to account for activities that are more business-like than government-like in nature. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary fund:

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

Fiduciary Funds

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

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

Retiree Benefit Fund: This fund exists to account separately for amounts held in trust from salary reduction agreements, other irrevocable contributions for employees' retirement benefit payments, or both.

2. Measurement Focus, Basis of Accounting

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

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

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Measurement Focus, Basis of Accounting (continued)

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

As a general rule the effect of interfund activity has been eliminated from the District-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

C. Budgetary Data

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

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. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Encumbrances

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

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

1. Cash and Cash Equivalents

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

2. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

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

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

Description	Estimated Lives
Buildings and improvements	20-50 years
Improvements/infrastructure	5-50 years
Equipment	5-20 years

4. Unearned Revenue

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

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

5. Compensated Absences

The liability for compensated absences reported in the District-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Subscription-Based Information Technology Arrangements

A SBITA is defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which the District has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend or to terminate.

The District recognizes a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The District recognizes the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability is measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the interest rate the SBITA vendor charges the District which may be implicit, or the District's incremental borrowing rate if the interest rate is not readily determinable. The District recognizes amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

7. Postemployment Benefits Other Than Pensions (OPEB)

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

8. Leases

Lessee:

At the commencement of a lease, the District initially 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, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. Leases (continued)

Lessee: (continued)

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor:

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

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

9. Pensions

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

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Fund Balances

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

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

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

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

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

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

11. Net Position

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

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

11. Net Position (continued)

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

F. Minimum Fund Balance Policy

The District has not adopted a formal minimum fund balance policy, as recommended by GASB Statement No. 54; however, the District follows the guidelines recommended in the Criteria and Standards of Assembly Bill (AB) 1200, which recommend a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

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

G. Property Tax Calendar

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

H. Use of Estimates

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

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Governmental funds	\$ 375,298,304
Proprietary funds	16,979,446
Governmental activities	<u>392,277,750</u>
Fiduciary funds	110,202,754
Total deposits and investments	<u>\$ 502,480,504</u>

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

Cash on hand and in banks	\$ 2,635,415
Cash in revolving fund	135,000
Cash collections awaiting deposit	418,461
Investments	499,291,628
Total deposits and investments	<u>\$ 502,480,504</u>

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest-bearing Orange County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the Orange County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Orange County Treasurer, which is recorded on the amortized basis.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2023, \$2,153,415 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments - Interest Rate Risk

The District's investment does not limit investment maturities. The Superintendent or his/her designee shall have the responsibility for all decisions and activities performed under the District's investment policy, under the discretion of the Board. Maturities of investments held at June 30, 2023, consist of the following:

	Reported Amount	Maturity		Fair Value Measurement	Rating
		Less Than One Year	One Year Through Five Years		
Investments:					
County Pool	\$ 388,996,726	\$ 388,996,726	\$ -	Uncategorized	N/A
US Bank Money Market	754,227	754,227	-	Level 2	N/A
Benefit Trust Company:					
Mutual Fund - Fixed Income	72,286,939	72,286,939	-	Level 2	N/A
Mutual Fund - Domestic Equity	24,616,950	24,616,950	-	Level 2	N/A
Mutual Fund - International Equity	7,408,314	7,408,314	-	Level 2	N/A
Mutual Fund - Real Estate	5,228,472	5,228,472	-	Level 2	N/A
Total Investments	<u>\$ 499,291,628</u>	<u>\$ 499,291,628</u>	<u>\$ -</u>		

Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by *State Government Code* Section 53600. At June 30, 2023, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2023, the District had the following investments that represent more than five percent of the District's net investments, excluding cash in the county treasury.

Mutual Fund - Fixed Income	66%
Mutual Fund - Domestic Equity	22%
Mutual Fund - International Equity	7%
Mutual Fund - Real Estate	5%

Fair Value Measurements

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

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

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

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

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

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

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2023, consisted of the following:

	Governmental Funds				Proprietary Fund	Fiduciary Funds
	General Fund	Building Fund	Non-Major Governmental Funds	Totals	Self-Insurance Fund	Retiree Benefit Fund
Federal Government:						
Categorical aid programs	\$ 9,733,910	\$ -	\$ 2,200,757	\$ 11,934,667	\$ -	\$ -
State Government:						
LCFF	3,325,655	-	169,897	3,495,552	-	-
Lottery	1,449,471	-	68,770	1,518,241	-	-
Other state resources	7,619,929	-	1,409,946	9,029,875	-	-
Local:						
Interest	625,324	361,338	263,977	1,250,639	50,449	564
Other local resources	3,182,026	-	126,709	3,308,735	-	-
Total	\$ 25,936,315	\$ 361,338	\$ 4,240,056	\$ 30,537,709	\$ 50,449	\$ 564

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2023, consisted of the following:

	Due From Other Funds				
	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund	Total
General Fund	\$ -	\$ 691,844	\$ 691,844	\$ 69,246	\$ 761,090
Non-Major Governmental Funds	220,084	-	220,084	6,405	226,489
Self-Insurance Fund	475	-	475	-	475
Total	\$ 220,559	\$ 691,844	\$ 912,403	\$ 75,651	\$ 988,054

General Fund due to Internal Service Fund for employee benefits.	\$ 69,246
General Fund due to Charter Schools Special Revenue Fund for LCFF payment.	691,844
Non-major funds due to General Fund for oversight fees, printing/postage, transportation, waste disposal charges, and payroll taxes.	220,084
Non-major funds due to Internal Service Fund for employee benefits.	6,405
Internal Service Fund due to General Fund for payroll taxes.	475
Total	\$ 988,054

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 4 – INTERFUND TRANSACTIONS (continued)

B. Transfers To/From Other Funds

Transfers to/from other funds during the year ended June 30, 2023, consisted of the following:

General Fund transfer to Cafeteria Fund for catering events and use tax	\$	596
General Fund transfer to Special Reserve Fund for Capital Outlay Projects for transportation infrastructure		2,009,379
Charter School Fund to Debt Service Fund for Blended Component Units for COP payment		609,185
Special Reserve Fund for Capital Outlay Projects transfer to Building Fund for contractor liquidated damages		120,413
Debt Service Fund transfer to Special Reserve Fund for Capital Outlay Projects for approved projects		<u>2,288,035</u>
Total	\$	<u><u>5,027,608</u></u>

NOTE 5 – FUND BALANCES

At June 30, 2023, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 100,000	\$ -	\$ 35,000	\$ 135,000
Inventories	154,297	-	126,436	280,733
Total Nonspendable	<u>254,297</u>	<u>-</u>	<u>161,436</u>	<u>415,733</u>
Restricted:				
Categorical programs	62,471,520	-	1,371,696	63,843,216
Student activity	-	-	2,217,517	2,217,517
Adult education program	-	-	6,952	6,952
Child development program	-	-	3,528,628	3,528,628
Food service program	-	-	8,850,850	8,850,850
Capital projects	-	108,465,861	34,427,776	142,893,637
Debt service	-	-	22,404,499	22,404,499
Total Restricted	<u>62,471,520</u>	<u>108,465,861</u>	<u>72,807,918</u>	<u>243,745,299</u>
Committed:				
Other commitments	85,391,441	-	-	85,391,441
Deferred maintenance program	-	-	2,754,286	2,754,286
Total Committed	<u>85,391,441</u>	<u>-</u>	<u>2,754,286</u>	<u>88,145,727</u>
Assigned:				
Building fund debt service	-	-	1,043,859	1,043,859
Multi-year stabilization fund	-	-	1,980,346	1,980,346
23-24 Budget commitments	-	-	2,557,245	2,557,245
Reserve for economic uncertainties	-	-	1,372,252	1,372,252
Other assignments	22,372,081	-	1,388,261	23,760,342
Total Assigned	<u>22,372,081</u>	<u>-</u>	<u>8,341,963</u>	<u>30,714,044</u>
Unassigned:				
Reserve for economic uncertainties	11,066,527	-	-	11,066,527
Remaining unassigned balances	2,095,016	-	-	2,095,016
Total Unassigned	<u>13,161,543</u>	<u>-</u>	<u>-</u>	<u>13,161,543</u>
Total	<u>\$ 183,650,882</u>	<u>\$ 108,465,861</u>	<u>\$ 84,065,603</u>	<u>\$ 376,182,346</u>

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance, July 1, 2022*	Additions	Retirements	Balance, June 30, 2023
Capital assets not being depreciated:				
Land	\$ 19,082,424	\$ -	\$ -	\$ 19,082,424
Construction in progress	147,701,709	33,734,013	110,998,039	70,437,683
Total capital assets not being depreciated	<u>166,784,133</u>	<u>33,734,013</u>	<u>110,998,039</u>	<u>89,520,107</u>
Capital assets being depreciated:				
Improvement of sites	15,945,221	14,995,579	-	30,940,800
Buildings	309,717,686	95,065,799	-	404,783,485
Equipment	19,797,676	2,264,301	-	22,061,977
Total capital assets being depreciated	<u>345,460,583</u>	<u>112,325,679</u>	<u>-</u>	<u>457,786,262</u>
Accumulated depreciation for:				
Improvement of sites	(10,995,525)	(931,253)	-	(11,926,778)
Buildings	(88,028,981)	(7,149,413)	-	(95,178,394)
Equipment	(14,292,289)	(1,131,645)	-	(15,423,934)
Total accumulated depreciation	<u>(113,316,795)</u>	<u>(9,212,311)</u>	<u>-</u>	<u>(122,529,106)</u>
Total capital assets being depreciated, net	<u>232,143,788</u>	<u>103,113,368</u>	<u>-</u>	<u>335,257,156</u>
Subscription assets:				
IT Subscriptions	1,708,478	575,136	-	2,283,614
Accumulated amortization for:				
IT Subscriptions	-	(892,898)	-	(892,898)
Total leased assets, net	<u>1,708,478</u>	<u>(317,762)</u>	<u>-</u>	<u>1,390,716</u>
Governmental activity capital assets, net	<u>\$ 400,636,399</u>	<u>\$ 136,529,619</u>	<u>\$ 110,998,039</u>	<u>\$ 426,167,979</u>

*As restated for implementation of GASB 96

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Instruction	\$ 5,631,056
Supervision of instruction	304,973
Instructional library, media and technology	165,857
School site administration	656,400
Home-to-school transportation	274,273
Food services	288,324
All other pupil services	377,515
Ancillary services	56,738
Community services	10,278
Centralized data processing	51,078
All other general administration	242,013
Plant services	1,153,806
Total depreciation expense	<u>\$ 9,212,311</u>

ORANGE UNIFIED SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2023

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

Changes in long-term debt for the fiscal year ended June 30, 2023, were as follows:

	Balance, July 1, 2022*	Additions	Deductions	Balance, June 30, 2023	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 277,865,000	\$ -	\$ -	\$ 277,865,000	\$ 1,570,000
Unamortized issuance premium	8,590,913	-	335,302	8,255,611	335,302
Total - Bonds	286,455,913	-	335,302	286,120,611	1,905,302
Certificates of Participation:					
Principal repayments	8,940,000	-	245,000	8,695,000	255,000
Unamortized issuance premium	388,703	-	17,668	371,035	17,669
Total - Certificates of Participation	9,328,703	-	262,668	9,066,035	272,669
Direct Borrowings and Private Placements:					
COPs - 2012 Agreement	8,255,278	-	4,004,660	4,250,618	4,250,618
Retirement Health Benefits Funding Bonds	60,835,000	-	2,265,000	58,570,000	2,310,000
Energy Financing Agreements	4,424,197	-	775,875	3,648,322	839,427
Supplementary Retirement Plan	7,857,323	-	1,964,331	5,892,992	1,964,331
Subscription-Based IT Agreements	733,832	459,159	195,239	997,752	762,730
Compensated Absences	4,696,116	353,917	-	5,050,033	-
Claims Liability	7,897,000	460,000	-	8,357,000	-
Totals	\$ 390,483,362	\$ 1,273,076	\$ 9,803,075	\$ 381,953,363	\$ 12,305,077

*As restated for implementation of GASB 96

Payments for general obligation bonds are made in the Bond Interest and Redemption Fund. Payments for the certificates of participation are made in the Debt Service Fund for Blended Component Units. Payments for the retirement health benefits funding bonds are made in the General Fund. Payments for Energy Financing Agreements and supplementary retirement plan are made in the General Fund. Payments for the direct placement agreement are made in the Debt Service Fund. Payments for compensated absences are typically paid by the fund for which the employee worked. Payments for claims liability are made by the Internal Service Fund. Payments for subscriptions are made by the General Fund.

A. General Obligation Bonds

On November 8, 2016, the voters of the District authorized the issuance and sale of \$288,000,000 principal amount of bonds to finance specific acquisition and construction costs and pay the costs of issuance associated with the bonds. The bonds are general obligations of the District, and the County is empowered and obligated to levy ad valorem taxes upon all property within the District subject to taxation for the payment of interest on and principal of the Bonds when due.

Below is a schedule of bonds issued and outstanding as of June 30, 2023.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023
2018	6/7/2018	8/1/2047	3.00-5.00%	\$ 188,000,000	\$ 177,865,000	\$ -	\$ -	\$ 177,865,000
2022	6/2/2022	8/1/2049	4.125%-5.00%	100,000,000	100,000,000	-	-	100,000,000
Subtotal Bonds					<u>\$ 277,865,000</u>	<u>\$ -</u>	<u>\$ 277,865,000</u>	<u>\$ 277,865,000</u>

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

A. General Obligation Bonds (continued)

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

Fiscal Year	Principal	Interest	Total
2023-2024	\$ 1,570,000	\$ 11,220,425	\$ 12,790,425
2024-2025	705,000	11,163,550	11,868,550
2025-2026	1,040,000	11,119,925	12,159,925
2026-2027	1,450,000	11,057,675	12,507,675
2027-2028	1,870,000	10,974,675	12,844,675
2028-2033	17,635,000	52,756,500	70,391,500
2033-2038	37,525,000	47,362,444	84,887,444
2038-2043	64,490,000	38,032,519	102,522,519
2043-2048	102,850,000	21,132,494	123,982,494
2048-2050	48,730,000	2,050,744	50,780,744
Totals	<u>\$ 277,865,000</u>	<u>\$ 216,870,951</u>	<u>\$ 494,735,951</u>

B. Certificates of Participation

2018 Certificates of Participation

On June 14, 2018, the Orange Schools Financing Corporation issued 2018 Financing Certificates of Participation in the amount of \$9,620,000. The certificates have a final maturity to occur on September 1, 2043, with interest rates ranging from 3.00% to 5.00%. Proceeds from the sale of the certificates were used to finance the construction and installation of the Fred Kelly Stadium at El Modena High School. At June 30, 2023, the principal balance outstanding was \$8,695,000.

The annual requirements to amortize all certificates are as follows:

Fiscal Year	Principal	Interest	Total
2023-2024	\$ 255,000	\$ 354,206	\$ 609,206
2024-2025	265,000	342,481	607,481
2025-2026	280,000	328,856	608,856
2026-2027	295,000	314,481	609,481
2027-2028	310,000	299,356	609,356
2028-2033	1,790,000	1,243,031	3,033,031
2033-2038	2,240,000	792,806	3,032,806
2038-2043	2,665,000	355,756	3,020,756
2043-2044	595,000	10,787	605,787
Totals	<u>\$ 8,695,000</u>	<u>\$ 4,041,760</u>	<u>\$ 12,736,760</u>

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

C. Direct Placements

Certificates of Participation - 2012 Site Lease Agreement

On September 27, 2012, the District entered into a site lease agreement with the Orange Schools Financing Corporation, which is considered a direct borrowing. In order to finance and refinance the construction and modernization of various school facilities throughout the District, the District had previously leased the land and improvements constituting Canyon High School and Canyon Hills School to the Corporation under a site lease dated as of May 1, 2003, and the District had concurrently leased the property back from the Corporation under a separate sub-lease agreement. The original lease agreement was evidenced by 2003 certificates of participation which were issued in the original principal amount of \$53 million.

Under the 2012 site lease agreement, the District and the Corporation have agreed to refinance the 2003 certificates. In order to raise the funds needed for that purpose, the Corporation has assigned certain of its rights under the site lease and the lease, including the right to receive and enforce payment of the lease payments which are payable by the District under the lease, to Banc of America Public Capital Corporation under an assignment agreement dated as of September 27, 2012. The District is authorized to enter into a lease-leaseback agreement with the Corporation under Section 17456 of the California Education Code. Additional borrowing of \$38,069,161 was issued to refinance the outstanding certificates. At June 30, 2023, deferred amount on refunding was \$63,652. In the event of default, the Corporation may exercise any and all remedies available under law or granted to it under the lease.

The agreement does not meet the criteria to be reported as a lease under GASB Statement No. 87.

Under the site lease agreement, the District will make debt service payments as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-2024	<u>\$ 4,250,618</u>	<u>\$ 79,699</u>	<u>\$ 4,330,317</u>

D. Retirement Health Benefits Funding Bonds

In May 2008, the District issued \$94,765,000 in retirement health benefits funding bonds (the “Bonds”). The Bonds were issued at an aggregate price of \$93,763,635 (representing the principal amount of \$94,765,000 less issuance costs of \$1,001,365). The Bonds have a final maturity to occur on May 1, 2043, with a variable interest rate (initially at 3.562%). Proceeds from the sale of bonds were used to refinance a portion of the District’s obligation to pay retirement medical and other health benefits owed to eligible employees and former employees pursuant to certain labor contracts.

On December 19, 2019, the District issued \$33,595,000 of Taxable Retirement Health Benefits Refunding Bonds, Series 2019A. The bonds bear fixed interest rates ranging between 1.80% and 2.85% with annual maturities from May 1, 2020 through May 1, 2033. The net proceeds of \$33,071,986 (after issuance costs of \$426,610 and original issuance discount of \$110,404) were used to advance refund \$32,965,000 of the District’s outstanding 2008 Retirement Health Benefits Funding Bonds.

On June 9, 2021, the District issued \$33,520,000 of Taxable Retirement Health Benefits Refunding Bonds, Series 2021. The bonds bear fixed interest rates ranging between 1.90% and 2.70% with annual maturities from May 1, 2033 through May 1, 2043. The net proceeds of \$33,048,212 (after issuance costs of \$220,388 and original issuance discount of \$251,400) were used to advance refund \$32,970,000 of the District’s outstanding 2008 Retirement Health Benefits Funding Bonds.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

D. Retirement Health Benefits Funding Bonds (continued)

Below is a schedule of bonds issued and outstanding as of June 30, 2023.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2022	Additions	Deductions	Balance, June 30, 2023
2019A	12/19/2019	5/1/2033	1.80% - 2.85%	\$ 33,595,000	\$ 27,315,000	\$ -	\$ 2,265,000	\$ 25,050,000
2021	6/9/2021	5/1/2043	1.90%-2.70%	33,520,000	33,520,000	-	-	33,520,000
Totals					\$ 60,835,000	\$ -	\$ 2,265,000	\$ 58,570,000

The bonds mature as follows:

Fiscal Year	Principal	Interest	Total
2023-2024	\$ 2,310,000	\$ 1,437,710	\$ 3,747,710
2024-2025	2,355,000	1,389,200	3,744,200
2025-2026	2,410,000	1,336,213	3,746,213
2026-2027	2,465,000	1,279,578	3,744,578
2027-2028	2,525,000	1,219,185	3,744,185
2028-2033	13,670,000	5,076,773	18,746,773
2033-2038	15,975,000	3,295,907	19,270,907
2038-2043	16,860,000	1,308,365	18,168,365
Totals	\$ 58,570,000	\$ 16,342,931	\$ 74,912,931

E. Energy Financing Agreements

The District has entered into agreements to finance facilities and energy efficient equipment valued at \$10.5 million. The agreements are, in substance, financed purchases. The District's liability on these obligations is summarized below:

Year Ending June 30,	Principal
2024	\$ 996,652
2025	1,025,429
2026	1,055,645
2027	746,118
2028	210,557
Total minimum	\$ 4,034,401
Less interest	(386,079)
Total	\$ 3,648,322

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

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

F. PARS Supplementary Retirement Plan

District leadership worked with Public Agency Retirement Services (PARS) to design a Supplementary Retirement Plan (SRP), a retirement incentive offer that encouraged eligible employees to retire/separate from service. The goal of the program was to generate savings by increasing the number of retirements in the 2020-2021 school year. The SRP provides participating employees with a monthly benefit calculated utilizing 70% of their final year salary paid into the plan over a five-year period. As a result of the offer, 189 employees retired under the plan.

Future obligations under the plan are as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>
2024	\$ 1,964,331
2025	1,964,331
2026	1,964,330
Total	<u>\$ 5,892,992</u>

G. Subscription-Based Information Technology Arrangements

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

Annual future payments are as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>	<u>Interest</u>
2024	\$ 762,730	\$ 5,505
2025	116,118	2,787
2026	118,904	-
Total	<u>\$ 997,752</u>	<u>\$ 8,292</u>

H. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Marks-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$10,235,000 as of June 30, 2023, does not represent debt of the District and, as such, does not appear in the financial statements.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

	Net OPEB Liability (Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ (33,807,609)	\$ 22,138,716	\$ 26,379,435	\$ 1,827,616
MPP Program	1,174,004	-	-	(292,293)
Totals	<u>\$ (32,633,605)</u>	<u>\$ 22,138,716</u>	<u>\$ 26,379,435</u>	<u>\$ 1,535,323</u>

The details of each plan are as follows:

District Plan

Plan Description

The Orange Unified School District's defined benefit OPEB plan, Orange Unified District Retiree Benefit Plan (the Plan) is described below. The Plan is a single employer defined benefit plan administered by the District. The District sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. Participation in PEMHCA is financed in part by the District through a contribution to PEMHCA. Dental coverage is offered through California's Valued Trust (CVT) and consists of a choice of Delta Dental HMO or Delta DPO.

Benefits Provided

The District offers medical, dental and vision coverage to its retirees based on the employment group. The District also pays a percent-of-premium administrative fee to PEMHCA for each retiree.

Classified (CSEA) employees hired before July 1, 1992, who have completed at least 10 years of service with the District, and are at least age 50 at retirement, are eligible to receive a monthly District contribution equal to the employee and spouse medical, dental and vision premiums, under PEMHCA for life.

Classified (CSEA) employees hired before July 1, 1992, who have completed at least 10 years of service with the District, and are at least age 50 at retirement and chose "Option B", are eligible to receive a monthly District contribution equal to the employee and spouse medical, dental and vision premiums, under PEMHCA until the first of the month in which the employee attains the age of 65.

In 2019 and in 2021, Classified (CSEA) employees eligible for health benefits, who have completed at least 15 years of service with the District, and are at least age 55 but not yet 65 at retirement, are eligible to receive a monthly District contribution equal to the employee medical, dental and vision premiums, under PEMHCA until the first of the month in which the employee attains the age of 65. Employees hired on or after July 1, 1992, are not eligible for District-paid benefits. District paid benefits are subject to the applicable active cap.

Certificated employees hired before July 1, 1992 who have completed at least 10 years of service with the District, and are at least age 55 at retirement or 15 years of service if hired on or after July 1, 1991 and prior to July 1, 1992 and are at least 50 years at retirement, are eligible to receive a monthly District contribution equal to 100% of the family medical, dental and vision premiums, under PEMHCA for life.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The details of each plan are as follows:

District Plan

Benefits Provided (continued)

Certificated employees hired on or after July 1, 1991, who have completed 15 years of service with the District and are at least age 55 at retirement, are eligible to receive a monthly District contribution equal to the employee medical, dental and vision premiums, under PEMHCA until the first of the month in which the employee attains the age of 65. District paid benefits are subject to the applicable active cap.

Management employees hired before July 1, 1992 who have completed at least 15 years of service with the District, and are at least age 50 for classified and 55 for certificated at retirement, are eligible to receive a monthly District contribution equal to the employee and spouse medical, dental and vision premiums, under PEMHCA for life.

Management employees hired before July 1, 1992, who have completed at least 15 years of service with the District and are at least age 50 for classified and 55 for certificated at retirement and chose “Option B”, are eligible to receive a monthly District contribution equal to the employee and spouse medical, dental and vision premiums, under PEMHCA until the first of the month in which the employee attains the age of 65.

Management employees hired on or after July 1, 1992, who have completed at least five years of service with the District, and are at least age 55 at retirement, are eligible to receive a monthly District contribution equal to the employee medical, dental and vision premiums, under PEMHCA until the first of the month in which the employee attains the age of 65. District paid benefits are subject to the applicable active cap.

Contributions

The contribution requirements of Plan members and the Orange Unified School District are established, but not required, and may be amended by the Orange Unified School District and the Orange Unified Education Association and the local California Service Employees Association. For fiscal year 2022-23, the District contributed \$7,828,524 to the Plan, all of which was used for current premiums.

Employees Covered by Benefit Terms

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	753
Active employees	<u>1,102</u>
Total	<u><u>1,855</u></u>

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

District Plan (continued)

Net OPEB Asset

The District's net OPEB asset of \$33,807,609 was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions and Other Inputs

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

Valuation Date	June 30, 2023
Salary increases	2.75%
Inflation rate	2.50%
Investment rate of return	5.00%, net of OPEB plan investment expense
Healthcare cost trend rates	5.75% for 2023, 5.50% for 2024, 5.20% for 2025, and 4.50% for 2070 and later years; Medicare ages: 4.00% for all years.

Actuarial assumptions used in the June 30, 2023 valuation were based on a review of plan experience during the period June 30, 2021 to June 30, 2023.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

Asset Class	Assumed	
	Asset Allocation	Real Rate of Return
Broad U.S. Equity	10%	4.4%
U.S. Fixed	75%	1.8%
Global ex-U.S. Equity	10%	4.8%
Real Estate	5%	3.7%

Mortality Rates

Pre-retirement mortality rates were based on the CalSTRS Experience Analysis (2015-2018) for certificated participants and on the CalPERS Experience Study (2000-2019) for classified participants. Post-retirement mortality rates were based on the CalSTRS Experience Analysis (2015-2018) for certificated retired members and beneficiaries and on the CalPERS Experience Study (2000-2019) for classified healthy recipients.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

District Plan (continued)

Discount Rate

GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan’s fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return.
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan’s projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the District’s Total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-Term Expected Return on Investments	Fidelity G.O. AA 20 Year Muni Index	Discount Rate
June 30, 2022	June 30, 2022	5.00%	3.69%	5.00%
June 30, 2023	June 30, 2023	5.00%	3.86%	5.00%

Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at July 1, 2022	\$ 96,013,833	\$ 104,319,676	\$ (8,305,843)
Changes for the year:			
Service cost	1,566,680	-	1,566,680
Interest	4,685,700	-	4,685,700
Differences between expected and actual experience	(10,222,313)	-	(10,222,313)
Employer contributions	-	7,828,524	(7,828,524)
Net investment income	-	5,479,532	(5,479,532)
Benefit payments	(7,828,524)	(7,828,524)	-
Administrative expenses	-	(253,283)	253,283
Changes of assumptions	(8,482,310)	-	(8,482,310)
Other disbursements	-	(5,250)	5,250
Net changes	(20,280,767)	5,220,999	(25,501,766)
Balance at June 30, 2023	\$ 75,733,066	\$ 109,540,675	\$ (33,807,609)

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

District Plan (continued)

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

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

Discount Rate	OPEB Liability (Asset)
1% decrease	\$ (27,765,445)
Current discount rate	\$ (33,807,609)
1% increase	\$ (39,214,802)

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

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

Healthcare Cost Trend Rate	OPEB Liability (Asset)
1% decrease	\$ (39,961,307)
Current trend rate	\$ (33,807,609)
1% increase	\$ (26,766,977)

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$1,827,616. In addition, at June 30, 2023, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,631,398	\$ 10,439,607
Changes of assumptions	-	13,290,318
Net difference between projected and actual earnings on OPEB plan investments	17,507,318	2,649,510
Totals	<u>\$ 22,138,716</u>	<u>\$ 26,379,435</u>

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

Year Ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	\$ 6,993,621	\$ 6,217,221
2025	6,993,621	5,952,407
2026	6,993,623	4,868,032
2027	1,157,851	4,798,744
2028	-	2,842,606
Thereafter	-	1,700,425
Totals	<u>\$ 22,138,716</u>	<u>\$ 26,379,435</u>

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

District Plan (continued)

Investments

Investment policy

The District's Retirement Board of Authority oversees and runs the Futuris Trust. Benefit Trust Company is the qualified Discretionary Trustee for asset and fiduciary management and investment policy development. Keenan & Associates is the program coordinator for the Futuris Trust providing oversight of the Futuris Program and guidance to the District. Audited financial statements of the Futuris Trust OPEB long-term investment fund can be obtained from the District.

The District's policy regarding the Plan's allocation of invested assets is established and may be amended by District management. The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth in the investment guidelines.

Rate of return

For the year ended on the measurement date, the annual money-weighted rate of return on investments, net of investment expense, was 5.25 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. Members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2022, 4,770 retirees participated in the MPP Program; however, the number of retired members who will participate in the program in the future is unknown as eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with Education Code section 22950, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

Total OPEB Liability

At June 30, 2023, the District reported a liability of \$1,174,004 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2022, 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. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

	<u>Percentage Share of MPP Program</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2023</u>	<u>Fiscal Year Ending June 30, 2022</u>	
Measurement Date	<u>June 30, 2022</u>	<u>June 30, 2021</u>	
Proportion of the Net OPEB Liability	0.356395%	0.367618%	-0.011223%

For the year ended June 30, 2023, the District reported OPEB expense of \$(292,293).

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2022
Valuation Date	June 30, 2021
Experience Study	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.54%
Healthcare Cost Trend Rates	4.5% for Medicare Part A, and 5.4% for Medicare Part B

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

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs (continued)

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 our 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.

Discount Rate

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

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

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

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

Discount Rate	MPP OPEB Liability
1% decrease	\$ 1,566,919
Current discount rate	\$ 1,174,004
1% increase	\$ 1,082,322

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

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

Medicare Cost Trend Rates	MPP OPEB Liability
1% decrease	\$ 1,077,193
Current trend rate	\$ 1,174,004
1% increase	\$ 1,283,745

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS

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

For the fiscal year ended June 30, 2023, the District reported 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	\$ 165,008,819	\$ 46,764,350	\$ 42,176,419	\$ 374,831
CalPERS	118,659,703	62,906,016	32,392,361	15,421,270
Total	<u>\$ 283,668,522</u>	<u>\$ 109,670,366</u>	<u>\$ 74,568,780</u>	<u>\$ 15,796,101</u>

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 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: <https://www.calstrs.com/general-information/gasb-6768>.

Benefits Provided

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

The STRP is a multiple-employer, cost-sharing defined benefit plan composed of four programs: Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program, Cash Balance Benefit (CBB) Program and Replacement Benefits (RB) Program. A Supplemental Benefit Maintenance Account (SBMA) exists within the STRP and provides purchasing power protection for DB Program benefits. The STRP holds assets for the exclusive purpose of providing benefits to members of these programs and their beneficiaries. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor and obligor of the trust. In addition, the state is both an employer and non-employer contributing entity to the STRP. The District contributes exclusively to the STRP Defined Benefit Program; thus, disclosures are not included for the other plans.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

The details of each plan are as follows:

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

Benefits Provided (continued)

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	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	19.10%	19.10%
Required State Contribution Rate	10.828%	10.828%

Contributions

The parameters for member, employer and state contribution rates are set by the California Legislature and the Governor and detailed in the Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers and the state to bring CalSTRS toward full funding by 2046. California Senate Bill 90 (Chapter 33, Statutes of 2019) and California Assembly Bill 84 (Chapter 16, Statutes of 2020) (collectively, special legislation)—signed into law in June 2019 and June 2020, respectively —provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021–22.

The contribution rates for each program for the year ended June 30, 2023, are presented above, and the District's total contributions were \$26,954,981.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	\$	165,008,819
State's proportionate share of the net pension liability associated with the District		<u>82,635,772</u>
Total	\$	<u>247,644,591</u>

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

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

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

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2023	Fiscal Year Ending June 30, 2022	
Measurement Date	June 30, 2022	June 30, 2021	
Proportion of the Net Pension Liability	0.237471%	0.244563%	-0.007093%

For the year ended June 30, 2023, the District recognized pension expense of \$374,831. In addition, the District recognized pension expense and revenue of \$(6,180,555) for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 26,954,981	\$ -
Net change in proportionate share of net pension liability	11,490,774	21,734,950
Difference between projected and actual earnings on pension plan investments	-	8,069,251
Changes of assumptions	8,183,237	-
Differences between expected and actual experience	135,358	12,372,218
Total	<u>\$ 46,764,350</u>	<u>\$ 42,176,419</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 7 years.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

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

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	\$ 9,795,552	\$ 14,084,234
2025	3,008,642	14,081,089
2026	3,008,642	16,034,612
2027	2,161,527	(8,168,391)
2028	1,812,445	3,241,705
Thereafter	22,561	2,903,171
Total	<u>\$ 19,809,369</u>	<u>\$ 42,176,419</u>

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll 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 our 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 investment rate of return assumption 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 investment staff and investment consultants as inputs 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.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

For each current and future valuation, CalSTRS’ independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public Equity	42.0%	4.8%
Real Estate	15.0%	3.6%
Private Equity	13.0%	6.3%
Fixed Income	12.0%	1.3%
Risk Mitigating Strategies	10.0%	1.8%
Inflation Sensitive	6.0%	3.3%
Cash/Liquidity	2.0%	(0.4%)

Discount Rate

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expenses occur midyear. Based on those assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 280,246,176
Current discount rate (7.10%)	165,008,819
1% increase (8.10%)	69,327,166

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954, 22955, and 22955.1 of the Education Code and Public Resources Code Section 6217.5. Through the special legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately \$2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State’s on-behalf contributions is \$13,256,498.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb>.

Benefits Provided

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

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

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	25.37%	25.37%

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023 are presented above, and the total District contributions were \$14,165,536.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

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

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$118,659,703. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending	Fiscal Year Ending	
	June 30, 2023	June 30, 2022	
Measurement Date	June 30, 2022	June 30, 2021	
Proportion of the Net Pension Liability	0.344850%	0.365804%	-0.020954%

For the year ended June 30, 2023, the District recognized pension expense of \$15,421,270. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 14,165,536	\$ -
Net change in proportionate share of net pension liability	2,962,351	6,986,352
Difference between projected and actual earnings on pension plan investments	36,464,087	22,453,603
Changes of assumptions	8,777,770	-
Differences between expected and actual experience	536,272	2,952,406
Total	<u>\$ 62,906,016</u>	<u>\$ 32,392,361</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

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

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2024	\$ 14,333,520	\$ 10,974,200
2025	13,609,175	10,222,464
2026	12,254,685	9,862,108
2027	8,543,100	1,333,589
2028	-	-
Thereafter	-	-
Total	<u>\$ 48,740,480</u>	<u>\$ 32,392,361</u>

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 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
Experience Study	2000-2019
Actuarial Cost Method	Entry age normal
Discount Rate	6.9%
Inflation Rate	2.3%
Salary Increases	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account 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.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

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

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

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (5.9%)	\$ 171,409,950
Current discount rate (6.9%)	118,659,703
1% increase (7.9%)	75,063,564

C. Public Agency Retirement System (PARS)

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

D. Payables to the Pension Plans

At June 30, 2023, the District reported payables of \$2,599,160 and \$0 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2023.

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Construction Commitments

As of June 30, 2023, the District had commitments with respect to unfinished capital projects of approximately \$96.6 million.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued a liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2023.

NOTE 11 – RISK MANAGEMENT

Property and Liability

The District is a member of the Southern California Regional Liability Excess Fund (SoCal ReLiEF), public entity risk pools. The District pays an annual premium for its property liability coverage. The relationships between the District, the pool is such that they are not component units of the District for financial reporting purposes.

SoCal ReLiEF has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between SoCal ReLiEF and the District are included in these statements. Audited financial statements are generally available from the respective entities.

Workers' Compensation

For fiscal year 2022-23, the District was self-funded for workers' compensation for the first \$250,000 of each loss, with excess coverage provided through a commercial excess insurance policy up to a maximum limit of \$25 million.

Employee Medical Benefits

The District has contracted with CalPERS to provide employee medical, dental and vision benefits.

Claims Liability

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

ORANGE UNIFIED SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2023

NOTE 11 – RISK MANAGEMENT (continued)

Unpaid Claims Liabilities

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

	Workers' Compensation
Liability Balance, July 1, 2021	\$ 7,420,000
Claims and changes in estimates	2,781,701
Claims payments	<u>(2,304,701)</u>
Liability Balance, June 30, 2022	7,897,000
Claims and changes in estimates	(2,969,322)
Claims payments	<u>3,429,322</u>
Liability Balance, June 30, 2023	<u>\$ 8,357,000</u>
Assets available to pay claims at June 30, 2023	<u>\$ 17,105,546</u>

NOTE 12 – ADJUSTMENTS FOR RESTATEMENT

The beginning net position on the Statement of Activities was restated by \$974,646 as a result of the implementation of GASB 96. In addition, the beginning net position on the Statement of Activities and the beginning fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balance was restated by \$3,251,454 to remove overstated accounts payable in the General Fund.

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Required Supplementary Information

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ORANGE UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF sources	\$ 241,520,883	\$ 274,276,159	\$ 273,907,943	\$ (368,216)
Federal sources	32,520,898	40,332,970	34,060,502	(6,272,468)
Other state sources	54,760,161	110,103,948	107,545,008	(2,558,940)
Other local sources	8,584,010	9,728,992	14,871,886	5,142,894
Total Revenues	337,385,952	434,442,069	430,385,339	(4,056,730)
Expenditures				
Current:				
Certificated salaries	132,471,536	144,242,916	143,471,581	771,335
Classified salaries	50,708,762	54,402,154	52,062,361	2,339,793
Employee benefits	93,344,995	95,208,278	95,534,747	(326,469)
Books and supplies	11,330,030	22,772,242	15,290,992	7,481,250
Services and other operating expenditures	35,275,427	56,228,246	42,169,263	14,058,983
Transfers of indirect costs	(520,823)	(518,924)	(505,344)	(13,580)
Capital outlay	5,119,212	13,530,473	8,998,709	4,531,764
Other Outgo	6,430,115	6,777,572	6,773,093	4,479
Total Expenditures	334,159,254	392,642,957	363,795,402	28,847,555
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,226,698	41,799,112	66,589,937	24,790,825
Other Financing Sources and Uses				
Interfund transfers in	3,749,143	3,749,143	3,749,120	(23)
Interfund transfers out	(3,496,452)	(6,184,531)	(5,548,008)	636,523
Other financing sources (uses)	-	-	459,159	459,159
Total Other Financing Sources and Uses	252,691	(2,435,388)	(1,339,729)	1,095,659
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,479,389	39,363,724	65,250,208	25,886,484
Fund Balances, July 1, 2022	89,668,585	114,172,540	114,172,540	-
Adjustment for Restatement (Note 12)	-	-	3,251,454	3,251,454
Fund Balances, July 1, 2022, as restated	101,062,487	114,172,540	117,423,994	3,251,454
Fund Balances, June 30, 2023	\$ 194,210,461	\$ 267,708,804	182,674,202	\$ 32,389,392
Special Reserve Fund for Other Than Capital Outlay Projects			976,680	
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			\$ 183,650,882	

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability-CalSTRS
For the Fiscal Year Ended June 30, 2023

	<i>Last Ten Fiscal Years*</i>				
CalSTRS	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
District's proportion of the net pension liability	0.2375%	0.2446%	0.2501%	0.2353%	0.2540%
District's proportionate share of the net pension liability	\$ 165,008,819	\$ 111,295,917	\$ 242,387,601	\$ 212,535,592	\$ 233,507,872
State's proportionate share of the net pension liability associated with the District	82,635,772	55,999,789	124,950,837	115,952,354	133,694,833
Totals	<u>\$ 247,644,591</u>	<u>\$ 167,295,706</u>	<u>\$ 367,338,438</u>	<u>\$ 328,487,946</u>	<u>\$ 367,202,705</u>
District's covered-employee payroll	<u>\$ 133,374,468</u>	<u>\$ 128,113,269</u>	<u>\$ 124,171,452</u>	<u>\$ 128,054,165</u>	<u>\$ 132,092,488</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>123.72%</u>	<u>86.87%</u>	<u>195.20%</u>	<u>165.97%</u>	<u>176.80%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81%</u>	<u>87%</u>	<u>72%</u>	<u>73%</u>	<u>71%</u>
		<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
District's proportion of the net pension liability		0.2450%	0.2580%	0.2650%	0.2470%
District's proportionate share of the net pension liability		\$ 226,807,912	\$ 208,815,385	\$ 178,209,476	\$ 144,402,030
State's proportionate share of the net pension liability associated with the District		134,178,738	118,892,375	94,305,803	87,095,715
Totals		<u>\$ 360,986,650</u>	<u>\$ 327,707,760</u>	<u>\$ 272,515,279</u>	<u>\$ 231,497,745</u>
District's covered-employee payroll		<u>\$ 131,030,288</u>	<u>\$ 129,820,436</u>	<u>\$ 122,389,401</u>	<u>\$ 110,062,230</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		<u>173.10%</u>	<u>160.85%</u>	<u>145.61%</u>	<u>131.20%</u>
Plan fiduciary net position as a percentage of the total pension liability		<u>70%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>

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

ORANGE UNIFIED SCHOOL DISTRICT

*Schedule of Proportionate Share of the Net Pension Liability-CalPERS
For the Fiscal Year Ended June 30, 2023*

	<i>Last Ten Fiscal Years*</i>				
	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>	<u>2017-18</u>
CalPERS					
District's proportion of the net pension liability	0.3448%	0.3658%	0.3519%	0.3541%	0.3700%
District's proportionate share of the net pension liability	<u>\$ 118,659,703</u>	<u>\$ 74,384,122</u>	<u>\$ 107,974,037</u>	<u>\$ 103,192,861</u>	<u>\$ 98,551,857</u>
District's covered-employee payroll	<u>\$ 52,994,282</u>	<u>\$ 52,461,222</u>	<u>\$ 49,696,729</u>	<u>\$ 49,329,432</u>	<u>\$ 48,600,692</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<u>223.91%</u>	<u>135.08%</u>	<u>217.27%</u>	<u>209.19%</u>	<u>202.80%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>81%</u>	<u>70%</u>	<u>70%</u>	<u>71%</u>
		<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>
District's proportion of the net pension liability		0.3680%	0.3760%	0.3750%	0.3490%
District's proportionate share of the net pension liability		<u>\$ 87,784,702</u>	<u>\$ 74,270,848</u>	<u>\$ 55,217,596</u>	<u>\$ 39,608,976</u>
District's covered-employee payroll		<u>\$ 46,740,641</u>	<u>\$ 45,081,117</u>	<u>\$ 41,508,908</u>	<u>\$ 36,626,106</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		<u>187.80%</u>	<u>164.75%</u>	<u>133.03%</u>	<u>108.14%</u>
Plan fiduciary net position as a percentage of the total pension liability		<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>

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

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions-CalSTRS
For the Fiscal Year Ended June 30, 2023

	<i>Last Ten Fiscal Years*</i>				
	<u>2022-23</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2019-20</u>	<u>2018-19</u>
CalSTRS					
Contractually required contribution	\$ 26,954,981	\$ 22,566,960	\$ 20,690,293	\$ 21,233,318	\$ 20,847,218
Contributions in relation to the contractually required contribution	<u>26,954,981</u>	<u>22,566,960</u>	<u>20,690,293</u>	<u>21,233,318</u>	<u>20,847,218</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 141,125,554</u>	<u>\$ 133,374,468</u>	<u>\$ 128,113,269</u>	<u>\$ 124,171,452</u>	<u>\$ 128,054,165</u>
Contributions as a percentage of covered-employee payroll	<u>19.10%</u>	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>
		<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>
Contractually required contribution		\$ 18,425,894	\$ 16,157,373	\$ 13,515,699	\$ 10,589,609
Contributions in relation to the contractually required contribution		<u>18,425,894</u>	<u>16,157,373</u>	<u>13,515,699</u>	<u>10,589,609</u>
Contribution deficiency (excess):		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll		<u>\$ 132,092,488</u>	<u>\$ 131,030,288</u>	<u>\$ 129,820,436</u>	<u>\$ 122,389,401</u>
Contributions as a percentage of covered-employee payroll		<u>13.95%</u>	<u>12.33%</u>	<u>10.41%</u>	<u>8.65%</u>

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

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Pension Contributions-CalPERS
For the Fiscal Year Ended June 30, 2023

CalPERS	Last Ten Fiscal Years*				
	2022-23	2021-22	2020-21	2019-20	2018-19
Contractually required contribution	\$ 14,165,536	\$ 12,140,990	\$ 10,859,473	\$ 9,800,692	\$ 8,909,882
Contributions in relation to the contractually required contribution	14,165,536	12,140,990	10,859,473	9,800,692	8,909,882
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 55,835,775	\$ 52,994,282	\$ 52,461,222	\$ 49,696,729	\$ 49,329,432
Contributions as a percentage of covered-employee payroll	25.370%	22.910%	20.700%	19.721%	18.062%
	2017-18	2016-17	2015-16	2014-15	
Contractually required contribution	\$ 7,549,236	\$ 6,393,311	\$ 5,240,840	\$ 4,817,989	
Contributions in relation to the contractually required contribution	7,549,236	6,393,311	5,240,840	4,817,989	
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	
District's covered-employee payroll	\$ 48,600,692	\$ 46,710,641	\$ 45,081,117	\$ 41,508,908	
Contributions as a percentage of covered-employee payroll	15.533%	13.687%	11.625%	11.607%	

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

ORANGE UNIFIED SCHOOL DISTRICT

Schedule of Changes in the District's Total OPEB Liability and Related Ratios For the Fiscal Year Ended June 30, 2023

Employer's Fiscal Year Measurement Period	Last Ten Fiscal Years*					
	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Total OPEB liability						
Service cost	\$ 1,566,680	\$ 1,650,720	\$ 1,722,863	\$ 2,025,591	\$ 1,921,862	\$ 1,870,425
Interest	4,685,700	4,720,628	4,597,487	4,517,658	4,492,477	4,435,360
Changes of benefit terms	-	-	2,893,059	-	-	-
Difference between expected and actual experience	(10,222,313)	-	8,104,945	-	(3,248,750)	-
Changes in assumptions	(8,482,310)	-	(8,944,339)	(84,813)	(2,241,336)	-
Benefit payments	(7,828,524)	(6,163,550)	(5,522,369)	(5,773,647)	(6,556,697)	(3,675,794)
Net change in total OPEB liability	(20,280,767)	207,798	2,851,646	684,789	(5,632,444)	2,629,991
Total OPEB liability - beginning	96,013,833	95,806,035	92,954,389	92,269,600	97,902,044	95,272,053
Total OPEB liability - ending	\$ 75,733,066	\$ 96,013,833	\$ 95,806,035	\$ 92,954,389	\$ 92,269,600	\$ 97,902,044
Plan fiduciary net position						
Contributions - employer	\$ 7,828,524	\$ 6,163,550	\$ -	\$ -	\$ 2,275,056	\$ 4,854,486
Net investment income	5,479,532	(22,342,123)	6,062,600	7,312,904	7,451,519	-
Benefit payments	(7,828,524)	(6,163,550)	(5,522,369)	(5,773,647)	(6,556,697)	(3,675,794)
Investment gains/losses	-	-	5,421,875	-	-	-
Administrative expense	(253,283)	(409,940)	-	(446,028)	(436,759)	(449,007)
Other disbursements	(5,250)	(2,869,876)	-	-	-	-
Net change in plan fiduciary net position	5,220,999	(25,621,939)	5,962,106	1,093,229	2,733,119	729,685
Plan fiduciary net position - beginning	104,319,676	129,941,615	123,979,509	122,886,280	120,153,161	119,423,476
Plan fiduciary net position - ending	\$ 109,540,675	\$ 104,319,676	\$ 129,941,615	\$ 123,979,509	\$ 122,886,280	\$ 120,153,161
District's net OPEB liability (asset) - ending	\$ (33,807,609)	\$ (8,305,843)	\$ (34,135,580)	\$ (31,025,120)	\$ (30,616,680)	\$ (22,251,117)
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	144.64%	108.65%	135.63%	133.38%	133.18%	122.73%
Covered payroll	\$ 153,440,710	\$ 175,708,811	\$ 182,926,362	\$ 190,483,880	\$ 185,385,771	\$ 192,607,861
Net OPEB liability (asset) as a percentage of covered payroll	(22.0%)	(4.7%)	(18.66%)	(16.29%)	(16.52%)	(11.55%)

Notes to Schedule:

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

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of the OPEB Contributions
For the Fiscal Year Ended June 30, 2023

Employer Fiscal Year Measurement Period	Last Ten Fiscal Years*					
	2022-23 2022-23	2021-22 2021-22	2020-21 2020-21	2019-20 2019-20	2018-19 2018-19	2017-18 2017-18
Actuarially determined contribution	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the actuarially determined contribution	7,828,524	6,163,550	-	-	2,275,056	4,854,486
Contribution deficiency (excess)	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	\$ 153,440,710	\$ 175,708,811	\$ 182,926,362	\$ 190,483,880	\$ 185,385,771	\$ 192,607,861
Contributions as a percentage of covered-employee payroll	5.10%	3.51%	0.00%	0.00%	1.23%	2.52%

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

ORANGE UNIFIED SCHOOL DISTRICT

*Schedule of the District’s Proportionate Share of the Net OPEB Liability – MPP Program
For the Fiscal Year Ended June 30, 2023*

Employer's Fiscal Year Measurement Period	Last Ten Fiscal Years*					
	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17
District's proportion of net OPEB liability	0.3564%	0.3676%	0.3588%	0.3637%	0.3995%	0.3903%
District's proportionate share of net OPEB liability	\$ 1,174,004	\$ 1,466,297	\$ 1,606,377	\$ 1,354,442	\$ 1,529,303	\$ 1,642,187
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.80%)	(0.71%)	(0.81%)	0.40%	0.01%

Notes to Schedule:

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

ORANGE UNIFIED SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

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

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

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

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

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

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

Schedule of District Contributions

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

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

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

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

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life. The discount rate remained stable at 5.00 percent.

Schedule of OPEB Contributions

This schedule presents information on the District's contribution, the amounts actually contributed, and any excess or deficiency related to the contribution. The District does not have actuarially determined contributions. In the future, as data becomes available, ten years of information will be presented.

ORANGE UNIFIED SCHOOL DISTRICT

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2023*

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

This schedule presents information on the District's proportionate share of the net OPEB liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented. As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP program; therefore, the covered payroll disclosure is not applicable.

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

Change of assumptions – The discount rate was changed from 2.16 percent to 3.54 percent since the previous valuation.

Supplementary Information

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ORANGE UNIFIED SCHOOL DISTRICT

Local Educational Agency Organization Structure

June 30, 2023

The Orange Unified School District is located in the central portion of Orange County. The District operates under a locally-elected seven-member board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. Founded in 1953, the District encompasses nearly 108 square miles, including the cities of Orange, Villa Park, and portions of Santa Ana, Anaheim, and Garden Grove. Starting from an original school building in 1972, the District has grown to 26 elementary schools (K-6), one magnet school (K-8), three middle schools (7-8), two charter schools (7-8), four high schools (9-12), a school for students with special needs, a community day school, and one continuation high school. A Career Education Center houses the District's Regional Occupational Program and Child Development Center. The District educates approximately 24,000 students. There were no boundary changes during the year.

GOVERNING BOARD

Member	Office	Term Expires
Rick Ledesma	President	2026
John Ortega	Vice President	2024
Angie Rumsey	Clerk	2024
Andrea Yamasaki	Member	2026
Kris Erickson	Member	2026
Ana Page	Member	2024
Madison Miner	Member	2026

DISTRICT ADMINISTRATORS

Ernest Gonzalez,
Superintendent

Craig Abercrombie,
Acting Assistant Superintendent, Educational Services

David Rivera,
Deputy Superintendent, Business Services/CBO

Tracy Knibb,
Acting Assistant Superintendent, Human Resources

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2023

Orange Unified School District		
	Second Period Report	Annual Report
Regular ADA & Extended Year:		
TK/Grades K-3	6,936.01	6,979.96
Grades 4-6	5,324.41	5,333.83
Grades 7-8	1,752.76	1,751.08
Grades 9-12	7,894.20	7,847.33
Total Regular ADA	21,907.38	21,912.20
Special Education-Nonpublic, Nonsectarian Schools:		
TK/Grades K-3	0.94	1.10
Grades 4-6	2.53	3.44
Grades 7-8	0.99	1.06
Grades 9-12	17.71	21.00
Total Special Education-Nonpublic, Nonsectarian Schools	22.17	26.60
Community Day School:	9.01	8.26
Total ADA	21,938.56	21,947.06
El Rancho Charter School		
	Second Period Report	Annual Report
Regular ADA & Extended Year:		
Grades 7-8	1,054.47	1,055.34
Special Education-Nonpublic, Nonsectarian Schools:		
Grades 7-8	0.14	0.10
Total ADA	1,054.61	1,055.44
Total Classroom- Based ADA	1,054.47	1,055.25

ORANGE UNIFIED SCHOOL DISTRICT*Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2023*

Orange Unified School District				
Grade Level	Instructional Minute Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Kindergarten	36,000	46,260	180	Complied
Grade 1	50,400	50,474	180	Complied
Grade 2	50,400	50,474	180	Complied
Grade 3	50,400	50,474	180	Complied
Grade 4	54,000	54,012	180	Complied
Grade 5	54,000	54,012	180	Complied
Grade 6	54,000	54,012	180	Complied
Grade 7	54,000	56,653	180	Complied
Grade 8	54,000	56,653	180	Complied
Grade 9	64,800	64,811	180	Complied
Grade 10	64,800	64,811	180	Complied
Grade 11	64,800	64,811	180	Complied
Grade 12	64,800	64,811	180	Complied

El Rancho Charter School				
Number of Instructional Days				
Grade Level	Instructional Minute Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Grade 7	54,000	59,050	181	Complied
Grade 8	54,000	59,050	180	Complied

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2023

General Fund	(Budget) 2024 ²	2023 ^{3,4}	2022	2021
Revenues and other financing sources	\$ 394,751,382	\$ 434,593,618	\$ 357,774,753	\$ 343,068,097
Expenditures	372,553,096	363,795,402	330,010,725	326,578,432
Other uses and transfers out	7,951,461	5,548,008	3,260,074	4,842,187
Total outgo	<u>380,504,557</u>	<u>369,343,410</u>	<u>333,270,799</u>	<u>331,420,619</u>
Change in fund balance (deficit)	<u>14,246,825</u>	<u>65,250,208</u>	<u>24,503,954</u>	<u>11,647,478</u>
Ending fund balance	<u>\$ 196,921,027</u>	<u>\$ 182,674,202</u>	<u>\$ 114,172,540</u>	<u>\$ 89,668,586</u>
Available reserves ¹	<u>\$ 12,650,772</u>	<u>\$ 13,161,543</u>	<u>\$ 77,716,881</u>	<u>\$ 57,772,816</u>
Available reserves as a percentage of total outgo	<u>3.3%</u>	<u>3.6%</u>	<u>23.3%</u>	<u>17.4%</u>
Total long-term debt	<u>\$ 653,316,808</u>	<u>\$ 665,621,885</u>	<u>\$ 575,429,569</u>	<u>\$ 645,727,023</u>
Average daily attendance at P-2	<u>21,623</u>	<u>21,939</u>	<u>22,204</u>	<u>N/A</u>

The General Fund balance has increased over the past two years by \$93.0 million. The fiscal year 2023-24 adopted budget projects an increase of \$14.2 million. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred an operating deficit in any of the past three years, and anticipates incurring an operating surplus during the 2023-24 fiscal year. Long-term debt has increased by \$19.9 million over the past two years.

Average daily attendance decreased by 265 ADA over the past year. Budgeted ADA for fiscal year 2023-24 projects a decreased of 316.

¹ Available reserves consist of all unassigned fund balances in the General Fund.

² Revised Final Budget September, 2023.

³ The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other than Capital Outlay, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

⁴ As restated

ORANGE UNIFIED SCHOOL DISTRICT

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements For the Fiscal Year Ended June 30, 2023

	General Fund	Charter School Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund (Other Than Capital Outlay)	Building Fund	Capital Facilities Fund
June 30, 2023, annual financial and budget report (SACS) fund balances	\$ 183,774,707	\$ 7,815,064	\$ 7,102	\$ 3,624,704	\$ 9,133,685	\$ 2,814,530	\$ 1,066,695	\$ 110,815,485	\$ 4,650,203
Adjustments and reclassifications:									
Increasing (decreasing) the fund balance:									
Accounts payable overstated	3,251,454	-	-	-	-	-	-	-	-
Charter in lieu revenue	(691,844)	691,844	-	-	-	-	-	-	-
Adjustment for fair market value of investments	(3,660,115)	(156,510)	(150)	(96,076)	(146,399)	(60,244)	(90,015)	(2,349,624)	(92,802)
Net adjustments and reclassifications	(1,100,505)	535,334	(150)	(96,076)	(146,399)	(60,244)	(90,015)	(2,349,624)	(92,802)
June 30, 2023, audited financial statement fund balances	\$ 182,674,202	\$ 8,350,398	\$ 6,952	\$ 3,528,628	\$ 8,987,286	\$ 2,754,286	\$ 976,680	\$ 108,465,861	\$ 4,557,401

	County School Facilities Fund	Special Reserve Fund (Capital Outlay)	Capital Projects Fund for Blended Component Units	Bond Interest and Redemption Fund	Debt Service Fund for Blended Component Units*	Debt Service Fund	Internal Service Fund	Retiree Benefits Fund	Debt Service Fund for Special Tax Bonds*
June 30, 2023, annual financial and budget report (SACS) fund balances	\$ 25,287,823	\$ 5,819,771	\$ 716,280	\$ 7,518,095	\$ -	\$ 15,257,965	\$ 9,015,373	\$ 109,964,165	\$ -
Adjustments and reclassifications:									
Increasing (decreasing) the fund balance:									
Recording component units	-	-	-	-	1	-	-	-	722,092
Adjustment for fair market value of investments	(501,958)	(48,534)	(14,746)	(79,408)	-	(292,154)	(342,366)	(300)	-
Net adjustments and reclassifications	(501,958)	(48,534)	(14,746)	(79,408)	1	(292,154)	(342,366)	(300)	722,092
June 30, 2023, audited financial statement fund balances	\$ 24,785,865	\$ 5,771,237	\$ 701,534	\$ 7,438,687	\$ 1	\$ 14,965,811	\$ 8,673,007	\$ 109,963,865	\$ 722,092

*These funds account for activity related to the community facilities districts (CFDs), which are considered component units of the school district and are disclosed as non-obligatory debt. The activity for these funds is not reported in the Standardized Account Code Structure software submitted to the CDE.

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2023

Charter School		Inclusion in Financial
Name	Number	Statements
Santiago Middle School	0066	Not included
El Rancho Charter School	0445	Included

ORANGE UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Basic	10.553	13525	\$ 165,832	
School Breakfast Program - Especially Needy	10.553	13526	1,448,321	
National School Lunch Program	10.555	13523	5,344,973	
Supply Chain Assistance (SCA) Funds	10.555	15655	1,428,458	
USDA Donated Foods	10.555	13391	753,912	
Total Child Nutrition Cluster				\$ 9,141,496
Total U.S. Department of Agriculture				9,141,496
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		5,786,681
Title II, Comprehensive Literacy State Development (CLSD) Grant	84.371	15493		27,373
Title II, Part A, Supporting Effective Instruction	84.367	14344		605,654
English Language Acquisition Grants				
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	677,987	
Title III, Immigrant Education Program	84.365	15146	67,063	
Subtotal English Language Acquisition Grants				745,050
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		357,763
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	1,363,101	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425D	15559	12,733,231	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	4,668,184	
Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	2,974	
Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	84.425D	15618	6,597	
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Emergency Needs	84.425U	15620	53,596	
ASES Rate Increase: ESSER III State Reserve Summer Learning Program	84.425U	15652	136,049	
American Rescue Plan - Homeless Children and Youth II (ARP HCYC II)	84.425U	15566	29,820	
Subtotal Education Stabilization Fund				18,993,552
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	5,685,378	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	37,592	
Special Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	130,886	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	278,797	
Preschool Staff Development	84.173A	13431	186	
Special Ed: Supporting Inclusive Practices	84.027A	13693	42,083	
Special Ed: Alternate Dispute Resolution	84.173A	13007	22,779	
COVID-19 Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	84.027	15638	1,075,283	
COVID-19 ARP IDEA Part B, Sec. 611, Local Assistance Private School ISPs	84.027	10169	8,214	
COVID-19 ARP IDEA Part B, Sec. 619, Preschool Grants	84.173	15639	92,974	
Total Special Education Cluster				7,374,172
Early Intervention Grant:				
Early Intervention Grants, Part C	84.181	23761	86,305	
COVID-19 ARP IDEA Part C, Early Education Program	84.181X	15640	87,386	
Subtotal Early Intervention Grants				173,691
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894		202,982
Indian Education	84.060	10011		20,167
Total U.S. Department of Education				34,287,085
U.S. Department of Health & Human Services:				
Passed through California Dept. of Education (CDE):				
Child Care and Development Block Grant:				
COVID-19 CRRSA Act - One-time Stipend	93.575	15555	81,735	
COVID-19 ARP California State Preschool Program One-time Stipend	93.575	15640	68,550	
Subtotal Child Care and Development Block Grant				150,285
Total U.S. Department of Health & Human Services				150,285
Total Expenditures of Federal Awards				\$ 43,578,866

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

ORANGE UNIFIED SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2023

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

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

Schedule of Expenditures of Federal Awards

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

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The following presents a reconciliation between federal revenue and expenditures for the year:

	<u>Assistance Listing</u>	<u>Amount</u>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 43,428,581
Differences between Federal Revenues and Expenditures:		
COVID-19 CRRSA Act - One-time Stipend	93.575	81,735
COVID-19 ARP California State Preschool Program One-time Stipend	93.575	68,550
Total Schedule of Expenditures of Federal Awards		<u>\$ 43,578,866</u>

Other Independent Auditors' Reports

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

Board of Education
Orange Unified School District
Orange, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orange Unified School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

Murrieta, California
December 6, 2023



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

Board of Education
Orange Unified School District
Orange, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, the Orange Unified School District compiled, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

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

Murrieta, California
December 6, 2023

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INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Orange Unified School District
Orange, California

Report on Compliance

Opinion

We have audited the Orange Unified School District's (District) compliance with the requirements specified in the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2023.

In our opinion, Orange Unified School District complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 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, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes

Description	Procedures Performed
School Districts, County Offices of Education, and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	Yes
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom-Based	Yes
Charter School Facility Grant Program	Not Applicable

Areas marked as “Not Applicable” were not operated by the District.

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

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Murrieta, California
December 6, 2023

Schedule of Findings and Questioned Costs

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ORANGE UNIFIED SCHOOL DISTRICT

Summary of Auditors' Results

For the Fiscal Year Ended June 30, 2023

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>Assistance Listing</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A
84.425U, 84.425C,	Elementary and Secondary School Emergency
84.425D	Relief (ESSER) Fund

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 1,307,366</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

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

Financial Statement Findings

For the Fiscal Year Ended June 30, 2023

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

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

There were no financial statement findings in 2022-23.

ORANGE UNIFIED SCHOOL DISTRICT
Federal Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

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

There were no federal award findings or questioned costs in 2022-23.

ORANGE UNIFIED SCHOOL DISTRICT
State Award Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2023

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

There were no state award findings or questioned costs in 2022-23.

ORANGE UNIFIED SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2023

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2022-001: California Clean Energy</i>	<p>Local Educational Agencies (LEAs) are required to submit a final project completion report to the California Clean Energy Commission 12-15 months after the energy expenditure plan is completely installed. An energy expenditure plan is considered complete when the LEA has completed all measures in the approved energy expenditure plan. A final project completion report is required for each approved energy expenditure plan.</p> <p>The District completed a project on March 28, 2018, but did not submit their final report until March 8, 2021, which is outside the 15 month window.</p>	40000	Not applicable, this was the final project report. No future final reports will be required.	Implemented
<i>Finding 2022-002: Expanded Learning Opportunity Grant Plan Submission</i>	<p>If the Local Educational Agency (LEA) received the Expanded Learning Opportunities Grant apportionment, the LEA governing board is required to adopt on or before June 1, 2021, in a public meeting, a plan describing how the apportioned funds would be used in accordance with Education Code section 43522 and submit the plan within five days of adoption pursuant to subdivision (e) of Education Code section 43522.</p> <p>The District adopted the ELO-G Plan on May 20, 2021 but did not submit this plan to the plan to the county office of education until May 27, 2021, seven days after adoption.</p>	40000	Not applicable, this is a one-time reporting requirement.	Implemented