

**ORANGE UNIFIED SCHOOL DISTRICT  
ORANGE COUNTY  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2024**

**NIGRO  
& NIGRO<sup>PC</sup>**



# ORANGE UNIFIED SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2024

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*For the Fiscal Year Ended June 30, 2024*

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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, 2024, 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, 2024, 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 *2023-24 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.

### ***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.



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

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

#### ***Other Information***

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

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

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2024 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.

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

Murrieta, California  
November 5, 2024

# ORANGE UNIFIED SCHOOL DISTRICT

## *Management's Discussion and Analysis (Unaudited)*

### *For the Fiscal Year Ended June 30, 2024*

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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, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## FINANCIAL HIGHLIGHTS

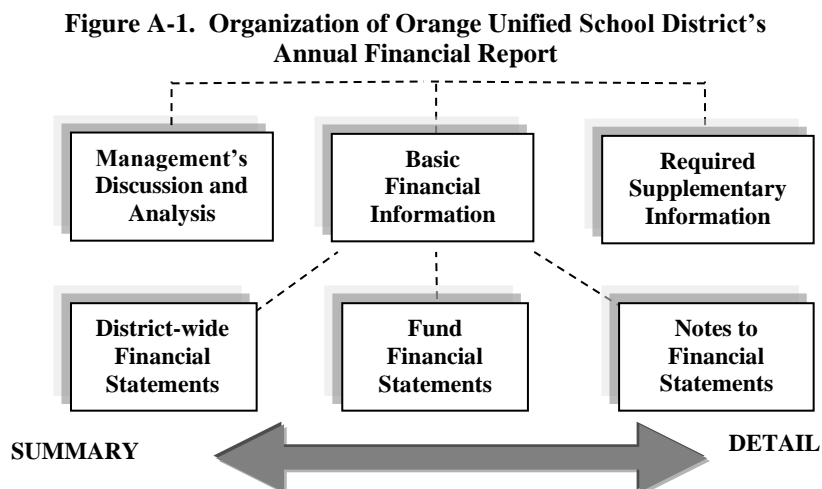
- The District's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$91.0 million, or 42.9%.
- Governmental expenses were about \$400.5 million. Revenues were about \$491.5 million.
- The District acquired over \$81.1 million in new capital assets during the year and \$0.2 million in new subscription-based IT arrangements.
- Governmental funds decreased by \$4.8 million, or 1.3%.

## 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, 2024*

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

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

**District-Wide Statements**

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

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

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

**Fund Financial Statements**

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

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

The District has three kinds of funds:

- 1) ***Governmental funds*** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- 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, 2024

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#### 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, 2024, than it was the year before – increasing 42.9% to \$303.3 million (See Table A-1).

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

	Governmental Activities		Variance
	2024	2023	Increase (Decrease)
<b>Assets</b>			
Current assets	\$ 439,554,338	\$ 423,146,641	\$ 16,407,697
Net OPEB asset	44,073,857	32,633,605	11,440,252
Capital assets	496,558,754	426,167,979	70,390,775
<b>Total assets</b>	<b>980,186,949</b>	<b>881,948,225</b>	<b>98,238,724</b>
<b>Total deferred outflows of resources</b>	<b>126,955,678</b>	<b>131,872,734</b>	<b>(4,917,056)</b>
<b>Liabilities</b>			
Current liabilities	56,462,345	34,994,062	21,468,283
Long-term liabilities	673,472,131	665,621,885	7,850,246
<b>Total liabilities</b>	<b>729,934,476</b>	<b>700,615,947</b>	<b>29,318,529</b>
<b>Total deferred inflows of resources</b>	<b>73,952,617</b>	<b>100,948,215</b>	<b>(26,995,598)</b>
<b>Net position</b>			
Net investment in capital assets	258,086,279	232,313,440	25,772,839
Restricted	116,282,163	116,247,529	34,634
Unrestricted	(71,112,908)	(136,304,172)	65,191,264
<b>Total net position</b>	<b>\$ 303,255,534</b>	<b>\$ 212,256,797</b>	<b>\$ 90,998,737</b>

## ORANGE UNIFIED SCHOOL DISTRICT

*Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2024*

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

**Changes in net position, governmental activities.** The District's total revenues decreased 2.1% to \$491.5 million (See Table A-2). The decrease is due primarily to one-time state grants received in the prior year.

The total cost of all programs and services increased 10.3% to \$91.0 million. The District's expenses are predominantly related to educating and caring for students, 79.4%. The purely administrative activities of the District accounted for just 4.9% of total costs. A significant contributor to the increase in costs was negotiated salary and benefit increases.

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

	Governmental Activities		Variance
	2024	2023	Increase (Decrease)
<b>Revenues</b>			
Program Revenues:			
Charges for services	\$ 7,262,416	\$ 8,260,630	\$ (998,214)
Operating grants and contributions	122,317,377	151,298,130	(28,980,753)
Capital grants and contributions	14,222,847	25,287,823	(11,064,976)
General Revenues:			
Property taxes	231,495,807	220,657,569	10,838,238
Federal and state aid not restricted	97,661,119	88,584,509	9,076,610
Other general revenues	18,542,101	7,892,703	10,649,398
<b>Total Revenues</b>	<u>491,501,667</u>	<u>501,981,364</u>	<u>(10,479,697)</u>
<b>Expenses</b>			
Instruction-related	268,628,409	240,510,706	28,117,703
Pupil services	49,550,682	44,023,087	5,527,595
Administration	19,501,115	18,104,241	1,396,874
Plant services	38,960,686	35,427,119	3,533,567
All other activities	23,862,038	24,893,003	(1,030,965)
<b>Total Expenses</b>	<u>400,502,930</u>	<u>362,958,156</u>	<u>37,544,774</u>
Increase (decrease) in net position	<u>\$ 90,998,737</u>	<u>\$ 139,023,208</u>	<u>\$ (48,024,471)</u>
<b>Total net position</b>	<u>\$ 303,255,534</u>	<u>\$ 212,256,797</u>	<u>\$ 90,998,737</u>

**ORANGE UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2024*

**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 \$371.4 million, which is below last year's ending fund balance of \$376.2 million. The primary cause of the decreased fund balance is spending down the Building Fund on capital projects.

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

Fund	Fund Balances				
	July 1, 2023	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2024
General Fund	\$ 182,674,202	\$ 419,362,493	\$ 384,890,527	\$ (486,125)	\$ 216,660,043
Student Activity Fund	2,217,517	5,514,669	5,293,646	-	2,438,540
Charter School Fund	8,350,398	14,349,484	13,340,624	(609,206)	8,750,052
Adult Education Fund	6,952	11,201	10,123	-	8,030
Child Development Fund	3,528,628	9,977,370	7,530,263	-	5,975,735
Cafeteria Fund	8,987,286	16,207,246	12,752,771	42	12,441,803
Deferred Maintenance Fund	2,754,286	201,261	1,264,191	-	1,691,356
Special Reserve Fund (Other Than Capital Outlay)	976,680	127,695	-	86,083	1,190,458
Building Fund	108,465,861	5,004,583	56,702,718	-	56,767,726
Capital Facilities Fund	4,557,401	787,429	56,341	-	5,288,489
County School Facilities Fund	24,785,865	14,222,847	3,660,122	-	35,348,590
Special Reserve Fund (Capital Outlay)	5,771,237	539,915	8,274,765	9,852,938	7,889,325
Capital Projects Fund for Blended Component Units	701,534	31,724	155,889	-	577,369
Bond Interest and Redemption Fund	7,438,687	12,168,451	12,790,425	-	6,816,713
Debt Service Fund for Blended Component Units	1	(1)	609,206	609,206	-
Debt Service Fund	14,965,811	8,359,875	4,330,317	(9,452,938)	9,542,431
	<u>\$ 376,182,346</u>	<u>\$ 506,866,242</u>	<u>\$ 511,661,928</u>	<u>\$ -</u>	<u>\$ 371,386,660</u>

**General Fund Budgetary Highlights**

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

- Revenues – increased by \$34.4 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – decreased \$8.6 million to reflect revised cost estimates.
- Other non-personnel expenses – increased \$23.6 million to revise operational cost estimates.

While the District's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$37.8 million, the actual results for the year show that revenues exceeded expenditures by roughly \$34.5 million. Actual revenues were \$6.0 million less than anticipated, and expenditures were \$2.7 million less than budgeted. That amount consists primarily of capital outlay and restricted program dollars that were not spent as of June 30, 2024, that will be carried over into the 2024-25 budget.

## ORANGE UNIFIED SCHOOL DISTRICT

### Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2024

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

By the end of 2023-24 the District had acquired \$81.4 million in new capital assets, related to land, construction in progress, site improvements, software and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$10.0 million and amortization was \$0.9 million.

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

	Governmental Activities		Variance
	2024	2023	Increase (Decrease)
Land	\$ 19,082,424	\$ 19,082,424	\$ -
Improvement of sites	17,941,900	19,014,022	(1,072,122)
Buildings	310,098,665	309,605,091	493,574
Equipment	9,228,226	6,638,043	2,590,183
Construction in progress	139,533,194	70,437,683	69,095,511
Subscription assets	674,345	1,390,716	(716,371)
Total	<u>\$ 496,558,754</u>	<u>\$ 426,167,979</u>	<u>\$ 70,390,775</u>

##### Long-Term Debt

At year-end the District had \$673.5 million in long-term liabilities – an increase of 1.2% 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
	2024	2023	Increase (Decrease)
General obligation bonds	\$ 284,215,309	\$ 286,120,611	\$ (1,905,302)
Certificates of participation	8,793,366	9,066,035	(272,669)
Certificates of participation - 2012 Site Lease Agreement	-	4,250,618	(4,250,618)
Retirement health benefits funding bonds	56,260,000	58,570,000	(2,310,000)
Capital leases	2,808,895	3,648,322	(839,427)
Supplementary retirement plan	1,964,330	5,892,992	(3,928,662)
Subscription-based IT agreements	235,022	997,752	(762,730)
Compensated absences	5,752,903	5,050,033	702,870
Claims liability	9,901,000	8,357,000	1,544,000
Net pension liability	303,541,306	283,668,522	19,872,784
Total	<u>\$ 673,472,131</u>	<u>\$ 665,621,885</u>	<u>\$ 7,850,246</u>

# ORANGE UNIFIED SCHOOL DISTRICT

## *Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2024*

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### FACTORS BEARING ON THE DISTRICT'S FUTURE

#### ***State Budget***

The Legislature passed an initial budget on June 15, 2024. The main structural difference between the legislative package and the May Revision was that the legislative package started the proposed limitation on NOLs and tax credits one year earlier—resulting in roughly \$5 billion in additional revenue. The Legislature's budget used that additional budget capacity to reject some of the Governor's spending solutions and/or provide other augmentations. The legislative package also included a large number of other smaller changes across a variety of programs. The legislative package used slightly more (nearly \$1 billion) in general purpose reserves than the May Revision.

#### **K-14 Education**

##### ***Funds Modest COLA and a Few Smaller Augmentations***

For 2024-25, the budget provides \$1 billion to cover a 1.07 percent COLA for existing school and community college programs. For schools, the budget also provides an increase of \$300 million (\$179 million ongoing and \$121 million one time) to cover cost increases related to universal school meals. A small portion of the budget's remaining funds are allocated to cover enrollment- and caseload-driven increases in a few specific areas.

##### ***Implements Small Payment Deferral***

The budget reduces spending in 2024-25 by deferring \$487 million in payments to 2025-26. Of this deferral, half applies to schools and half applies to community colleges. The state will implement the deferral by delaying a portion of the payment districts ordinarily would receive in June 2025 to July 2025. The law allows school districts to be exempt from this deferral (meaning they would receive all of their funding on time) if they can show the delay would cause fiscal insolvency. The purpose of the deferral is to reduce spending in 2024-25 to the minimum level required by Proposition 98.

##### ***Suspends Proposition 98 Requirement and Reduces Spending***

For 2023-24, the budget invokes a provision allowing the state to suspend the minimum Proposition 98 requirement and reduce spending on schools and community colleges by \$8.3 billion relative to the level otherwise required that year. Separate from this action, the budget makes a \$2.6 billion reduction attributable to 2022-23. Both of these reductions lower the Proposition 98 requirement on an ongoing basis. The combined effect of these reductions is to reduce General Fund spending by \$12.7 billion over the 2022-23 through 2024-25 period. As required by the State Constitution, the budget also withdraws the entire balance from the Proposition 98 Reserve (\$8.4 billion) in 2023-24 to supplement the funding provided to schools and community colleges. In 2024-25, the budget begins to build back the Proposition 98 Reserve by making a discretionary deposit of nearly \$1.1 billion.

#### ***Bond Funds***

The state is seeking approval of two bond measures on the November 2024 ballot: Proposition 2 and Proposition 4. Proposition 2 would allow the state to borrow \$10 billion to build new facilities and renovate existing facilities at school districts and community colleges. The cost to repay this bond would be about \$500 million each year for 35 years. Proposition 4 would allow the state to borrow \$10 billion to pay for various natural resources and climate activities. The cost to repay this bond would be about \$400 million each year for 40 years. The cost to repay both bonds would total about \$900 million each year.

##### ***Scores Savings Related to Attendance and a Few Other Adjustments***

In response to significant declines in attendance over the past several years, the state adopted a series of policies temporarily funding school districts based on the attendance they reported prior to the COVID-19 pandemic. For 2024-25, the budget assumes savings of \$1.8 billion as these higher pre-pandemic attendance levels phase out of district funding calculations. In addition, the budget obtains \$1.2 billion in savings by (1) deferring some payments from 2024-25 to 2025-26, (2) reducing funding for State Preschool that is expected to go unused, and (3) repurposing certain unspent appropriations from previous years. Under the Constitution, the state must dedicate all of these savings to other school and community college purposes.

All of these factors were considered in preparing the Orange Unified School District budget for the 2024-25 fiscal year.



## **ORANGE UNIFIED SCHOOL DISTRICT**

*Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2024*

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### **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: Sulema Holguin, Assistant Superintendent, Business Services/CBO at (714) 628-4479 or [sholguin@orangeusd.org](mailto:sholguin@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, 2024*

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	Total Governmental Activities
<b>ASSETS</b>	
Deposits and investments	\$ 403,669,796
Accounts receivable	34,815,966
Inventories	486,610
Other current assets	581,966
Net OPEB asset	44,073,857
Capital assets:	
Non-depreciable assets	158,615,618
Depreciable assets	469,825,294
Less accumulated depreciation	(132,556,503)
Subscription assets	1,254,953
Less accumulated amortization	(580,608)
Total assets	<u>980,186,949</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows from OPEB	15,145,095
Deferred outflows from pensions	<u>111,810,583</u>
Total deferred outflows of resources	<u>126,955,678</u>
<b>LIABILITIES</b>	
Accounts payable	46,945,146
Accrued interest payable	5,006,725
Unearned revenue	4,510,474
Noncurrent liabilities:	
Due or payable within one year	4,585,280
Due in more than one year:	
Other than pensions	365,345,545
Net pension liability	<u>303,541,306</u>
Total liabilities	<u>729,934,476</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from OPEB	23,381,133
Deferred inflows from pensions	<u>50,571,484</u>
Total deferred inflows of resources	<u>73,952,617</u>
<b>NET POSITION</b>	
Net investment in capital assets	258,086,279
Restricted for:	
Capital projects	8,422,892
Debt service	16,359,144
Educational programs	84,689,069
Student activity	2,438,540
Self-Insurance	6,811,058
Unrestricted	<u>(71,112,908)</u>
Total net position	<u>\$ 303,255,534</u>

# ORANGE UNIFIED SCHOOL DISTRICT

## Statement of Activities

For the Fiscal Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					
Instructional Services:					
Instruction	\$ 213,821,899	\$ 312,099	\$ 59,245,896	\$ 14,222,847	\$ (140,041,057)
Instruction-Related Services:					
Supervision of instruction	16,581,282	40,137	6,769,940	-	(9,771,205)
Instructional library, media and technology	12,170,514	483,113	1,477,284	-	(10,210,117)
School site administration	26,054,714	45,633	461,734	-	(25,547,347)
Pupil Support Services:					
Home-to-school transportation	10,197,535	-	-	-	(10,197,535)
Food services	12,940,890	91,743	15,936,463	-	3,087,316
All other pupil services	26,412,257	96,792	6,402,237	-	(19,913,228)
General Administration Services:					
Data processing services	2,499,464	27,010	73,801	-	(2,398,653)
Other general administration	17,001,651	18,752	2,036,165	-	(14,946,734)
Plant services	38,960,686	13,472	1,326,839	-	(37,620,375)
Ancillary services	7,865,375	-	5,485,757	-	(2,379,618)
Community services	204,960	-	-	-	(204,960)
Enterprise activities	75,396	-	-	-	(75,396)
Interest on long-term debt	12,899,616	-	-	-	(12,899,616)
Other outgo	1,879,662	6,133,665	23,101,261	-	27,355,264
Amortization (unallocated)	937,029	-	-	-	(937,029)
Total Governmental Activities	\$ 400,502,930	\$ 7,262,416	\$ 122,317,377	\$ 14,222,847	(256,700,290)
General Revenues:					
Property taxes					231,495,807
Federal and state aid not restricted to specific purpose					97,661,119
Interest and investment earnings					10,850,388
Interagency revenues					1,271,870
Miscellaneous					6,419,843
Total general revenues					347,699,027
Change in net position					90,998,737
Net position - July 1, 2023					212,256,797
Net position - June 30, 2024					\$ 303,255,534

**ORANGE UNIFIED SCHOOL DISTRICT***Balance Sheet – Governmental Funds**June 30, 2024*

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	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Deposits and investments	\$ 227,202,105	\$ 63,935,553	\$ 95,809,925	\$ 386,947,583
Accounts receivable	29,876,090	255,939	4,046,355	34,178,384
Due from other funds	2,038,447	-	10,060,295	12,098,742
Inventories	173,485	-	313,125	486,610
Other current assets	581,966	-	-	581,966
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 259,872,093</u>	<u>\$ 64,191,492</u>	<u>\$ 110,229,700</u>	<u>\$ 434,293,285</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 36,124,625	\$ 7,423,766	\$ 3,146,310	\$ 46,694,701
Due to other funds	2,690,508	-	9,010,942	11,701,450
Unearned revenue	3,206,459	-	1,304,015	4,510,474
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>42,021,592</u>	<u>7,423,766</u>	<u>13,461,267</u>	<u>62,906,625</u>
<b>Fund Balances</b>				
Nonspendable	408,485	-	348,125	756,610
Restricted	65,509,919	56,767,726	82,325,685	204,603,330
Committed	113,428,061	-	1,691,356	115,119,417
Assigned	26,830,280	-	12,403,267	39,233,547
Unassigned	11,673,756	-	-	11,673,756
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>217,850,501</u>	<u>56,767,726</u>	<u>96,768,433</u>	<u>371,386,660</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 259,872,093</u>	<u>\$ 64,191,492</u>	<u>\$ 110,229,700</u>	<u>\$ 434,293,285</u>

## ORANGE UNIFIED SCHOOL DISTRICT

### *Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2024*

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**Total fund balances - governmental funds** \$ 371,386,660

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	628,440,912	
Accumulated depreciation	(132,556,503)	
Subscription assets	1,254,953	
Accumulated amortization	<u>(580,608)</u>	
Net:		496,558,754

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:

(5,006,725)

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	284,215,309	
Certificates of participation payable	8,793,366	
Retirement health benefits funding bonds	56,260,000	
Capital lease payable	2,808,895	
Supplementary Retirement Plan	1,964,330	
Subscription-Based IT Agreements	235,022	
Compensated absences	5,752,903	
Net pension liability	<u>303,541,306</u>	
Total		(663,571,131)

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.

44,073,857

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	126,955,678	
Deferred inflows of resources	<u>(73,952,617)</u>	
Net:		53,003,061

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:

6,811,058

**Total net position - governmental activities** \$ 303,255,534

# ORANGE UNIFIED SCHOOL DISTRICT

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2024

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
LCFF sources	\$ 293,487,789	\$ -	\$ 11,520,048	\$ 305,007,837
Federal sources	26,280,456	-	8,855,814	35,136,270
Other state sources	75,073,474	-	24,188,260	99,261,734
Other local sources	24,648,469	5,004,583	37,807,349	67,460,401
Total Revenues	419,490,188	5,004,583	82,371,471	506,866,242
<b>EXPENDITURES</b>				
Current:				
Instruction	219,722,396	-	13,138,161	232,860,557
Instruction-related services:				
Supervision of instruction	17,391,184	-	795,360	18,186,544
Instructional library, media and technology	16,007,713	-	307,458	16,315,171
School site administration	24,468,675	-	3,290,918	27,759,593
Pupil support services:				
Home-to-school transportation	10,802,063	-	165,700	10,967,763
Food services	162,971	-	12,532,613	12,695,584
All other pupil services	27,986,962	-	567,153	28,554,115
Ancillary services	2,715,946	-	5,310,067	8,026,013
Community services	200,219	-	-	200,219
General administration services:				
Data processing services	2,716,277	-	9,915	2,726,192
Other general administration	14,849,489	-	234,569	15,084,058
Plant services	33,624,204	-	2,616,003	36,240,207
Transfers of indirect costs	(491,961)	-	491,961	-
Intergovernmental	1,692,294	-	187,368	1,879,662
Capital outlay	7,542,284	56,702,718	12,691,489	76,936,491
Debt service:				
Principal	3,912,157	-	6,075,618	9,987,775
Interest	1,587,654	-	11,654,330	13,241,984
Total Expenditures	384,890,527	56,702,718	70,068,683	511,661,928
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	34,599,661	(51,698,135)	12,302,788	(4,795,686)
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers in	-	-	10,462,186	10,462,186
Interfund transfers out	(400,042)	-	(10,062,144)	(10,462,186)
Total Other Financing Sources and Uses	(400,042)	-	400,042	-
Net Change in Fund Balances	34,199,619	(51,698,135)	12,702,830	(4,795,686)
Fund Balances, July 1, 2023	183,650,882	108,465,861	84,065,603	376,182,346
Fund Balances, June 30, 2024	\$ 217,850,501	\$ 56,767,726	\$ 96,768,433	\$ 371,386,660

## 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, 2024*

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**Total net change in fund balances - governmental funds** \$ (4,795,686)

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	81,134,543	
Depreciation expense	(10,027,397)	
Expenditures for subscriptions	220,658	
Amortization expense	(937,029)	
Net:		70,390,775

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: 9,987,775

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: (63,652)

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: 352,971

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: 53,049

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: (702,870)

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: 3,928,662

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: 6,264,730

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: 7,444,932

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: (1,861,949)

**Change in net position of governmental activities** \$ 90,998,737

**ORANGE UNIFIED SCHOOL DISTRICT**  
*Statement of Net Position – Proprietary Fund*  
*June 30, 2024*

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	<b>Governmental Activities</b> <b>Internal Service Fund</b>
<b>ASSETS</b>	
Deposits and investments	\$ 16,722,213
Accounts receivable	637,582
Due from other funds	820
	<hr/>
Total assets	17,360,615
	<hr/>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	250,445
Due to other funds	398,112
Total current liabilities	648,557
Non-current liabilities:	
Estimated liability for open claims and IBNRs	9,901,000
	<hr/>
Total liabilities	10,549,557
	<hr/>
<b>NET POSITION</b>	
Restricted	\$ 6,811,058
	<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, 2024*

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	<b>Governmental Activities Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Self-insurance premiums	<u>\$ 3,589,884</u>
<b>OPERATING EXPENSES</b>	
Payments for personnel costs	372,709
Payments for materials and supplies	331
Payments for claims and other operating expenses	<u>5,852,292</u>
Total operating expenses	<u>6,225,332</u>
<b>OPERATING INCOME (LOSS)</b>	(2,635,448)
<b>NON-OPERATING REVENUES</b>	
Interest income	648,742
Fair market value adjustment	<u>124,757</u>
Total non-operating expenses	<u>773,499</u>
Change in net position	(1,861,949)
Net position, July 1, 2023	<u>8,673,007</u>
Net position, June 30, 2024	<u><u>\$ 6,811,058</u></u>

**ORANGE UNIFIED SCHOOL DISTRICT**  
*Statement of Cash Flows – Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2024*

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	<b>Governmental Activities Internal Service Fund</b>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>	
Received from in-district premiums	\$ 3,664,715
Payments to employees and fringe benefits	24,928
Payments to vendors and suppliers	175,050
Payments on insurance claims	(4,308,292)
Other receipts (payments)	(577,162)
Net cash provided (used) by operating activities	(1,020,761)
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>	
Investment income	763,528
Net increase (decrease) in cash and cash equivalents	(257,233)
Cash and cash equivalents, July 1, 2023	16,979,446
Cash and cash equivalents, June 30, 2024	\$ 16,722,213
<b><i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i></b>	
Operating income (loss)	\$ (2,635,448)
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	74,831
Estimated liability for open claims and IBNRs	1,544,000
Accounts payable and accrued liabilities	175,381
Due to other funds	397,637
Net cash provided (used) by operating activities	\$ (1,020,761)

**ORANGE UNIFIED SCHOOL DISTRICT***Statement of Fiduciary Net Position**June 30, 2024*

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	Debt Service Fund for Special Tax Bonds	Retiree Benefits Fund
<b>ASSETS</b>		
Deposits and investments	\$ 795,026	\$ 122,459,171
Accounts receivable	-	76,727
Prepays	-	500,285
Total assets	795,026	123,036,183
<b>LIABILITIES</b>		
Accounts payable	-	9,053,622
Total liabilities	-	9,053,622
<b>NET POSITION</b>		
Restricted for debt service	795,026	-
Restricted for postemployment benefits	-	113,982,561
Total net position	\$ 795,026	\$ 113,982,561

**ORANGE UNIFIED SCHOOL DISTRICT**  
*Statement of Changes in Fiduciary Net Position*  
*June 30, 2024*

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	Debt Service Fund for Special Tax Bonds	Retiree Benefits Fund
<b>ADDITIONS</b>		
Investment income	\$ 27	\$ 4,614,652
Increase (decrease) in fair value of investments	-	4,914,588
Other income	927,235	-
Total Additions	927,262	9,529,240
<b>DEDUCTIONS</b>		
Administrative expenses	15,435	-
Benefit payments	-	5,510,544
Debt service	871,028	-
Total Deductions	886,463	5,510,544
Change in net position	40,799	4,018,696
Net position - July 1, 2023	754,227	109,963,865
Net position - June 30, 2024	\$ 795,026	\$ 113,982,561

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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### 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, 2024

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

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

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

###### 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, 2024

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

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

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

##### Non-Major Governmental Funds (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, 2024

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

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

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

###### Non-Major Governmental Funds (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, 2024

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

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

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

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, 2024

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### 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, 2024

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### 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.

If material, 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, 2024

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#### 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.

If material, 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, 2024

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### 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, 2024

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### 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.

#### I. Change in Accounting Principle

For the fiscal year ended June 30, 2024, the District implemented GASB Statement No. 100, *Accounting Changes and Error Corrections-an Amendment of GASB Statement No. 62*. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net positions, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

## ORANGE UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2024 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 386,947,583
Proprietary funds	16,722,213
Governmental activities	<u>403,669,796</u>
Fiduciary funds	123,254,197
Total deposits and investments	<u><u>\$ 526,923,993</u></u>

Deposits and investments as of June 30, 2024 consist of the following:

Cash on hand and in banks	\$ 2,714,498
Cash in revolving fund	270,000
Investments	523,939,495
Total deposits and investments	<u><u>\$ 526,923,993</u></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 Depositary 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, 2024, \$2,388,108 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, 2024

#### 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, 2024, consist of the following:

	Reported Amount	Maturity		Fair Value Measurement	Rating
		Less Than One Year	One Year Through Five Years		
Investments:					
County Pool	\$ 404,386,974	\$ 404,386,974	\$ -	Uncategorized	N/A
US Bank Money Market	795,026	795,026	-	Level 2	N/A
Benefit Trust Company:					
Mutual Fund - Fixed Income	79,227,730	79,227,730	-	Level 2	N/A
Mutual Fund - Domestic Equity	29,349,118	29,349,118	-	Level 2	N/A
Mutual Fund - International Equity	6,238,605	6,238,605	-	Level 2	N/A
Mutual Fund - Real Estate	3,942,042	3,942,042	-	Level 2	N/A
Total Investments	<u>\$ 523,939,495</u>	<u>\$ 523,939,495</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, 2024, 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, 2024, 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	72%
Mutual Fund - Domestic Equity	27%
Mutual Fund - International Equity	6%

##### 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, 2024

#### 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, 2024, 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	\$ 9,944,766	\$ -	\$ 1,249,596	\$ 11,194,362	\$ -	\$ -
State Government:						
LCFF	3,668,308	-	51,786	3,720,094	-	-
Lottery	1,611,138	-	71,566	1,682,704	-	-
Other state resources	1,489,010	-	1,861,473	3,350,483	-	-
Local:						
Interest	898,747	255,939	322,407	1,477,093	60,420	76,727
Other local resources	12,264,121	-	489,527	12,753,648	577,162	-
Total	<u>\$ 29,876,090</u>	<u>\$ 255,939</u>	<u>\$ 4,046,355</u>	<u>\$ 34,178,384</u>	<u>\$ 637,582</u>	<u>\$ 76,727</u>

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

### NOTE 4 – INTERFUND TRANSACTIONS

#### A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2024, consisted of the following:

	Due From Other Funds				Total
	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund	
General Fund	\$ -	\$ 2,689,688	\$ 2,689,688	\$ 820	\$ 2,690,508
Non-Major Governmental Funds	1,655,062	7,355,880	9,010,942	-	9,010,942
Self-Insurance Fund	383,385	14,727	398,112	-	398,112
Total	<u>\$ 2,038,447</u>	<u>\$ 10,060,295</u>	<u>\$ 12,098,742</u>	<u>\$ 820</u>	<u>\$ 12,099,562</u>
General Fund due to Charter Schools Special Revenue Fund for LCFF payment and payroll costs					\$ 700,122
General Fund due to Adult Education Fund for payroll costs					140
General Fund due to Child Development Fund for payroll costs and registration fees					997,519
General Fund due to Cafeteria Special Revenue Fund for payroll costs					13,635
General Fund due to Deferred Maintenance Fund for architect fees					107,982
General Fund due to Special Reserve Fund for Capital Outlay Projects for construction cost reimbursements					870,290
General Fund due to Internal Service Fund for employee benefits					820
Charter Schools Special Revenue Fund due to General Fund for LCFF, software costs, administration, special education and insurance fee					566,869
Adult Education Fund due to General Fund for indirect costs					359
Child Development Fund due to General Fund for indirect costs, postage, and printing fees					274,355
Cafeteria Special Revenue Fund due to General Fund for indirect costs, vehicle and maintenance expense, bank fees, and postage					225,055
Deferred Maintenance Fund due to General Fund for architect fees					550,604
Capital Facilities Fund due to General Fund for 3% of developer fees					16,441
County School Facilities Fund due to Special Reserve Fund for Capital Outlay Projects for construction cost reimbursements					3,100,540
Special Reserve Fund for Capital Outlay Projects due to General Fund for payroll costs and architect fees					21,379
Special Reserve Fund for Capital Outlay Projects due to Deferred Maintenance Fund for architect fees					12,402
Debt Service Fund due to Special Reserve Fund for Capital Outlay Projects for roof replacement and RDA transfer					4,242,938
Internal Service Fund due to General Fund for payroll and benefits					383,385
Internal Service Fund due to non-major funds for benefits					14,727
Total					<u>\$ 12,099,562</u>

#### B. Transfers To/From Other Funds

Transfers to/from other funds during the year ended June 30, 2024, consisted of the following:

General Fund transfer to Cafeteria Special Revenue Fund for catering events	\$ 42
General Fund transfer to Special Reserve Fund for Capital Outlay Projects for vehicle replacements and capital projects	400,000
Charter School Fund to Debt Service Fund for Blended Component Units for COP payment	609,206
Debt Service Fund transfer to Special Reserve Fund for Capital Outlay Projects for approved projects	<u>9,452,938</u>
Total	<u>\$ 10,462,186</u>

**ORANGE UNIFIED SCHOOL DISTRICT***Notes to Financial Statements**June 30, 2024***NOTE 5 – FUND BALANCES**

At June 30, 2024, fund balances of the District's governmental funds were classified as follows:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 235,000	\$ -	\$ 35,000	\$ 270,000
Inventories	173,485	-	313,125	486,610
Total Nonspendable	408,485	-	348,125	756,610
Restricted:				
Categorical programs	65,509,919	-	1,076,707	66,586,626
Student activity	-	-	2,438,540	2,438,540
Adult education program	-	-	8,030	8,030
Child development program	-	-	5,975,735	5,975,735
Food service program	-	-	12,118,678	12,118,678
Capital projects	-	56,767,726	44,348,851	101,116,577
Debt service	-	-	16,359,144	16,359,144
Total Restricted	65,509,919	56,767,726	82,325,685	204,603,330
Committed:				
Fiscal emergencies	23,408,310	-	-	23,408,310
Negotiations commitment	16,231,537	-	-	16,231,537
Textbook adoption	14,791,000	-	-	14,791,000
Pension obligation	14,780,000	-	-	14,780,000
Replacement and updating technology	14,550,000	-	-	14,550,000
Enrollment decline reserve	13,038,222	-	-	13,038,222
Vacation liability	5,050,033	-	-	5,050,033
Loss of attendance	4,157,546	-	-	4,157,546
Vehicle replacements	3,447,748	-	-	3,447,748
Facility maintenance	2,783,207	-	-	2,783,207
Other commitments	1,190,458	-	-	1,190,458
Deferred maintenance program	-	-	1,691,356	1,691,356
Total Committed	113,428,061	-	1,691,356	115,119,417
Assigned:				
Attract and retain	2,719,228	-	-	2,719,228
Site carryover-donations	1,146,146	-	-	1,146,146
LCFF carryover	4,739,606	-	-	4,739,606
Personnel vacancies	18,225,300	-	-	18,225,300
Reserve for economic uncertainties	-	-	1,008,777	1,008,777
Building fund debt service	-	-	1,055,409	1,055,409
Textbooks	-	-	300,000	300,000
Multi-year stabilization fund	-	-	5,284,159	5,284,159
Other assignments	-	-	4,754,922	4,754,922
Total Assigned	26,830,280	-	12,403,267	39,233,547
Unassigned:				
Reserve for economic uncertainties	11,673,756	-	-	11,673,756
Total Unassigned	11,673,756	-	-	11,673,756
Total	\$ 217,850,501	\$ 56,767,726	\$ 96,768,433	\$ 371,386,660

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

### NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance, July 1, 2023	Additions	Retirements	Balance, June 30, 2024
Capital assets not being depreciated:				
Land	\$ 19,082,424	\$ -	\$ -	\$ 19,082,424
Construction in progress	70,437,683	76,936,692	7,841,181	139,533,194
Total capital assets not being depreciated	89,520,107	76,936,692	7,841,181	158,615,618
Capital assets being depreciated:				
Improvement of sites	30,940,800	665	-	30,941,465
Buildings	404,783,485	7,714,916	-	412,498,401
Equipment	22,061,977	4,323,451	-	26,385,428
Total capital assets being depreciated	457,786,262	12,039,032	-	469,825,294
Accumulated depreciation for:				
Improvement of sites	(11,926,778)	(1,072,787)	-	(12,999,565)
Buildings	(95,178,394)	(7,221,342)	-	(102,399,736)
Equipment	(15,423,934)	(1,733,268)	-	(17,157,202)
Total accumulated depreciation	(122,529,106)	(10,027,397)	-	(132,556,503)
Total capital assets being depreciated, net	335,257,156	2,011,635	-	337,268,791
Subscription assets:				
IT Subscriptions	2,283,614	220,658	1,249,319	1,254,953
Accumulated amortization for:				
IT Subscriptions	(892,898)	(937,029)	(1,249,319)	(580,608)
Total leased assets, net	1,390,716	(716,371)	-	674,345
Governmental activity capital assets, net	\$ 426,167,979	\$ 78,231,956	\$ 7,841,181	\$ 496,558,754

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Instruction	\$ 6,129,280
Supervision of instruction	331,956
Instructional library, media and technology	180,531
School site administration	714,477
Home-to-school transportation	298,541
Food services	313,834
All other pupil services	410,916
Ancillary services	55,597
Community services	263,426
Centralized data processing	1,255,893
All other general administration	61,758
Plant services	11,188
Total depreciation expense	<u>\$ 10,027,397</u>

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

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

Changes in long-term debt for the fiscal year ended June 30, 2024, were as follows:

	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024	Amount Due Within One Year
General Obligation Bonds:					
Principal repayments	\$ 277,865,000	\$ -	\$ 1,570,000	\$ 276,295,000	\$ 705,000
Unamortized issuance premium	8,255,611	-	335,302	7,920,309	335,302
Total - Bonds	286,120,611	-	1,905,302	284,215,309	1,040,302
Certificates of Participation:					
Principal repayments	8,695,000	-	255,000	8,440,000	265,000
Unamortized issuance premium	371,035	-	17,669	353,366	17,668
Total - Certificates of Participation	9,066,035	-	272,669	8,793,366	282,668
Direct Borrowings and Private Placements:					
COPs - 2012 Agreement	4,250,618	-	4,250,618	-	-
Retirement Health Benefits Funding Bonds	58,570,000	-	2,310,000	56,260,000	2,355,000
Energy Financing Agreements	3,648,322	-	839,427	2,808,895	907,310
Supplementary Retirement Plan	5,892,992	-	3,928,662	1,964,330	-
Subscription-Based IT Agreements	997,752	-	762,730	235,022	116,118
Compensated Absences	5,050,033	702,870	-	5,752,903	-
Claims Liability	8,357,000	1,544,000	-	9,901,000	-
Totals	\$ 381,953,363	\$ 2,246,870	\$ 14,269,408	\$ 369,930,825	\$ 4,701,398

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, 2024.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024
2018	6/7/2018	8/1/2047	3.00-5.00%	\$ 188,000,000	\$ 177,865,000	\$ -	\$ 370,000	\$ 177,495,000
2022	6/2/2022	8/1/2049	4.125%-5.00%	100,000,000	100,000,000	-	1,200,000	98,800,000
Subtotal Bonds					\$ 277,865,000	\$ -	\$ 1,570,000	\$ 276,295,000

## ORANGE UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### 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
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
2028-2029	2,350,000	10,869,175	13,219,175
2029-2034	21,045,000	51,838,600	72,883,600
2034-2039	42,195,000	45,980,256	88,175,256
2039-2044	71,195,000	35,275,106	106,470,106
2044-2049	109,095,000	16,848,719	125,943,719
2049-2050	25,350,000	522,844	25,872,844
Totals	<u>\$ 276,295,000</u>	<u>\$ 205,650,525</u>	<u>\$ 481,945,525</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, 2024, the principal balance outstanding was \$8,440,000.

The annual requirements to amortize all certificates are as follows:

2018 Certificates			
Fiscal Year	Principal	Interest	Total
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
2028-2029	325,000	283,481	608,481
2029-2034	1,875,000	1,151,406	3,026,406
2034-2039	2,325,000	709,844	3,034,844
2039-2044	2,765,000	257,647	3,022,647
Totals	<u>\$ 8,440,000</u>	<u>\$ 3,687,552</u>	<u>\$ 12,127,552</u>

## ORANGE UNIFIED SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2024*

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#### **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 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. In the event of default, the Corporation may exercise any and all remedies available under law or granted to it under the lease. As of June 30, 2024 this agreement has been fully repaid.

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

##### **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, 2024

### 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, 2024.

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2023	Additions	Deductions	Balance, June 30, 2024
2019A	12/19/2019	5/1/2033	1.80% - 2.85%	\$ 33,595,000	\$ 25,050,000	\$ -	\$ 2,310,000	\$ 22,740,000
2021	6/9/2021	5/1/2043	1.90%-2.70%	33,520,000	33,520,000	-	-	33,520,000
Totals					\$ 58,570,000	\$ -	\$ 2,310,000	\$ 56,260,000

The bonds mature as follows:

Fiscal Year	Principal	Interest	Total
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
2028-2029	2,590,000	1,156,060	3,746,060
2029-2034	14,125,000	4,710,890	18,835,890
2034-2039	16,345,000	2,943,668	19,288,668
2039-2043	13,445,000	870,428	14,315,428
Totals	\$ 56,260,000	\$ 14,905,220	\$ 71,165,220

#### 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,	Payment
2025	\$ 1,025,429
2026	1,055,645
2027	746,118
2028	210,557
Total minimum	\$ 3,037,749
Less interest	(228,854)
Total	\$ 2,808,895



## ORANGE UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### 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:

Year Ending June 30,	Payment
2026	\$ 1,964,330

##### 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:

Year Ending June 30,	Payment	Interest
2025	\$ 116,118	\$ 2,787
2026	118,904	-
Total	\$ 235,022	\$ 2,787

##### 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 \$9,820,000 as of June 30, 2024, 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, 2024

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

For the fiscal year ended June 30, 2024, 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	\$ (45,155,620)	\$ 15,145,095	\$ 23,381,133	\$ (163,809)
MPP Program	1,081,763	-	-	(92,241)
Totals	<u>\$ (44,073,857)</u>	<u>\$ 15,145,095</u>	<u>\$ 23,381,133</u>	<u>\$ (256,050)</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, 2024*

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#### **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 2023-24, the District contributed \$7,190,633 to the Plan, all of which was used for current premiums.

###### ***Employees Covered by Benefit Terms***

As of the June 30, 2023 valuation date, 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, 2024

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

##### District Plan (continued)

###### *Net OPEB Asset*

The District's net OPEB asset of \$45,155,620 was measured as of June 30, 2024 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	5.50% for 2024, 5.20% for 2025, and 4.50% for 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, 2023 to June 30, 2024.

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, 2024

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

##### District Plan (continued)

##### *Discount Rate*

GASB 75 requires a discount rate that reflects the following:

- 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.
- 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, 2023	June 30, 2023	5.00%	3.86%	5.00%
June 30, 2024	June 30, 2024	5.00%	3.97%	5.00%

##### Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability (Asset)
<b>Balance at July 1, 2023</b>	\$ 75,733,066	\$ 109,540,675	\$ (33,807,609)
<b>Changes for the year:</b>			
Service cost	1,381,297	-	1,381,297
Interest	3,678,145	-	3,678,145
Employer contributions	-	7,190,633	(7,190,633)
Net investment income	-	9,493,800	(9,493,800)
Benefit payments	(7,190,633)	(7,190,633)	-
Administrative expenses	-	(275,230)	275,230
Other disbursements	-	(1,750)	1,750
Net changes	(2,131,191)	9,216,820	(11,348,011)
<b>Balance at June 30, 2024</b>	<u>\$ 73,601,875</u>	<u>\$ 118,757,495</u>	<u>\$ (45,155,620)</u>

## ORANGE UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

#### 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	\$ (39,324,248)
Current discount rate	\$ (45,155,620)
1% increase	\$ (50,396,202)

###### *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	\$ (51,828,578)
Current trend rate	\$ (45,155,620)
1% increase	\$ (37,502,894)

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$(163,809). In addition, at June 30, 2024, 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	\$ 3,473,549	\$ 8,440,359
Changes of assumptions	-	10,475,521
Net difference between projected and actual earnings on OPEB plan investments	11,671,546	4,465,253
Totals	<u>\$ 15,145,095</u>	<u>\$ 23,381,133</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
2025	\$ 6,993,621	\$ 6,757,137
2026	6,993,623	5,672,762
2027	1,157,851	5,603,474
2028	-	3,647,335
2029	-	1,700,425
Thereafter	-	-
Totals	<u>\$ 15,145,095</u>	<u>\$ 23,381,133</u>

## ORANGE UNIFIED SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2024*

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#### **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 8.65 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, 2022 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, 2023, 4,457 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, 2024

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

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

###### **Total OPEB Liability**

At June 30, 2024, the District reported a liability of \$1,081,763 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, 2023, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2022 and rolling forward the total OPEB liability to June 30, 2023. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts 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, 2024</u>	<u>Fiscal Year Ending June 30, 2023</u>	
Measurement Date	<u>June 30, 2023</u>	<u>June 30, 2022</u>	
Proportion of the Net OPEB Liability	0.356503%	0.356395%	0.000109%

For the year ended June 30, 2024, the District reported OPEB expense of \$(92,241).

###### **Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2022 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, 2023
Valuation Date	June 30, 2022
Experience Study	June 30, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.65%
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 179 or an average of 0.13% of the potentially eligible population of 138,780.



## ORANGE UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### 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, 2023, 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, 2023, 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, 2023, was 3.65%, which is an increase of 0.11% from 3.54% as of June 30, 2022.

###### *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	\$ 1,175,656
Current discount rate	\$ 1,081,763
1% increase	\$ 1,000,124

###### *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	\$ 995,329
Current trend rate	\$ 1,081,763
1% increase	\$ 1,179,345

## ORANGE UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### 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, 2024, 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	\$ 183,565,295	\$ 57,146,111	\$ 25,986,900	\$ 20,057,306
CalPERS	119,976,011	54,664,472	24,584,584	17,332,195
Total	<u>\$ 303,541,306</u>	<u>\$ 111,810,583</u>	<u>\$ 50,571,484</u>	<u>\$ 37,389,501</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, 2022, 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.

## ORANGE UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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#### 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, 2024, are summarized as follows:

	<b>STRP Defined Benefit Program</b>	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Member Contribution Rate	10.25%	10.205%
Required Employer Contribution Rate	19.10%	19.10%
Required State Contribution Rate	10.828%	10.828%

###### Contributions

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

The contribution rates for each program for the year ended June 30, 2024, are presented above, and the District's total contributions were \$29,368,940.

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

At June 30, 2024, 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	\$	183,565,295
State's proportionate share of the net pension liability associated with the District		87,951,294
Total	\$	<u>271,516,589</u>

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

### 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, 2023. 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, 2024	Fiscal Year Ending June 30, 2023	
Measurement Date	June 30, 2023	June 30, 2022	
Proportion of the Net Pension Liability	0.241023%	0.237471%	0.003552%

For the year ended June 30, 2024, the District recognized pension expense of \$20,057,306. In addition, the District recognized pension expense and revenue of \$(1,277,233) for support provided by the State. At June 30, 2024, 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	\$ 29,368,940	\$ -
Net change in proportionate share of net pension liability	11,503,318	16,165,225
Difference between projected and actual earnings on pension plan investments	785,734	-
Changes of assumptions	1,062,910	-
Differences between expected and actual experience	14,425,209	9,821,675
Total	\$ 57,146,111	\$ 25,986,900

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

## ORANGE UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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

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

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	\$ 2,429,420	\$ 8,230,894
2026	2,429,421	10,232,016
2027	16,802,888	3,706,326
2028	2,633,164	1,504,607
2029	1,267,479	1,504,607
Thereafter	2,214,799	808,450
Total	<u>\$ 27,777,171</u>	<u>\$ 25,986,900</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, 2022, and rolling forward the total pension liability to June 30, 2023. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability as of June 30, 2023, include:

Valuation Date	June 30, 2022
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.

## ORANGE UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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

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

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

The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2023, are summarized in the following table:

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

###### Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 307,916,133
Current discount rate (7.10%)	\$ 183,565,295
1% increase (8.10%)	\$ 80,277,429

###### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954, 22955, and 22955.1 of the *Education Code* and *Public Resources Code* Section 6217.5. Under accounting principles generally accepted in the United States of America, these contributions are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$14,067,945.

## ORANGE UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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

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

###### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2022 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, 2024, 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	26.68%	26.68%

###### 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, 2024 are presented above, and the total District contributions were \$15,582,120.

# ORANGE UNIFIED SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2024

### 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, 2024, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$119,976,011. The net pension liability was measured as of June 30, 2023. 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 June 30, 2024	Fiscal Year Ending June 30, 2023	
Measurement Date	June 30, 2023	June 30, 2022	
Proportion of the Net Pension Liability	0.331436%	0.344850%	-0.013414%

For the year ended June 30, 2024, the District recognized pension expense of \$17,332,195. At June 30, 2024, 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	\$ 15,582,120	\$ -
Net change in proportionate share of net pension liability	1,974,900	8,355,141
Difference between projected and actual earnings on pension plan investments	27,201,941	14,386,788
Changes of assumptions	5,527,247	-
Differences between expected and actual experience	4,378,264	1,842,655
Total	\$ 54,664,472	\$ 24,584,584

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 3.8 years.



## ORANGE UNIFIED SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2024

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

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

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2025	\$ 15,067,626	\$ 10,897,184
2026	13,765,824	10,542,783
2027	9,850,083	2,339,716
2028	398,819	804,901
2029	-	-
Thereafter	-	-
Total	<u>\$ 39,082,352</u>	<u>\$ 24,584,584</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, 2022 and rolling forward the total pension liability to June 30, 2023. The financial reporting actuarial valuation as of June 30, 2022 used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2022
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, 2024

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

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

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

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

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

###### Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (5.9%)	\$ 173,454,299
Current discount rate (6.9%)	\$ 119,976,011
1% increase (7.9%)	\$ 75,777,423

##### 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, 2024, the District reported payables of \$2,579,653 and \$1,028,067 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2024.

## ORANGE UNIFIED SCHOOL DISTRICT

### *Notes to Financial Statements*

*June 30, 2024*

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#### **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, 2024, the District had commitments with respect to unfinished capital projects of approximately \$42.3 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, 2024. The District entered a settlement agreement on October 10, 2024 (see Note 12: Subsequent Event).

#### **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 2023-24, 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 SISC 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, 2024

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#### 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, 2022 to June 30, 2024:

	Workers' Compensation
Liability Balance, July 1, 2022	\$ 7,897,000
Claims and changes in estimates	(2,969,322)
Claims payments	3,429,322
Liability Balance, June 30, 2023	8,357,000
Claims and changes in estimates	(1,781,147)
Claims payments	3,325,147
Liability Balance, June 30, 2024	<u>\$ 9,901,000</u>
Assets available to pay claims at June 30, 2024	<u>\$ 17,360,615</u>

#### NOTE 12 – SUBSEQUENT EVENT

On or about October 10, 2024, the District settled two open cases with a combined settlement amount of \$2,275,000. Payments are to be made by Orange Unified School District in in one lump sum within 45 days of the latter of: (a) the execution of the Release, (b) delivery of the executed W-9 form for the Plaintiff's Attorneys, and (c) delivery of an executed Request to Dismiss the Entire Action with Prejudice as to District and the Plaintiffs.

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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, 2024*

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget - Pos (Neg)</b>
<b>Revenues</b>				
LCFF sources	\$ 291,978,131	\$ 293,461,154	\$ 293,487,789	\$ 26,635
Federal sources	20,208,482	33,110,632	26,280,456	(6,830,176)
Other state sources	68,487,763	74,690,334	75,073,474	383,140
Other local sources	10,329,296	24,119,094	24,520,774	401,680
Total Revenues	391,003,672	425,381,214	419,362,493	(6,018,721)
<b>Expenditures</b>				
Current:				
Certificated salaries	148,764,946	144,622,565	154,099,220	(9,476,655)
Classified salaries	56,982,349	53,848,425	53,894,301	(45,876)
Employee benefits	96,247,864	94,964,102	99,347,686	(4,383,584)
Books and supplies	13,534,918	20,579,541	15,895,666	4,683,875
Services and other operating expenditures	45,397,524	50,099,957	42,178,669	7,921,288
Transfers of indirect costs	(266,434)	(595,813)	(491,962)	(103,851)
Capital outlay	5,822,508	17,320,766	13,537,572	3,783,194
Other Outgo	6,069,421	6,751,943	6,429,375	322,568
Total Expenditures	372,553,096	387,591,486	384,890,527	2,700,959
Excess (Deficiency) of Revenues Over (Under) Expenditures	18,450,576	37,789,728	34,471,966	(3,317,762)
<b>Other Financing Sources and Uses</b>				
Interfund transfers in	3,747,710	3,747,710	3,748,561	851
Interfund transfers out	(7,951,461)	(3,836,827)	(4,234,686)	(397,859)
Total Other Financing Sources and Uses	(4,203,751)	(89,117)	(486,125)	(397,008)
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,246,825	37,700,611	33,985,841	(3,714,770)
Fund Balances, July 1, 2023	153,534,367	182,674,202	182,674,202	-
Fund Balances, June 30, 2024	\$ 167,781,192	\$ 403,049,015	216,660,043	\$ (3,714,770)
Special Reserve Fund for Other Than Capital Outlay Projects			1,190,458	
<b>Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:</b>			<b>\$ 217,850,501</b>	



# ORANGE UNIFIED SCHOOL DISTRICT

## Schedule of Proportionate Share of the Net Pension Liability-CalSTRS For the Fiscal Year Ended June 30, 2024

	<i>Last Ten Fiscal Years</i>				
<b>Employer's Fiscal Year</b>	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>
<b>Measurement Period</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>
District's proportion of the net pension liability	0.2410%	0.2375%	0.2446%	0.2501%	0.2353%
District's proportionate share of the net pension liability	\$ 183,565,295	\$ 165,008,819	\$ 111,295,917	\$ 242,387,601	\$ 212,535,592
State's proportionate share of the net pension liability associated with the District	87,951,294	82,635,772	55,999,789	124,950,837	115,952,354
Totals	\$ 271,516,589	\$ 247,644,591	\$ 167,295,706	\$ 367,338,438	\$ 328,487,946
District's covered-employee payroll	\$ 141,125,555	\$ 133,374,468	\$ 128,113,269	\$ 124,171,452	\$ 128,054,165
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	130.07%	123.72%	86.87%	195.20%	165.97%
Plan fiduciary net position as a percentage of the total pension liability	81%	81%	87%	72%	73%
<b>Employer's Fiscal Year</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
<b>Measurement Period</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013-14</b>
District's proportion of the net pension liability	0.2540%	0.2450%	0.2580%	0.2650%	0.2470%
District's proportionate share of the net pension liability	\$ 233,507,872	\$ 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	133,694,833	134,178,738	118,892,375	94,305,803	87,095,715
Totals	\$ 367,202,705	\$ 360,986,650	\$ 327,707,760	\$ 272,515,279	\$ 231,497,745
District's covered-employee payroll	\$ 132,092,488	\$ 131,030,288	\$ 129,820,436	\$ 122,389,401	\$ 110,062,230
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	176.80%	173.10%	160.85%	145.61%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	71%	70%	70%	74%	77%

# ORANGE UNIFIED SCHOOL DISTRICT

## Schedule of Proportionate Share of the Net Pension Liability-CalPERS For the Fiscal Year Ended June 30, 2024

	<i>Last Ten Fiscal Years</i>				
<b>Employer's Fiscal Year</b>	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>
<b>Measurement Period</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>	<b>2018-19</b>
District's proportion of the net pension liability	0.3314%	0.3448%	0.3658%	0.3519%	0.3541%
District's proportionate share of the net pension liability	\$ 119,976,011	\$ 118,659,703	\$ 74,384,122	\$ 107,974,037	\$ 103,192,861
District's covered-employee payroll	\$ 55,835,775	\$ 52,994,282	\$ 52,461,222	\$ 49,696,729	\$ 49,329,432
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	214.87%	223.91%	135.08%	217.27%	209.19%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	81%	70%	70%
<b>Employer's Fiscal Year</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
<b>Measurement Period</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2013-14</b>
District's proportion of the net pension liability	0.3700%	0.3680%	0.3760%	0.3750%	0.3490%
District's proportionate share of the net pension liability	\$ 98,551,857	\$ 87,784,702	\$ 74,270,848	\$ 55,217,596	\$ 39,608,976
District's covered-employee payroll	\$ 48,600,692	\$ 46,740,641	\$ 45,081,117	\$ 41,508,908	\$ 36,626,106
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	202.80%	187.80%	164.75%	133.03%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%	74%	79%	83%

**ORANGE UNIFIED SCHOOL DISTRICT**  
*Schedule of Pension Contributions-CalSTRS*  
*For the Fiscal Year Ended June 30, 2024*

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	<i>Last Ten Fiscal Years</i>				
<b>Employer's Fiscal Year</b>	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>
Contractually required contribution	\$ 29,368,940	\$ 26,954,981	\$ 22,566,960	\$ 20,690,293	\$ 21,233,318
Contributions in relation to the contractually required contribution	29,368,940	26,954,981	22,566,960	20,690,293	21,233,318
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 153,764,086	\$ 141,125,554	\$ 133,374,468	\$ 128,113,269	\$ 124,171,452
Contributions as a percentage of covered-employee payroll	19.10%	19.10%	16.92%	16.15%	17.10%
<b>Employer's Fiscal Year</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
Contractually required contribution	\$ 20,847,218	\$ 18,425,894	\$ 16,157,373	\$ 13,515,699	\$ 10,589,609
Contributions in relation to the contractually required contribution	20,847,218	18,425,894	16,157,373	13,515,699	10,589,609
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 128,054,165	\$ 132,092,488	\$ 131,030,288	\$ 129,820,436	\$ 122,389,401
Contributions as a percentage of covered-employee payroll	16.28%	13.95%	12.33%	10.41%	8.65%

**ORANGE UNIFIED SCHOOL DISTRICT**  
*Schedule of Pension Contributions-CalPERS*  
*For the Fiscal Year Ended June 30, 2024*

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*Last Ten Fiscal Years*

<b>Employer's Fiscal Year</b>	<b>2023-24</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2020-21</b>	<b>2019-20</b>
Contractually required contribution	\$ 15,582,120	\$ 14,165,536	\$ 12,140,990	\$ 10,859,473	\$ 9,800,692
Contributions in relation to the contractually required contribution	<u>15,582,120</u>	<u>14,165,536</u>	<u>12,140,990</u>	<u>10,859,473</u>	<u>9,800,692</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 58,403,748</u>	<u>\$ 55,835,775</u>	<u>\$ 52,994,282</u>	<u>\$ 52,461,222</u>	<u>\$ 49,696,729</u>
Contributions as a percentage of covered-employee payroll	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>	<u>19.721%</u>

<b>Employer's Fiscal Year</b>	<b>2018-19</b>	<b>2017-18</b>	<b>2016-17</b>	<b>2015-16</b>	<b>2014-15</b>
Contractually required contribution	\$ 8,909,882	\$ 7,549,236	\$ 6,393,311	\$ 5,240,840	\$ 4,817,989
Contributions in relation to the contractually required contribution	<u>8,909,882</u>	<u>7,549,236</u>	<u>6,393,311</u>	<u>5,240,840</u>	<u>4,817,989</u>
Contribution deficiency (excess):	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 49,329,432</u>	<u>\$ 48,600,692</u>	<u>\$ 46,710,641</u>	<u>\$ 45,081,117</u>	<u>\$ 41,508,908</u>
Contributions as a percentage of covered-employee payroll	<u>18.062%</u>	<u>15.533%</u>	<u>13.687%</u>	<u>11.625%</u>	<u>11.607%</u>

# ORANGE UNIFIED SCHOOL DISTRICT

## Schedule of Changes in the District's Total OPEB Liability and Related Ratios For the Fiscal Year Ended June 30, 2024

Last Ten Fiscal Years\*

Employer's Fiscal Year Measurement Period	2023-24 2023-24	2022-23 2022-23	2021-22 2021-22	2020-21 2020-21	2019-20 2019-20	2018-19 2018-19	2017-18 2017-18
<b>Total OPEB liability</b>							
Service cost	\$ 1,381,297	\$ 1,566,680	\$ 1,650,720	\$ 1,722,863	\$ 2,025,591	\$ 1,921,862	\$ 1,870,425
Interest	3,678,145	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	(7,190,633)	(7,828,524)	(6,163,550)	(5,522,369)	(5,773,647)	(6,556,697)	(3,675,794)
<b>Net change in total OPEB liability</b>	<b>(2,131,191)</b>	<b>(20,280,767)</b>	<b>207,798</b>	<b>2,851,646</b>	<b>684,789</b>	<b>(5,632,444)</b>	<b>2,629,991</b>
<b>Total OPEB liability - beginning</b>	<b>75,733,066</b>	<b>96,013,833</b>	<b>95,806,035</b>	<b>92,954,389</b>	<b>92,269,600</b>	<b>97,902,044</b>	<b>95,272,053</b>
<b>Total OPEB liability - ending</b>	<b>\$ 73,601,875</b>	<b>\$ 75,733,066</b>	<b>\$ 96,013,833</b>	<b>\$ 95,806,035</b>	<b>\$ 92,954,389</b>	<b>\$ 92,269,600</b>	<b>\$ 97,902,044</b>
<b>Plan fiduciary net position</b>							
Contributions - employer	\$ 7,190,633	\$ 7,828,524	\$ 6,163,550	\$ -	\$ -	\$ 2,275,056	\$ 4,854,486
Net investment income	9,493,800	5,479,532	(22,342,123)	6,062,600	7,312,904	7,451,519	-
Benefit payments	(7,190,633)	(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	(275,230)	(253,283)	(409,940)	-	(446,028)	(436,759)	(449,007)
Other disbursements	(1,750)	(5,250)	(2,869,876)	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>9,216,820</b>	<b>5,220,999</b>	<b>(25,621,939)</b>	<b>5,962,106</b>	<b>1,093,229</b>	<b>2,733,119</b>	<b>729,685</b>
<b>Plan fiduciary net position - beginning</b>	<b>109,540,675</b>	<b>104,319,676</b>	<b>129,941,615</b>	<b>123,979,509</b>	<b>122,886,280</b>	<b>120,153,161</b>	<b>119,423,476</b>
<b>Plan fiduciary net position - ending</b>	<b>\$ 118,757,495</b>	<b>\$ 109,540,675</b>	<b>\$ 104,319,676</b>	<b>\$ 129,941,615</b>	<b>\$ 123,979,509</b>	<b>\$ 122,886,280</b>	<b>\$ 120,153,161</b>
<b>District's net OPEB liability (asset) - ending</b>	<b>\$ (45,155,620)</b>	<b>\$ (33,807,609)</b>	<b>\$ (8,305,843)</b>	<b>\$ (34,135,580)</b>	<b>\$ (31,025,120)</b>	<b>\$ (30,616,680)</b>	<b>\$ (22,251,117)</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability (asset)</b>	<b>161.35%</b>	<b>144.64%</b>	<b>108.65%</b>	<b>135.63%</b>	<b>133.38%</b>	<b>133.18%</b>	<b>122.73%</b>
<b>Covered payroll</b>	<b>\$ 137,701,801</b>	<b>\$ 153,440,710</b>	<b>\$ 175,708,811</b>	<b>\$ 182,926,362</b>	<b>\$ 190,483,880</b>	<b>\$ 185,385,771</b>	<b>\$ 192,607,861</b>
<b>Net OPEB liability (asset) as a percentage of covered payroll</b>	<b>(32.8%)</b>	<b>(22.0%)</b>	<b>(4.7%)</b>	<b>(18.66%)</b>	<b>(16.29%)</b>	<b>(16.52%)</b>	<b>(11.55%)</b>

\* 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, 2024*

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Employer Fiscal Year Measurement Period	Last Ten Fiscal Years*						
	2023-24 2023-24	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	N/A
Contributions in relation to the actuarially determined contribution	\$ 7,190,633	\$ 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	N/A
Covered-employee payroll	\$ 137,701,801	\$ 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	5.22%	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, 2024

Employer's Fiscal Year Measurement Period	Last Ten Fiscal Years*						
	2023-24 2022-23	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	0.3565%	0.3564%	0.3676%	0.3588%	0.3637%	0.3995%	0.3903%
District's proportionate share of net OPEB liability	\$ 1,081,763	\$ 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	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	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.94%)	(0.94%)	(0.80%)	(0.71%)	(0.81%)	0.40%	0.01%

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

## ORANGE UNIFIED SCHOOL DISTRICT

### *Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2024*

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#### NOTE 1 – PURPOSE OF SCHEDULES

##### **Budgetary Comparison Schedule**

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

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

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

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. 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 5.0 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, 2024*

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

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

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

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

*Change of assumptions* – The discount rate was changed from 3.54 percent to 3.65 percent since the previous valuation.

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*Supplementary Information*

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**ORANGE UNIFIED SCHOOL DISTRICT**

*Schedule of Average Daily Attendance  
For the Fiscal Year Ended June 30, 2024*

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<b>Orange Unified School District</b>		
	<b>Second Period Report</b>	<b>Annual Report</b>
<b>Regular ADA &amp; Extended Year:</b>		
TK/Grades K-3	6,945.35	6,950.23
Grades 4-6	5,368.62	5,362.74
Grades 7-8	1,700.51	1,699.77
Grades 9-12	7,788.15	7,746.51
Total Regular ADA	21,802.63	21,759.25
<b>Special Education-Nonpublic, Nonsectarian Schools:</b>		
TK/Grades K-3	0.71	0.85
Grades 4-6	4.31	5.41
Grades 7-8	1.02	1.92
Grades 9-12	14.91	17.15
Total Special Education-Nonpublic, Nonsectarian Schools	20.95	25.33
<b>Community Day School:</b>	4.58	4.54
Total ADA	21,828.16	21,789.12
<b>El Rancho Charter School</b>		
	<b>Second Period Report</b>	<b>Annual Report</b>
<b>Regular ADA &amp; Extended Year:</b>		
Grades 7-8	1,069.18	1,066.93
<b>Special Education-Nonpublic, Nonsectarian Schools:</b>		
Grades 7-8	2.27	2.86
Total ADA	1,071.45	1,069.79
<b>Total Classroom- Based ADA</b>	1,071.45	1,069.26

**ORANGE UNIFIED SCHOOL DISTRICT***Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2024*

<b>Orange Unified School District</b>				
Grade Level	Instructional Minute Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Kindergarten	36,000	47,390	180	Complied
Grade 1	50,400	50,460	180	Complied
Grade 2	50,400	50,460	180	Complied
Grade 3	50,400	50,780	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	56,683	180	Complied
Grade 8	54,000	56,683	180	Complied
Grade 9	64,800	64,981	180	Complied
Grade 10	64,800	64,981	180	Complied
Grade 11	64,800	64,981	180	Complied
Grade 12	64,800	64,981	180	Complied

<b>El Rancho Charter School</b>				
Number of Instructional Days				
Grade Level	Instructional Minute Requirement	Instructional Minutes Offered	Instructional Days Offered	Status
Grade 7	54,000	59,840	181	Complied
Grade 8	54,000	59,600	180	Complied

**ORANGE UNIFIED SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2024*

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General Fund	(Budget) 2025 <sup>2</sup>	2024 <sup>3</sup>	2023 <sup>4</sup>	2022
Revenues and other financing sources	\$ 415,199,980	\$ 423,111,054	\$ 434,593,618	\$ 357,774,753
Expenditures	416,241,814	384,890,527	363,795,402	330,010,725
Other uses and transfers out	12,163,688	4,234,686	5,548,008	3,260,074
Total outgo	428,405,502	389,125,213	369,343,410	333,270,799
Change in fund balance (deficit)	(13,205,522)	33,985,841	65,250,208	24,503,954
Ending fund balance	\$ 203,454,521	\$ 216,660,043	\$ 182,674,202	\$ 114,172,540
Available reserves <sup>1</sup>	\$ 12,852,165	\$ 11,673,756	\$ 13,161,543	\$ 77,716,881
Available reserves as a percentage of total outgo	3.0%	3.0%	3.6%	23.3%
Total long-term debt	\$ 668,770,733	\$ 673,472,131	\$ 665,621,885	\$ 575,429,569
Average daily attendance at P-2	21,481	21,828	21,939	22,204

The General Fund balance has increased over the past two years by \$102.5 million. The fiscal year 2024-25 adopted budget projects an decrease of \$(13.2) 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 deficit during the 2024-25 fiscal year. Long-term debt has increased by \$98.0 million over the past two years.

Average daily attendance decreased by 376 ADA over the past two years. Budgeted ADA for fiscal year 2024-25 projects a decrease of 347.

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

<sup>2</sup> Revised Final Budget September, 2024.

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

<sup>4</sup> As restated

**ORANGE UNIFIED SCHOOL DISTRICT**

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2024*

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*There were no differences between the Annual Financial and Budget Report and the  
Audited Financial Statements in any funds.*

**ORANGE UNIFIED SCHOOL DISTRICT***Schedule of Charter Schools**For the Fiscal Year Ended June 30, 2024*

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Charter School		Inclusion in Financial
Name	Number	Statements
Santiago Middle School	0066	Not included
El Rancho Charter School	0445	Included
Orange County Classical Academy	2094	Not included



**ORANGE UNIFIED SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2024*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing	Pass-Through Entity Identifying Number	Sub-total Expenditures	Federal Expenditures
<b>Federal Programs:</b>				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Breakfast Program - Basic	10.553	13525	\$ 220,588	
School Breakfast Program - Especially Needy	10.553	13526	1,464,120	
National School Lunch Program	10.555	13523	4,622,804	
USDA Donated Foods	10.555	13391	858,610	
Total Child Nutrition Cluster				\$ 7,166,122
Forest Service Schools and Roads Cluster	10.665	10044		9,243
NSLP Equipment Assistance Grants	10.579	14906		91,452
Passed through California Dept. of Social Services:				
Child and Adult Care Food Program:				
Child and Adult Care Food Program	10.558	13393	640,462	
Child and Adult Care Food Program Cash in Lieu	10.558	13393	44,277	
Total Child and Adult Care Food Program				684,739
Total U.S. Department of Agriculture				7,951,556
<b>U.S. Department of Education:</b>				
Passed through California Dept. of Education (CDE):				
Every Student Succeeds Act (ESSA):				
Title I Grants:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	5,246,818	
ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	164,969	
Total Title I, Grants to LEAs				5,411,787
Title II, Part A, Supporting Effective Instruction	84.367	14341		581,541
English Language Acquisition Grants				
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	589,023	
Title III, Immigrant Education Program	84.365	15146	57,582	
Subtotal English Language Acquisition Grants				646,605
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		223,367
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425D	15559	9,427,415	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	2,501,083	
ASES Rate Increase: ESSER III State Reserve Summer Learning Program	84.425U	15652	603,695	
American Rescue Plan - Homeless Children and Youth II (ARP HCY II)	84.425U	15566	50,877	
Subtotal Education Stabilization Fund				12,583,070
Individuals with Disabilities Education Act (IDEA):				
Special Education Cluster:				
Local Assistance Entitlement	84.027	13379	6,227,836	
Special Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	132,017	
Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	293,568	
Preschool Staff Development	84.173A	13431	1,942	
Special Ed: Alternate Dispute Resolution	84.173A	13007	18,355	
Total Special Education Cluster				6,673,718
Early Intervention Grants, Part C	84.181	23761		86,304
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894		240,929
Indian Education	84.060	10011		15,484
Total U.S. Department of Education				26,462,805
<b>U.S. Department of Health &amp; Human Services:</b>				
Passed through California Dept. of Education (CDE):				
Child Care and Development Block Grant Cluster:				
COVID-19 CRRSA Act - One-time Stipend	93.575	15555	332	
COVID-19 ARP California State Preschool Program One-time Stipend	93.575	15640	4,086	
Subtotal Child Care and Development Block Grant Cluster				4,418
Total U.S. Department of Health & Human Services				4,418
Total Expenditures of Federal Awards				\$ 34,418,779

*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, 2024

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### NOTE 1 – PURPOSE OF SCHEDULES

#### Schedule of Average Daily Attendance (ADA)

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

#### Schedule of Instructional Time

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

#### Schedule of Financial Trends and Analysis

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

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

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

#### Schedule of Charter Schools

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

#### Schedule of Expenditures of Federal Awards

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

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

	Assistance Listing	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		\$ 35,136,270
Differences between Federal Revenues and Expenditures:		
COVID-19 CRRSA Act - One-time Stipend	93.575	332
COVID-19 ARP California State Preschool Program One-time Stipend	93.575	4,086
Supply Chain Assistance (SCA) Funds	10.555	(721,909)
Total Schedule of Expenditures of Federal Awards		\$ 34,418,779

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## *Other Information*

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## ORANGE UNIFIED SCHOOL DISTRICT

### *Local Educational Agency Organization Structure*

*June 30, 2024*

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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**

<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Ana Paige	President	2024
Angie Rumsey	Vice President	2024
Kris Erickson	Clerk	2026
Andrea Yamasaki	Member	2026
John Ortega	Member	2024
Sara Pelly	Member	2024
Dr. Stephen Glass	Member	2024

#### **DISTRICT ADMINISTRATORS**

Ernest Gonzalez,  
*Superintendent*

Anne Truex,  
*Interim Assistant Superintendent, Educational Services*

Sulema Holguin,  
*Assistant Superintendent, Business Services/CBO*

Tracy Knibb,  
*Assistant Superintendent, Human Resources*

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***Other Independent Auditors' Reports***

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

Board of 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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 5, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

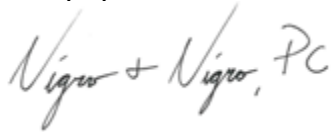
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in dark ink that reads "Nigro + Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California  
November 5, 2024



**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, 2024. 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, 2024.

***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.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2024-001. Our opinion on each major federal program is not modified with respect to this matter.

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

### **Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

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

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

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

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Murrieta, California  
November 5, 2024

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## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER 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 2023-24 *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, 2024.

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, 2024.

#### *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 2023-24 *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 *2023-24 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 *2023-24 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 *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<b>Description</b>	<b>Procedures Performed</b>
<b>Local Education Agencies Other Than Charter Schools:</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
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
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes



Description	Procedures Performed
<b>School Districts, County Offices of Education, and Charter Schools:</b>	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Yes
<b>Charter Schools:</b>	
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.

#### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying schedule of findings and questioned costs as Finding 2024-002. Our opinion on each state program is not modified with respect to these matters.

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

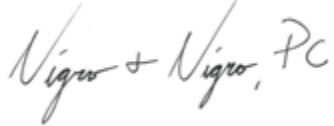
#### ***Report on Internal Control over Compliance***

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, 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 *2023-24 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

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

Murrieta, California  
November 5, 2024

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*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, 2024

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#### **Financial Statements**

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

#### **Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>Yes</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>Yes</u>
Identification of major programs:	
<u>Assistance Listing</u> <u>Name of Federal Program or Cluster</u>	
10.553, 10.555                Child Nutrition Cluster	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$          1,032,563</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, 2024*

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

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

*There were no financial statement findings in 2023-24.*

**ORANGE UNIFIED SCHOOL DISTRICT**  
*Federal Award Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2024*

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

**Finding 2024-001: Procurement (50000)**

**Assistance Listing # 10.553, 10.555 – U.S. Department of Agriculture, California Department of Education, Child Nutrition Cluster**

*Repeat Finding? No*

**Criteria:** Code of Federal Regulations, CFR 200.320, require the non-Federal entity to have and use documented procurement procedures, consistent with the standards of this section and §§ 200.317, 200.318, and 200.319 for the acquisition of property or services required under a Federal award or sub-award. For “small purchases,” those where the aggregate dollar amount is higher than the micro-purchase threshold but does not exceed the simplified acquisition threshold, price or rate quotations must be obtained from an adequate number of qualified sources as determined appropriate by the non-Federal entity.

**Condition:** During our testing of procurement, we sampled three contracts that would qualify as “small purchases.” The district could not provide evidence that multiple quotes had been obtained prior to selecting one of the vendors.

**Cause:** Due to turnover at the District, there has been a lack of oversight to ensure all appropriate documentation is maintained to demonstrate that the District is in compliance with CFR and that purchases are awarded after a reasonable number of quotes have been obtained.

**Context:** Deficiency was noted in one of three vendors tested.

**Effect/Questioned Cost:** This resulted in roughly \$53,291 dollars awarded in contracts, without following proper procedures.

**Recommendation:** We recommend that the District train and implement the required federal procurement procedures to ensure that the District is in compliance.

**Views of Responsible Officials:** To correct the finding Nutrition Services will do the following: (1) request piggybackable formal bid options from US Foods (2) take necessary steps to increase micropurchase threshold to \$50,000 (3) consider opening a Purchase Order with Sysco Foods to spread the micropurchases to another online retailer, thus mitigating the issue of in-person shopping and price comparisons (4) work with purchasing department to ensure open purchase orders do not exceed \$50,000 for any vendor that does not have formal procurement in place.

## ORANGE UNIFIED SCHOOL DISTRICT

### *State Award Findings and Questioned Costs*

*For the Fiscal Year Ended June 30, 2024*

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

#### **2024-002: Expanded Learning Opportunity Program (40000)**

*Repeat Finding? No*

**Criteria:** Pursuant to EC Section 46120(b)(2)(D) programs that serve transitional kindergarten or kindergarten pupils must maintain a pupil-to-staff member ratio of no more than 10 to 1 and all other grades must maintain a pupil-to-staff member ratio of no more than 20 to 1.

**Condition:** During our testing of ratios, we encountered difficulties determining if program ratios were maintained. Multiple versions of documentation was provided during testing, and ultimately it could not be determined if ratios were maintained at two of the seven sites tested.

**Context:** It could not be determined if ratios were maintained at two of the seven sites tested.

**Cause:** Due to constant fluctuations in student attendance and staffing requirements, the documentation maintained was not sufficient to determine if required ratios were maintained.

**Effect:** There is no questioned cost associated with this finding.

**Recommendation:** We recommend that the District track and monitor daily staffing and attendance to ensure compliance.

**Views of Responsible Officials:** District has implemented a systematic approach across all ELO-P offerings. Every school site has adopted the ELEYO online system, which streamlines parent registration, attendance tracking, staff oversight, and monitoring of enrichment activities. This system also helps maintain appropriate student-to-staff ratios, ensuring effective supervision and support to meet the grant requirements.



**ORANGE UNIFIED SCHOOL DISTRICT**

*Summary Schedule of Prior Audit Findings*

*For the Fiscal Year Ended June 30, 2024*

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*There were no findings or questioned costs in 2023-24.*