

**ORANGE COUNTY
DEPARTMENT OF EDUCATION
ORANGE COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2025**

ORANGE COUNTY DEPARTMENT OF EDUCATION

For the Fiscal Year Ended June 30, 2025

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ORANGE COUNTY DEPARTMENT OF EDUCATION

For the Fiscal Year Ended June 30, 2025

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Financial Section

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orange County Department of Education (the County), as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Changes in Accounting Principle

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County'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.

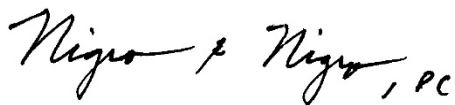
Other Information

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 the materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2025, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Murrieta, California
December 2, 2025

ORANGE COUNTY DEPARTMENT OF EDUCATION

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2025

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

FINANCIAL HIGHLIGHTS

- The County's financial status increased overall as a result of this year's operations. Net position of governmental activities increased by \$40.8 million, or 8.5%.
- Governmental expenses were about \$496.1 million. Revenues were about \$537.0 million.
- The County acquired over \$9.4 million in new capital assets during the year.
- Governmental funds increased by \$32.4 million or 6.1%.
- Reserves for the County School Service Fund increased by \$30.1 million or 19.4%. Revenues and other sources were \$375.1 million, and expenditures and other financing uses were \$348.4 million.

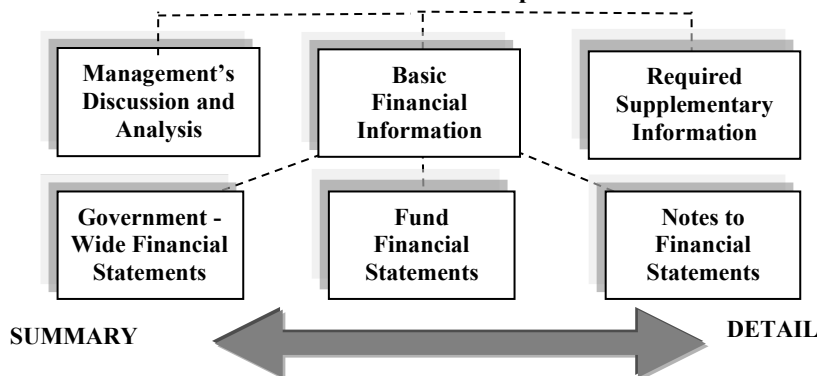
OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *Government-wide financial* statements that provide both short-term and long-term information about the County's overall financial status.
- The remaining statements are *fund financial* statements that focus on individual parts of the County, reporting the County's operations in more detail than the Government-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 County that operate like businesses (self-insurance funds) are provided in the *proprietary funds* statements.
 - *Fiduciary funds* statement provides information about the financial relationships in which the County acts solely as a trustee or custodian for the benefit of others to whom the resources belong.

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

Figure A-1. Organization of Orange County Department of Education's Annual Financial Report



ORANGE COUNTY DEPARTMENT OF EDUCATION

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2025

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.

Government-Wide Statements

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

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

- Over time, increases and decreases in the County's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the County, you need to consider additional nonfinancial factors such as changes in the County's demographics and the condition of school buildings and other facilities.
- In the Government-wide financial statements, the County's activities are categorized as *Governmental Activities*. Most of the County's basic services are included here, such as regular and special education 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 County's most significant funds – not the County as a whole. Funds are accounting devices the County 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 County 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 County has three kinds of funds:

- 1) ***Governmental funds*** – Most of the County'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 County's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- 2) ***Proprietary funds*** – When the County charges other County 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 County's internal service fund is included within the governmental activities reported in the Government-wide statements but provide more detail and additional information, such as cash flows. The County uses the internal service fund to report activities that relate to the County's self-insurance program for dental benefits.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

- 3) **Fiduciary funds** – The County is the trustee, or fiduciary, for assets that belong to others, such as the payroll tax custodial account. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the Government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position. The County's combined net position was higher on June 30, 2025, than it was the year before – increasing 8.5% to \$521.4 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		
	2025	2024*	Net Change
Assets			
Current assets	\$ 733,843,593	\$ 672,272,732	\$ 61,570,861
Capital assets	116,218,786	113,231,490	2,987,296
Total Assets	850,062,379	785,504,222	64,558,157
Total Deferred Outflows of Resources	69,876,844	60,983,203	8,893,641
Liabilities			
Current liabilities	158,865,002	130,623,370	28,241,632
Long-term liabilities	192,371,954	212,853,929	(20,481,975)
Total Liabilities	351,236,956	343,477,299	7,759,657
Total Deferred Inflows of Resources	47,310,152	22,449,382	24,860,770
Net Position			
Net investment in capital assets	110,703,873	106,866,176	3,837,697
Restricted	151,561,129	145,492,601	6,068,528
Unrestricted	259,127,113	228,201,967	30,925,146
Total Net Position	\$ 521,392,115	\$ 480,560,744	\$ 40,831,371

* As restated

Changes in net position, governmental activities. The County's total revenues increased 6.5% to \$537.0 million (See Table A-2). The increase is due primarily to increased fees for services.

The total cost of all programs and services increased 19.8% to \$496.1 million. The County's expenses are predominantly related to educating and caring for students, 68.1%. The purely administrative activities of the County accounted for 8.8%. A significant contributor to the increase in costs was increased salaries, benefits, and pension costs.

ORANGE COUNTY DEPARTMENT OF EDUCATION
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		
	2025	2024	Net Change
Revenues			
Program Revenues:			
Charges for services	\$ 71,209,788	\$ 45,086,817	\$ 26,122,971
Operating grants and contributions	167,184,610	170,957,805	(3,773,195)
Capital grants and contributions	143,999	138,347	5,652
General Revenues:			
Property taxes	156,826,121	148,711,207	8,114,914
Federal and state aid not restricted	36,125,228	35,513,510	611,718
Other general revenues	105,490,506	103,867,000	1,623,506
Total Revenues	536,980,252	504,274,686	32,705,566
Expenses			
Instruction-related	313,157,538	247,487,243	65,670,295
Pupil services	24,571,124	23,631,538	939,586
Administration	43,615,463	38,782,802	4,832,661
Plant services	17,580,747	20,084,180	(2,503,433)
All other activities	97,224,009	84,162,806	13,061,203
Total Expenses	496,148,881	414,148,569	82,000,312
Increase (decrease) in net position	\$ 40,831,371	\$ 90,126,117	\$ (49,294,746)
Total Net Position	\$ 521,392,115	\$ 480,560,744	

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed this year, its governmental funds reported a combined fund balance of \$564.7 million, which is above last year's ending fund balance of \$532.3 million. The primary cause of the increased fund balance is increased revenues in the County School Service Fund.

Table A-3: The County's Fund Balances

Fund	Fund Balances				
	July 1, 2024*	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2025
County School Service Fund	\$ 452,290,338	\$ 374,458,681	\$ 346,281,550	\$ (1,417,138)	\$ 479,050,331
Special Education Pass-Through Fund	9,516,283	56,350,595	55,365,061	-	10,501,817
Child Development Fund	426,385	106,417,277	107,908,495	1,114,820	49,987
Deferred Maintenance Fund	33,841,132	2,330,573	161,598	980,735	36,990,842
Special Reserve Fund (Other Than Capital Outlay)	27,878,839	1,101,941	-	-	28,980,780
County School Facilities Fund	3,311,850	130,899	-	-	3,442,749
Special Reserve Fund (Capital Outlay)	2,664,355	2,905,534	886,903	(1,374,630)	3,308,356
Debt Service Fund	2,339,995	16,693	1,374,630	1,374,630	2,356,688
Total	\$ 532,269,177	\$ 543,712,193	\$ 511,978,237	\$ 678,417	\$ 564,681,550

* As restated

ORANGE COUNTY DEPARTMENT OF EDUCATION

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2025

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (continued)

County School Services Fund Budgetary Highlights

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

- Revenues – increased by \$32.3 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – decreased \$4.9 million to reflect revised cost estimates.
- Other non-personnel expenses – increased \$1.1 million to revise operational cost estimates.

While the County's final budget for the General Fund anticipated that revenues would exceed expenditures by about \$9.2 million, the actual results for the year show that revenues exceeded expenditures by roughly \$28.2 million. Actual revenues were \$11.5 million less than anticipated, and expenditures were \$30.4 million less than budgeted.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2024-25 the County had acquired \$9.4 million in new capital assets, related to land, construction in progress, site improvements, leases, subscription assets, and equipment purchases. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$5.8 million and amortization was \$0.8 million.

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

	Governmental Activities		
	2025	2024	Net Change
Land	\$ 28,641,315	\$ 28,641,315	\$ -
Improvement of sites	212,362	292,947	(80,585)
Buildings	72,193,770	67,349,993	4,843,777
Equipment	7,615,031	7,771,929	(156,898)
Right-to-use leased assets	5,269	15,809	(10,540)
Right-to-use software subscriptions	715,270	547,510	167,760
Construction in progress	6,835,769	8,611,987	(1,776,218)
Total	<u>\$ 116,218,786</u>	<u>\$ 113,231,490</u>	<u>\$ 2,987,296</u>

Long-Term Debt

At year-end the County had \$192.4 million in long-term liabilities – a decrease of 9.6% from last year – as shown in Table A-5. (More detailed information about the County's long-term liabilities is presented in Notes 7-9 to the financial statements).

ORANGE COUNTY DEPARTMENT OF EDUCATION
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

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

	Governmental Activities		
	2025	2024*	Net Change
Certificates of participation	\$ 5,091,600	\$ 6,277,000	\$ (1,185,400)
Lease liabilities	5,289	15,850	(10,561)
Software subscription liabilities	418,024	72,464	345,560
Supplemental employee retirement plan	474,446	948,892	(474,446)
Compensated absences	8,621,714	7,664,657	957,057
Other postemployment benefits	2,845,841	2,984,135	(138,294)
Net pension liability	174,915,040	194,890,931	(19,975,891)
Total	<u>\$ 192,371,954</u>	<u>\$ 212,853,929</u>	<u>\$ (20,481,975)</u>

* As restated due to implementation of GASB No.101

FACTORS BEARING ON THE COUNTY'S FUTURE

California State Budget

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

TK-12 Education

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

Proposition 98

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

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

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2025

FACTORS BEARING ON THE COUNTY'S FUTURE (continued)

Proposition 98 (continued)

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

Funding Results for Education Programs

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

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

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

Federal Implications

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

All of these factors were considered in preparing the Orange County Department of Education budget for the 2025-26 fiscal year.

CONTACTING THE ORANGE COUNTY DEPARTMENT OF EDUCATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Orange County Department of Education's finances and to show the Orange County Department of Education's accountability for the money it receives. If you have questions about this report or need additional financial information, contact David Giordano, Associate Superintendent of Administrative Services, at 200 Kalmus Drive, Costa Mesa, California 92628, or email at dgiordano@ocde.us.

ORANGE COUNTY DEPARTMENT OF EDUCATION*Statement of Net Position**June 30, 2025*

	Governmental Activities
ASSETS	
Deposits and investments	\$ 656,226,148
Accounts receivable	75,935,994
Lease receivables	1,681,451
Capital assets:	
Non-depreciable capital assets	35,477,084
Depreciable capital assets	149,811,666
Less accumulated depreciation	(69,790,503)
Lease assets:	47,429
Less accumulated amortization	(42,160)
Subscription assets:	1,417,605
Less accumulated amortization	(702,335)
Total Assets	<u>850,062,379</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	76,113
Deferred outflows related to pensions	69,800,731
Total Deferred Outflows of Resources	<u>69,876,844</u>
LIABILITIES	
Accounts payable	113,368,827
Accrued interest payable	12,141
Unearned revenue	45,484,034
Noncurrent liabilities:	
Due or payable within one year	1,879,204
Due in more than one year:	
Other than OPEB and pensions	12,731,869
Total OPEB liability	2,845,841
Net pension liability	174,915,040
Total Liabilities	<u>351,236,956</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to leases	1,638,421
Deferred inflows related to OPEB	963,395
Deferred inflows related to pensions	44,708,336
Total Deferred Inflows of Resources	<u>47,310,152</u>
NET POSITION	
Net investment in capital assets	110,703,873
Restricted for:	
Capital projects	3,474,422
Debt service	2,356,688
Self-insurance programs	8,670,761
Categorical programs	137,059,258
Unrestricted	259,127,113
Total Net Position	<u>\$ 521,392,115</u>

ORANGE COUNTY DEPARTMENT OF EDUCATION

Statement of Activities

For the Fiscal Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					Governmental Activities
Instruction	\$ 165,150,638	\$ 12,228,794	\$ 95,509,800	\$ 143,999	\$ (57,268,045)
Instruction-Related Services:					
Supervision of instruction	126,458,540	30,889,459	48,381,068	-	(47,188,013)
Instructional library, media and technology	1,491,720	24	340,504	-	(1,151,192)
School site administration	20,056,640	1,508,529	207,485	-	(18,340,626)
Pupil Support Services:					
Home-to-school transportation	7,173,070	4,102	92	-	(7,168,876)
Food services	2,232,298	-	678,918	-	(1,553,380)
All other pupil services	15,165,756	3,960,043	1,251,782	-	(9,953,931)
General Administration Services:					
Data processing services	15,317,573	-	-	-	(15,317,573)
Other general administration	28,297,890	3,001,870	12,286,705	-	(13,009,315)
Plant services	17,580,747	711,742	162,822	-	(16,706,183)
Interest on long-term debt	188,961	-	-	-	(188,961)
Other outgo	96,238,293	18,905,225	8,365,434	-	(68,967,634)
Amortization (unallocated)	796,755	-	-	-	(796,755)
Total Governmental Activities	<u>\$ 496,148,881</u>	<u>\$ 71,209,788</u>	<u>\$ 167,184,610</u>	<u>\$ 143,999</u>	<u>\$ (257,610,484)</u>
General Revenues:					
Property taxes					156,826,121
Federal and state aid not restricted to specific purpose					36,125,228
Interest and investment earnings					21,585,729
Interagency revenues					11,324,028
Miscellaneous					<u>72,580,749</u>
Subtotal general revenues					<u>298,441,855</u>
Change in net position					<u>40,831,371</u>
Net position - July 1, 2024, as originally stated					486,101,104
Adjustments for restatements (Note 12)					<u>(5,540,360)</u>
Net position - July 1, 2024, as restated					<u>480,560,744</u>
Net Position - June 30, 2025					<u>\$ 521,392,115</u>

ORANGE COUNTY DEPARTMENT OF EDUCATION

Balance Sheet – Governmental Funds

June 30, 2025

	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Deposits and investments	\$ 566,020,555	\$ 10,766,647	\$ 26,355,442	\$ 44,062,478	\$ 647,205,122
Accounts receivable	40,197,317	6,437,272	28,959,020	312,428	75,906,037
Due from other funds	6,695,619	2,100,765	1,490,625	2,003,255	12,290,264
Leases receivable	-	-	-	1,681,451	1,681,451
Total Assets	<u>\$ 612,913,491</u>	<u>\$ 19,304,684</u>	<u>\$ 56,805,087</u>	<u>\$ 48,059,612</u>	<u>\$ 737,082,874</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 91,495,089	\$ 8,326,314	\$ 12,691,454	\$ 322,556	\$ 112,835,413
Due to other funds	5,747,837	476,553	6,219,066	-	12,443,456
Unearned revenue	7,639,454	-	37,844,580	-	45,484,034
Total Liabilities	<u>104,882,380</u>	<u>8,802,867</u>	<u>56,755,100</u>	<u>322,556</u>	<u>170,762,903</u>
Deferred Inflows of Resources					
Deferred inflows related to leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,638,421</u>	<u>1,638,421</u>
Fund Balances					
Nonspendable	70,000	-	-	-	70,000
Restricted	126,164,748	10,601,203	293,307	5,831,110	142,890,368
Committed	-	-	-	28,804,840	28,804,840
Assigned	112,698,005	-	-	11,494,358	124,192,363
Unassigned	269,098,358	(99,386)	(243,320)	(31,673)	268,723,979
Total Fund Balances	<u>508,031,111</u>	<u>10,501,817</u>	<u>49,987</u>	<u>46,098,635</u>	<u>564,681,550</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 612,913,491</u>	<u>\$ 19,304,684</u>	<u>\$ 56,805,087</u>	<u>\$ 48,059,612</u>	<u>\$ 737,082,874</u>

ORANGE COUNTY DEPARTMENT OF EDUCATION

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

Total Fund Balances - Governmental Funds \$ 564,681,550

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

Capital assets at historical cost	185,288,750	
Accumulated depreciation	(69,790,503)	
Lease assets at historical cost	47,429	
Accumulated amortization	(42,160)	
Subscription assets at historical cost	1,417,605	
Accumulated amortization	(702,335)	
Net:		116,218,786

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:

(12,141)

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

Certificates of participation payable	5,091,600	
Lease liabilities	5,289	
Subscription liabilities	418,024	
Supplemental employee retirement plan	474,446	
Compensated absences	8,621,714	
Other postemployment benefits	2,845,841	
Net pension liability	174,915,040	
Total		(192,371,954)

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

Deferred outflows of resources	76,113	
Deferred inflows of resources	(963,395)	
Total		(887,282)

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

Deferred outflows of resources	69,800,731	
Deferred inflows of resources	(44,708,336)	
Total		25,092,395

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. Total net assets for internal service funds reported in the fund are:

8,670,761

Total Net Position - Governmental Activities \$ 521,392,115

ORANGE COUNTY DEPARTMENT OF EDUCATION

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

	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 133,116,278	\$ 47,499,614	\$ -	\$ 1,022,520	\$ 181,638,412
Federal sources	15,563,970	8,073,245	68,051,558	-	91,688,773
Other state sources	41,532,305	454,714	36,063,495	-	78,050,514
Other local sources	185,348,069	323,022	2,302,224	4,361,179	192,334,494
Total Revenues	375,560,622	56,350,595	106,417,277	5,383,699	543,712,193
EXPENDITURES					
Current:					
Instruction	81,037,079	-	86,580,753	-	167,617,832
Instruction-Related Services:					
Supervision of instruction	118,216,765	-	12,108,590	-	130,325,355
Instructional library, media and technology	1,449,925	-	-	-	1,449,925
School site administration	21,024,567	-	-	-	21,024,567
Pupil Support Services:					
Home-to-school transportation	7,171,276	-	-	-	7,171,276
Food services	2,222,854	-	-	-	2,222,854
All other pupil services	16,149,062	-	-	-	16,149,062
General Administration Services:					
Data processing services	15,949,371	-	-	-	15,949,371
Other general administration	27,970,010	55,365,061	-	-	83,335,071
Transfers of indirect costs	(9,109,153)	-	9,109,153	-	-
Plant services	15,991,388	-	109,999	852,757	16,954,144
Capital outlay	6,989,197	-	-	195,744	7,184,941
Intergovernmental transfers	40,873,232	-	-	-	40,873,232
Debt service:					
Principal	343,418	-	-	1,195,000	1,538,418
Interest	2,559	-	-	179,630	182,189
Total Expenditures	346,281,550	55,365,061	107,908,495	2,423,131	511,978,237
Excess (Deficiency) of Revenues Over (Under) Expenditures	29,279,072	985,534	(1,491,218)	2,960,568	31,733,956
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	-	-	1,114,820	2,355,365	3,470,185
Interfund transfers out	(2,095,555)	-	-	(1,374,630)	(3,470,185)
Proceeds from SBITAs	678,417	-	-	-	678,417
Total Other Financing Sources and Uses	(1,417,138)	-	1,114,820	980,735	678,417
Net Change in Fund Balances	27,861,934	985,534	(376,398)	3,941,303	32,412,373
Fund Balances, July 1, 2024, as originally reported	480,169,177	9,516,283	426,385	42,329,745	532,441,590
Adjustments for restatement (Note 12)	-	-	-	(172,413)	(172,413)
Fund Balances, July 1, 2024, as restated	480,169,177	9,516,283	426,385	42,157,332	532,269,177
Fund Balances, June 30, 2025	\$ 508,031,111	\$ 10,501,817	\$ 49,987	\$ 46,098,635	\$ 564,681,550

ORANGE COUNTY DEPARTMENT OF EDUCATION

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

Total Net Change in Fund Balances - Governmental Funds \$ 32,412,373

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 is:

Expenditures for capital outlay	9,420,265	
Depreciation expense	(5,790,819)	
Amortization expense	<u>(796,755)</u>	
Total		2,832,691

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:

1,538,418

In governmental funds, issuances of debt are recognized as other financing sources. In the government-wide statements, issuances from debt are reported as increases to liabilities. Amounts recognized in governmental funds, net of issue premium were:

(678,417)

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from disposal of capital assets and the resulting gain or loss was:

154,605

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

(9,600)

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

2,828

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

(957,057)

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, including early retirement incentives. This year, expenses incurred for such obligations were:

474,446

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

4,368,326

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

12,329

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

680,429

Change in Net Position of Governmental Activities \$ 40,831,371

ORANGE COUNTY DEPARTMENT OF EDUCATION*Statement of Net Position – Proprietary Fund**June 30, 2025*

	Governmental Activities
	Internal Service Fund
ASSETS	
Deposits and investments	\$ 9,021,026
Accounts receivable	29,957
Due from other funds	153,192
Total Assets	9,204,175
LIABILITIES	
Accrued liabilities	274,959
Claims liability	258,455
Total Liabilities	533,414
NET POSITION	
Restricted for Self-Insurance	\$ 8,670,761

ORANGE COUNTY DEPARTMENT OF EDUCATION*Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2025*

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Charges to other funds	<u>\$ 1,790,916</u>
OPERATING EXPENSES	
Claims payments	1,377,047
Services and other operating expenses	<u>87,715</u>
Total operating expenses	<u>1,464,762</u>
Operating Income (Loss)	326,154
NON-OPERATING REVENUES	
Interest income	<u>354,275</u>
Change in net position	680,429
Net position, July 1, 2024	<u>7,990,332</u>
Net position, June 30, 2025	<u><u>\$ 8,670,761</u></u>

ORANGE COUNTY DEPARTMENT OF EDUCATION*Statement of Cash Flows – Proprietary Fund**For the Fiscal Year Ended June 30, 2025*

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 1,637,724
Cash payments for payroll, insurance and operating costs	(1,327,818)
Net cash provided (used) by operating activities	309,906
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	354,181
Net increase (decrease) in cash and cash equivalents	664,087
Cash, July 1, 2024	8,356,939
Cash, June 30, 2025	\$ 9,021,026
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 326,154
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in due from other funds	(153,192)
Increase (decrease) in accounts payable	128,601
Increase (decrease) in claim liabilities	8,343
Net cash provided (used) by operating activities	\$ 309,906

ORANGE COUNTY DEPARTMENT OF EDUCATION

Statement of Fiduciary Net Position

June 30, 2025

	<u>Custodial Funds</u>
ASSETS	
Deposits and Investments	<u>\$ 38,612,613</u>
LIABILITIES	
Due to Other Governments	<u>\$ 38,612,613</u>

ORANGE COUNTY DEPARTMENT OF EDUCATION*Statement of Changes in Fiduciary Net Position**June 30, 2025*

	<u>Custodial Funds</u>
ADDITIONS	
Funds collected on behalf of others	\$ 11,870,919,509
DEDUCTIONS	
Funds distributed to others	<u>11,870,919,509</u>
Change in fiduciary net position	-
Net position - July 1, 2024	<u>-</u>
Net position - June 30, 2025	<u><u>\$ -</u></u>

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Orange County Department of Education (the "County") 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 County 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 County consists of all funds, departments, and agencies that are not legally separate from the County. For the County, this includes general operations, food service, and student-related activities of the County.

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

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

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

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

County-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the primary government (the County). 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.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County'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.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Fund Financial Statements

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds

The County maintains the following major governmental funds:

County School Service Fund: This is the chief operating fund for the County. It is used to account for the ordinary operations of the County. All transactions except those accounted for in another fund are accounted for in this fund. The County also maintains a Special Reserve Fund for Other Than Capital Outlay Projects. This fund is not substantially 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 County School Service Fund.

Special Education Pass-Through Fund: This fund is maintained by the Administrative Unit (AU) of a multi-LEA Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member Local Education Agencies (LEAs).

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

Non-Major Governmental Funds

The County maintains the following non-major governmental funds:

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

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

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)

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).

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.

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.

Debt Service Fund: This fund is used to account for the interest and redemption of principal of Certificates of Participation.

Proprietary Funds

Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are general intended to be self-supporting and are classified as enterprise or internal service. The County has the following proprietary fund.

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

Fiduciary Funds

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

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the County 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 Government-wide financial statements.

Exceptions to this general rule are payments-in-lieu of taxes and other charges between the County's proprietary funds and various other functions of the County. 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 Counties 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 Counties 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 County receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Encumbrances

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

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

1. Cash and Cash Equivalents

The County 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. Capital Assets, Depreciation, and Amortization

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

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

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

The County records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2025.

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

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. 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 County prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County 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.

4. Deferred Outflows/Inflows of Resources

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

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

5. Compensated Absences

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

6. Leases

Lessee:

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

Lessor:

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. Subscription-Based Information Technology Arrangements

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

8. 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 County 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.

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 County'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.

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 County's highest decision-making level of authority rests with the County'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.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Fund Balances (continued)

Assigned: Resources that are constrained by the County'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 County for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the County'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.
- **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 County's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Minimum Fund Balance Policy

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Property Tax Calendar

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

G. Use of Estimates

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

H. Change in Accounting Principle

During the year ended June 30, 2025, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This standard requires the recognition of accrued compensated absences as a liability in the financial statements. The implementation resulted in a cumulative effect adjustment to beginning net position to reflect the recognition of accumulated leave liabilities previously unrecorded. The impact on the County's beginning net position was a decrease of \$5,367,947.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Governmental funds	\$ 647,205,122
Proprietary funds	<u>9,021,026</u>
Governmental Activities	656,226,148
Fiduciary funds	<u>38,612,613</u>
Total Deposits and Investments	<u><u>\$ 694,838,761</u></u>

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

Cash on hand and in banks	\$ 2,000
Cash in revolving fund	70,000
Cash with fiscal agent	203,720
Investments	<u>694,563,041</u>
Total Deposits and Investments	<u><u>\$ 694,838,761</u></u>

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investment in County Treasury

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

Custodial Credit Risk – Deposits

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

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

As of June 30, 2025, none of the County's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

Investments - Interest Rate Risk

The County's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The County's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Superintendent. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment.

Maturities of investments held at June 30, 2025, consisted of the following:

	Rating	Reported Amount	Maturity		Fair Value Measurement
			Less Than One Year	One Year Through Five Years	
Investment maturities:					
Orange County Treasury Investment Pool	N/A	\$ 694,563,041	\$ 694,563,041	\$ -	Uncategorized

Investments - Credit Risk

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investments - Concentration of Credit Risk

The County does not place limits on the amount it may invest in any one issuer. At June 30, 2025, the County had no investments, other than the County Investment Pool.

Fair Value Measurements

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

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

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

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

Uncategorized – Investments in the Orange County Treasury Investment Pool are not measured using the input levels above because the County'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.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 3 – RECEIVABLES

A. Accounts Receivable

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

	Governmental Activities					
	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund
Federal Government:						
Categorical aid programs	\$ 3,056,471	\$ 5,032,617	\$ 27,425,805	\$ -	\$ 35,514,893	\$ -
State Government:						
LCFF sources	3,327,968	-	-	-	3,327,968	-
Lottery	320,352	-	-	-	320,352	-
Categorical aid programs	2,853,455	1,368,476	1,422,762	-	5,644,693	-
Local:						
Interest	1,867,025	36,179	110,453	142,855	2,156,512	29,957
Interagency	15,486,400	-	-	-	15,486,400	-
Other local	13,285,646	-	-	169,573	13,455,219	-
Total	<u>\$ 40,197,317</u>	<u>\$ 6,437,272</u>	<u>\$ 28,959,020</u>	<u>\$ 312,428</u>	<u>\$ 75,906,037</u>	<u>\$ 29,957</u>

B. Lease Receivables

Lease receivables are recorded by the County at the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the County charges the lessee. The County has accrued a receivable for leasing a portion of its facilities to various lessees. These leases are non-cancelable for periods of more than one year. During the fiscal year, the County recognized \$1,298,534 in lease revenue and \$57,859 in interest revenue related to these agreements. As of June 30, 2025, the County recorded \$1,681,451 in leases receivable and \$1,638,421 in deferred inflows of resources for these arrangements. The interest rate on these leases was 3.5%.

NOTE 4 – INTERFUND TRANSACTIONS

As described in Note 1(B)(1) and in accordance with GASB Statement No. 54, the Special Reserve Fund for Other Than Capital Outlay Projects is reported within the County School Service Fund in these financial statements, therefore, all interfund activity between these funds has been eliminated from the fund financial statements.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 4 – INTERFUND TRANSACTIONS (continued)

A. Balances Due To/From Other Funds

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

	Due From Other Funds					Total
	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund	Non-Major Governmental Funds	Self Insurance Fund	
County School Service Fund	\$ -	\$ 2,100,765	\$ 1,490,625	\$ 2,003,255	\$ 153,192	\$ 5,747,837
Special Education Pass-Through Fund	476,553	-	-	-	-	476,553
Child Development Fund	6,219,066	-	-	-	-	6,219,066
Totals	<u>\$ 6,695,619</u>	<u>\$ 2,100,765</u>	<u>\$ 1,490,625</u>	<u>\$ 2,003,255</u>	<u>\$ 153,192</u>	<u>\$ 12,443,456</u>
County School Service Fund due to Special Education Pass-Through Fund for Annual P2 certification						
						\$ 2,100,765
County School Service Fund due to Child Development Fund for indirect costs						1,339,885
County School Service Fund due to Child Development Fund for travel						28,158
County School Service Fund due to Child Development Fund for payroll						122,582
County School Service Fund due to Deferred Maintenance Fund for LCFF contribution						1,022,520
County School Service Fund due to Deferred Maintenance Fund for contribution						980,735
County School Service Fund due to Self Insurance Fund for insurance claims						153,192
Special Education Pass-Through Fund due to County School Service Fund for AB602						476,553
Child Development Fund due to County School Service Fund for indirect costs						5,665,488
Child Development Fund due to County School Service Fund for UPK						121,566
Child Development Fund due to County School Service Fund for purchasing and expired checks						53,839
Child Development Fund due to County School Service Fund for payroll						378,173
Total						<u>\$ 12,443,456</u>

B. Transfers To/From Other Funds

During the 2024-25 fiscal year the County made the following interfund transfers:

County School Service Fund transfer to Child Development Fund for indirect costs	\$ 1,114,820
County School Service Fund transfer to Deferred Maintenance Fund for a contribution	980,735
Special Reserve for Capital Outlay Fund transfer to Debt Service Fund for the Esplanade project	<u>1,374,630</u>
Total	<u>\$ 3,470,185</u>

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 5 – FUND BALANCES

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

	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash	\$ 70,000	\$ -	\$ -	\$ -	\$ 70,000
Total Nonspendable	70,000	-	-	-	70,000
Restricted:					
Categorical programs	126,164,748	10,601,203	293,307	-	137,059,258
Capital projects	-	-	-	3,474,422	3,474,422
Debt service	-	-	-	2,356,688	2,356,688
Total Restricted	126,164,748	10,601,203	293,307	5,831,110	142,890,368
Committed:					
Deferred maintenance program	-	-	-	28,804,840	28,804,840
Total Committed	-	-	-	28,804,840	28,804,840
Assigned:					
LCAP	42,926,421	-	-	-	42,926,421
Lottery	12,598,108	-	-	-	12,598,108
Discretionary funding	12,282,059	-	-	-	12,282,059
Rancho Sonado rebuild and Esplanade	15,325,045	-	-	3,339,777	18,664,822
Mandated costs	9,832,086	-	-	-	9,832,086
Deferred maintenance program	-	-	-	8,507,894	8,507,894
Medi-Cal administrative activities	5,989,100	-	-	-	5,989,100
OCDE E-RATE	2,345,093	-	-	-	2,345,093
Workshops	3,381,922	-	-	-	3,381,922
Reserve for outdated checks	1,163,002	-	-	-	1,163,002
Classified school employee entitlement	948,427	-	-	-	948,427
Reserve for various other designations	605,376	-	-	-	605,376
Information technology: Bi-Tech	355,870	-	-	-	355,870
Charter school special fund	250,000	-	-	-	250,000
General liability	235,104	-	-	-	235,104
Risk management safety and security	228,972	-	-	-	228,972
GASB ARC 45	4,274,297	-	-	-	4,274,297
GASB 31 FMV adjustments	(266,617)	-	-	(353,313)	(619,930)
Courier services	223,740	-	-	-	223,740
Total Assigned	112,698,005	-	-	11,494,358	124,192,363
Unassigned:					
Reserve for economic uncertainties	269,098,358	-	-	-	269,098,358
Remaining unassigned balances	-	(99,386)	(243,320)	(31,673)	(374,379)
Total Unassigned	269,098,358	(99,386)	(243,320)	(31,673)	268,723,979
Total	\$ 508,031,111	\$ 10,501,817	\$ 49,987	\$ 46,098,635	\$ 564,681,550

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2024	Additions	Retirements	Balance, June 30, 2025
Capital assets not being depreciated:				
Land	\$ 28,641,315	\$ -	\$ -	\$ 28,641,315
Construction in progress	8,611,987	6,835,456	8,611,674	6,835,769
Total capital assets not being depreciated	37,253,302	6,835,456	8,611,674	35,477,084
Capital assets being depreciated:				
Land improvements	4,537,384	7,507	-	4,544,891
Buildings	111,127,076	8,812,148	-	119,939,224
Furniture, equipment, and vehicles	24,423,541	1,698,388	794,378	25,327,551
Total capital assets being depreciated	140,088,001	10,518,043	794,378	149,811,666
Accumulated depreciation for:				
Land improvements	(4,244,437)	(88,092)	-	(4,332,529)
Buildings	(43,777,083)	(3,968,371)	-	(47,745,454)
Furniture, equipment, and vehicles	(16,651,612)	(1,734,356)	(673,448)	(17,712,520)
Total accumulated depreciation	(64,673,132)	(5,790,819)	(673,448)	(69,790,503)
Total capital assets being depreciated, net	75,414,869	4,727,224	120,930	80,021,163
Capital assets, net	112,668,171	11,562,680	8,732,604	115,498,247
Lease assets:				
Right-of-use lease assets	47,429	-	-	47,429
Less accumulated amortization	(31,620)	(10,540)	-	(42,160)
Total lease assets, net	15,809	(10,540)	-	5,269
Subscription assets:				
Subscription assets	1,260,034	678,440	520,869	1,417,605
Less accumulated amortization	(712,524)	(786,215)	(796,404)	(702,335)
Total subscription assets, net	547,510	(107,775)	(275,535)	715,270
Governmental Activity Capital Assets, Net	\$ 113,231,490	\$ 11,444,365	\$ 8,457,069	\$ 116,218,786

For the year ended June 30, 2025, depreciation expense was charged to functions as follows:

	Governmental Activities
Instruction	\$ 5,050,960
Supervision of instruction	127,060
All other pupil services	262,950
All other general administration	262,950
Plant services	86,899
Total Depreciation Expense	\$ 5,790,819

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

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

Changes in long-term debt for the year ended June 30, 2025, were as follows:

	Balance, July 1, 2024	Additions	Deductions	Balance, June 30, 2025	Amount Due Within One Year
Certificates of Participation:					
Principal Payments	\$ 6,325,000	\$ -	\$ 1,195,000	\$ 5,130,000	\$ 1,230,000
Unamortized Issuance Discount	(48,000)	-	(9,600)	(38,400)	(9,600)
Total Certificates of Participation	6,277,000	-	1,185,400	5,091,600	1,220,400
Lease Liabilities	15,850	-	10,561	5,289	5,289
Subscription Liabilities	72,464	678,417	332,857	418,024	179,069
Supplemental Employee Retirement Plan	948,892	-	474,446	474,446	474,446
Compensated Absences:					
Vacation Leave	2,296,710	726,804	-	3,023,514	-
Sick Leave*	5,367,947	230,253	-	5,598,200	-
Sub-Totals	\$ 14,978,863	\$ 1,635,474	\$ 2,003,264	\$ 14,611,073	\$ 1,879,204

* Beginning balance of sick leave restated due to the implementation of GASB Statement No. 101

The certificates of participation are paid by the Debt Service Fund. Leases and subscription-based IT arrangements are paid by the County School Service Fund. Payments for the supplemental early retirement plan are made by the County School Service Fund. Additions and deductions for compensated absences are reported net of their cumulative change in the current year.

A. Certificates of Participation

In June 2002, the Orange County Department of Education Facilities Corporation issued Certificates of Participation in the amount of \$20,000,000 with weekly variable interest rates, and a final maturity date of June 1, 2029. In February 2012, the Certificates of Participation were restructured.

The certificates mature through 2029 as follows:

Fiscal Year	Principal	Interest	Total
2025-2026	\$ 1,230,000	\$ 145,692	\$ 1,375,692
2026-2027	1,265,000	110,760	1,375,760
2027-2028	1,300,000	74,834	1,374,834
2028-2029	1,335,000	37,914	1,372,914
Totals	\$ 5,130,000	\$ 369,200	\$ 5,499,200

B. Lease

The County has entered into an agreement to lease various facilities and equipment. As of June 30, 2025, the County recognized a right-to-use asset of \$5,269 net of accumulated amortization and a lease liability of \$5,289 related to the agreement. The County is required to make principal and interest payments through January 2026. The lease agreement has an interest rate of 0.20%.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2024, are as follows:

Fiscal Year	Principal	Interest	Total
2025-2026	\$ 5,289	\$ 4	\$ 5,293

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

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

C. Subscription-Based Information Technology Arrangements (SBITAs)

The County has entered into various SBITAs for the use of instructional software. At June 30, 2025, the County has recognized a right-to-use subscriptions IT asset of \$715,270 net of accumulated amortization and a SBITA liability of \$418,024 related to these agreements. During the fiscal year, the County recorded \$786,215 in amortization expense. The subscriptions have an interest rate of 3.50%.

The remaining principal and interest payment requirements for the SBITA obligations as of June 30, 2025, are as follows:

Fiscal Year	Payment	Interest	Total
2025-2026	\$ 179,069	\$ 14,631	\$ 193,700
2026-2027	185,337	8,363	193,700
2027-2028	26,348	1,877	28,225
2028-2029	27,270	954	28,224
Totals	<u>\$ 418,024</u>	<u>\$ 25,825</u>	<u>\$ 443,849</u>

D. Supplemental Early Retirement Plan (SERP)

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

Future annuity payments are as follows:

Fiscal Year	Principal
2025-2026	<u>\$ 474,446</u>

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
COE Plan	\$ 2,559,490	\$ 76,113	\$ 963,395	\$ 161,778
MPP Program	286,351	-	-	(43,206)
Totals	<u>\$ 2,845,841</u>	<u>\$ 76,113</u>	<u>\$ 963,395</u>	<u>\$ 118,572</u>

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

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

The details of each plan are as follows:

The County Office Plan

Plan Administration

The County Office administers the Post-employment Benefits Plan (the Plan). The Plan is a single employer defined benefit plan that is used to provide post-employment benefits other than pensions (OPEB) for eligible retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	29
Active employees	<u>1,001</u>
Total	<u><u>1,030</u></u>

Benefits Provided

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

The benefit payment requirements of the Plan members and the County are established and may be amended by the County, the Orange County Schools Educators Association (OCSEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefits payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the County, OCSEA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2025, the County paid \$130,901 in benefits.

Total OPEB Liability of the County

The County's total OPEB liability of \$2,559,490 was measured as of June 30, 2025, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2024.

Actuarial Assumptions

The total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2024
Valuation interest rate	5.20%
Salary increases	2.75%
Healthcare cost trend rates	4.00%
Inflation	2.50%

The discount rate of 5.20% was based on the Bond Buyer 20 Bond Index.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

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

The County Office Plan (continued)

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Mortality for Miscellaneous and Schools Employees Table for classified employees.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2024	\$ 2,654,578
Changes for the year:	
Service cost	165,839
Interest	105,011
Changes of assumptions	(235,037)
Benefit payments	(130,901)
Net changes	(95,088)
Balance at June 30, 2025	\$ 2,559,490

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

The following presents the net OPEB liability of the County, as well as what the County's 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	OPEB Liability
1% decrease	\$ 2,748,119
Current discount rate	\$ 2,559,490
1% increase	\$ 2,425,094

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

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

Healthcare Cost Trend Rate	OPEB Liability
1% decrease	\$ 2,301,747
Current trend rate	\$ 2,559,490
1% increase	\$ 2,836,604

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

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

The County Office Plan (continued)

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

For the year ended June 30, 2025, the County recognized OPEB expense of \$161,778. In addition, at June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 501,668
Changes of assumptions	76,113	461,727
Totals	<u>\$ 76,113</u>	<u>\$ 963,395</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
2026	\$ 12,856	\$ 121,928
2027	12,856	121,928
2028	12,856	121,928
2029	12,856	121,928
2030	12,856	121,928
Thereafter	11,833	353,755
Totals	<u>\$ 76,113</u>	<u>\$ 963,395</u>

Medicare Premium Payment (MPP) Program

Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

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

Medicare Premium Payment (MPP) Program (continued)

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

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

Total OPEB Liability

At June 30, 2025, the County reported a liability of \$286,351 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2024, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024. The County's proportion of the net OPEB liability was based on a projection of the County's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The County's proportions of the net OPEB liability for the two most recent measurement periods were:

	Percentage Share of MPP Program		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2024	
Measurement Date	June 30, 2024	June 30, 2023	
Proportion of the Net OPEB Liability	0.107430%	0.108608%	(0.001179%)

For the year ended June 30, 2025, the County reported OPEB expense of \$(43,206).

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

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

Medicare Premium Payment (MPP) Program (continued)

Actuarial Assumptions and Other Inputs

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

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

Assumptions were made about future participation (enrollment) into the MPP Program as CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' ages increase. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility but are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 154 or an average of 0.12% of the potentially eligible population of 132,333.

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

Discount Rate

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2024, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund (SMIF), which is a pooled investment program administered by the California State Treasurer.

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2024, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

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

Medicare Premium Payment (MPP) Program (continued)

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

The following presents the County's proportionate share of the net OPEB liability, as well as what the County'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	\$ 308,966
Current discount rate	\$ 286,351
1% increase	\$ 266,466

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

The following presents the County's proportionate share of the net OPEB liability, as well as what the County'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	\$ 265,274
Current trend rate	\$ 286,351
1% increase	\$ 309,884

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), classified employees are members of the California Public Employees' Retirement System (CalPERS), and employees whose hire date was prior to July 1, 1977, are members of the Orange County Employees Retirement System (OCERS).

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 49,460,340	\$ 17,385,166	\$ 14,584,872	\$ 2,544,311
CalPERS	122,965,071	51,937,984	29,809,668	21,494,370
OCERS	2,489,629	477,581	313,796	267,976
Totals	\$ 174,915,040	\$ 69,800,731	\$ 44,708,336	\$ 24,306,657

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 9 – PENSION PLANS (continued)

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <https://www.calstrs.com/general-information/gasb-6768>.

Benefits Provided

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

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

The STRP provisions and benefits in effect at June 30, 2025, are summarized as follows:

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 9 – PENSION PLANS (continued)

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

Contributions

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

The contribution rates for each program for the year ended June 30, 2025, are presented above, and the County's total contributions were \$9,864,635.

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

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

County's proportionate share of net pension liability	\$	49,460,340
State's proportionate share of the net pension liability associated with the County		<u>22,692,574</u>
Total	\$	<u><u>72,152,914</u></u>

The net pension liability was measured as of June 30, 2024. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The County's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2024	
Measurement Date	June 30, 2024	June 30, 2023	
Proportion of the Net Pension Liability	0.073642%	0.073427%	0.000215%

ORANGE COUNTY DEPARTMENT OF EDUCATION*Notes to Financial Statements**June 30, 2025***NOTE 9 – PENSION PLANS (continued)****A. California State Teachers' Retirement System (CalSTRS) (continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2025, the County recognized pension expense of \$2,544,311. In addition, the County recognized pension expense and revenue of \$(2,168,155) for support provided by the State. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,864,635	\$ -
Net change in proportionate share of net pension liability	1,709,422	8,844,459
Difference between projected and actual earnings on pension plan investments	-	199,570
Changes of assumptions	216,508	3,377,970
Differences between expected and actual experience	5,594,601	2,162,873
Totals	<u>\$ 17,385,166</u>	<u>\$ 14,584,872</u>

The deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. 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.

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	\$ 371,146	\$ 6,198,565
2027	4,560,653	2,807,607
2028	664,978	2,062,834
2029	1,020,670	1,796,080
2030	806,623	1,245,237
Thereafter	96,461	474,549
Totals	<u>\$ 7,520,531</u>	<u>\$ 14,584,872</u>

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 9 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions

The total pension liability for the STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. Significant actuarial methods and assumptions used in the financial reporting actuarial valuation to determine the total pension liability as of June 30, 2024, include:

Valuation Date	June 30, 2023
Experience Study	July 1, 2007, through June 30, 2022
Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	7.00%
Inflation	2.75%
Payroll Growth	3.50%

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

The long-term investment rate of return assumption was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class/strategy. Expected real rates of return are net of the 2.75% inflation assumption and are derived from best-estimate ranges of 20- to 30-year geometrically linked expected returns. These best-estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

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

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 9 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10%, 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 County's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 87,973,760
Current discount rate (7.10%)	\$ 49,460,340
1% increase (8.10%)	\$ 17,300,036

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the County. 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 County for its proportionate share of the State's on-behalf contributions is \$4,563,787.

B. California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-resources/gasb>.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 9 – PENSION PLANS (continued)

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

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2025, are summarized as follows:

	Schools Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Required Employee Contribution Rate	7.00%	8.00%
Required Employer Contribution Rate	27.05%	27.05%

Contributions

The benefits for the defined benefit pension plans are funded by contributions from members, employers, non-employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Member and employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Non-employer contributions are not expected each year, but when provided they are accrued for. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2025, are presented above, and the total County contributions were \$20,621,805.

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

As of June 30, 2025, the County reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$122,965,071. The net pension liability was measured as of June 30, 2024. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

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)

The County's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2024	
Measurement Date	June 30, 2024	June 30, 2023	
Proportion of the Net Pension Liability	0.344066%	0.375089%	(0.031023%)

For the year ended June 30, 2025, the County recognized pension expense of \$21,494,370. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 20,621,805	\$ -
Net change in proportionate share of net pension liability	-	15,416,682
Difference between projected and actual earnings on pension plan investments	18,289,412	13,512,929
Changes of assumptions	2,717,944	-
Differences between expected and actual experience	10,308,823	880,057
Totals	\$ 51,937,984	\$ 29,809,668

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 9 – PENSION PLANS (continued)

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

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

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2026	\$ 15,820,980	\$ 14,866,211
2027	12,781,099	6,236,144
2028	2,714,100	5,055,384
2029	-	3,651,929
2030	-	-
Thereafter	-	-
Totals	<u>\$ 31,316,179</u>	<u>\$ 29,809,668</u>

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2023
Experience Study	2000-2019
Actuarial Cost Method	Individual entry age normal
Discount Rate	6.9%
Inflation Rate	2.3%
Salary Increases	Varies by entry age and service

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

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

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

Discount Rate	Net Pension Liability
1% decrease (5.9%)	\$ 182,665,638
Current discount rate (6.9%)	\$ 122,965,071
1% increase (7.9%)	\$ 73,647,649

C. Orange County Employees Retirement System (OCERS)

Plan Description

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 9 – PENSION PLANS (continued)

C. Orange County Employees Retirement System (OCERS) (continued)

Plan Description (continued)

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

Benefits Provided

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

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

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

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

For members with membership dates before January 1, 2013, the maximum monthly retirement allowance is 100% of final compensation. There is no maximum with membership dates on or after January 1, 2013. Final average compensation consists of the highest 12 consecutive months for Plan M.

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 9 – PENSION PLANS (continued)

C. Orange County Employees Retirement System (OCERS) (continued)

Benefits Provided (continued)

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

Contributions

The County contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from OCERS' actuary after the completion of the annual actuarial valuation. Contributions to the plan in 2024-2025 were \$338,378, which were immediately recognized as part of fiduciary net position by the Plan.

All members are required to make contributions to OCERS regardless of the retirement plan or tier in which they are included. The member contribution rates for 2024-2025 vary by member based on age of entry.

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

As of June 30, 2025, the County reported a net pension liability for its proportionate share of the OCERS net pension liability of \$2,489,629. The collective net pension liability for the Plan was measured as of December 31, 2024. Plan fiduciary net position was valued as of the measurement date, while the total pension liability (TPL) was determined based upon rolling forward the TPL from an actuarial valuation as of December 31, 2023. The plan provisions used in the measurement of the net pension liability are the same as those used in the OCERS actuarial valuations as of December 31, 2024. The County's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2025	Fiscal Year Ending June 30, 2024	Change Increase/ (Decrease)
Measurement Date	December 31, 2024	December 31, 2023	
Proportion of the Net Pension Liability	0.063%	0.066%	(0.003%)

For the year ended June 30, 2025, the County recognized pension expense of \$267,976. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual earnings on pension plan investments	\$ 4,520	\$ -
Changes of assumptions	-	30,412
Differences between	473,061	283,384
Total	<u>\$ 477,581</u>	<u>\$ 313,796</u>

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 9 – PENSION PLANS (continued)

C. Orange County Employees Retirement System (OCERS) (continued)

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

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

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2026	\$ (5,193)
2027	49,004
2028	178,714
2029	(58,740)
2030	-
Thereafter	-
Total	<u>\$ 163,785</u>

Actuarial Methods and Assumptions

The collective total pension liability as of December 31, 2024 was determined by rolling forward the total pension liability from the actuarial valuation as of December 31, 2023. The actuarial assumptions used were based on the results of an experience study for the period from January 1, 2020 through December 31, 2022. The following are the key methods and assumptions used for the total pension liability as of December 31, 2024.

Actuarial Cost Methods	Entry age normal
Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	7.00%, net of pension plan investment expense, including inflation
Discount Rate	7.00%
Cost of Living Adjustment	2.75% of retirement income

Post – Retirement Mortality Rates:

Healthy: For General Members: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) increased 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Disabled: For General Members: Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) decreased 5% for males and females, projected generationally with the two-dimensional mortality improvement scale MP- 2021.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 9 – PENSION PLANS (continued)

C. Orange County Employees Retirement System (OCERS) (continued)

Discount Rate

The discount rate used to measure the TPL as of December 31, 2024, and 2023 was 7.00%. In determining the discount rate, OCERS took into account the projection of cash flows and assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2024, and 2023.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. Additional information on the target allocation and projected arithmetic real rate of return for each major asset class is available in the OCERS' Comprehensive Annual Financial Report for the year ended December 31, 2023. This information will change every three years based on the actuarial experience study. The expected investment rate of return assumption is summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected real Rate of return
Global Equity	45.00%	7.05%
Investment Grade Bonds	9.00%	1.97%
High Yield Bond	0.50%	4.63%
TIPS	2.00%	1.77%
Emerging Market Debt	0.50%	4.72%
Long-Term Government Bonds	3.30%	2.82%
Real Estate	3.00%	3.86%
Private Equity	15.00%	9.84%
Private Credit	3.50%	6.47%
Value Added Real Estate	3.00%	7.38%
Opportunistic Real Estate	1.00%	9.74%
Energy	2.00%	10.89%
Infrastructure (Core Private)	1.00%	5.98%
Infrastructure (Non-Core Private)	3.00%	8.88%
Global Macro	1.70%	3.17%
CTA (Trend Following)	3.30%	3.15%
Alternative Risk Premia	1.70%	3.24%
Special Situations Lending	1.50%	8.96%

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 9 – PENSION PLANS (continued)

C. Orange County Employees Retirement System (OCERS) (continued)

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

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

	Net Pension Liability
1% decrease (6.0%)	\$ 4,872,620
Current discount rate (7.0%)	\$ 2,489,629
1% increase (8.0%)	\$ 540,858

D. Alternative Retirement Plan

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

During the year, the County's required and actual contributions amounted to \$159,968.

E. Payables to the Pension Plans

At June 30, 2025, the County reported payables of \$803,235 and \$1,797,275 for the outstanding amount of legally required contributions to the CalSTRS and CalPERS pension plans, respectively, for the fiscal year ended June 30, 2025.

NOTE 10 – JOINT VENTURES

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

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Construction Commitments

As of June 30, 2025, the County had commitments with respect to unfinished construction projects of more than \$23.5 million.

C. Litigation

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

NOTE 12 – ADJUSTMENTS FOR RESTATEMENT

The County recorded the following restatements during the fiscal year:

	Government-wide Statement of Net Position	Statement of Revenues, Expenditures, and Changes in Fund Balances Non-Major Governmental Funds
July 1, 2024, audited fund balance/net position	\$ 486,101,104	\$ 42,329,745
Adjustments for restatements:		
Implementation of new accounting standard - GASB 101	(5,367,947)	-
Modification of lease agreements as lessor	(73,541)	(73,541)
Correction of error - cash held with trustee	(98,872)	(98,872)
Net adjustments and restatements	(5,540,360)	(172,413)
July 1, 2024, restated fund balance/net position	\$ 480,560,744	\$ 42,157,332

NOTE 13 – RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; thefts, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County's risk management activities are recorded in the County School Service Fund and in the Internal Service Fund. The purpose of the Internal Service Fund is to administer retiree and employee dental program of the County on a cost-reimbursement basis. The County participates in the various public entity risk pools for health, workers' compensation, and property and liability risks. The participation in the public entity risk pools represents a transfer of risk to the pools. Provisions of the agreements with the public entity risk pools provide for additional assessments for deficits within the pool based upon specific calculations. As of June 30, 2025, information was not available that indicates that the County has an outstanding obligation for any calculated deficits. See Note 10 for additional information regarding the pools.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to Financial Statements

June 30, 2025

NOTE 13 – RISK MANAGEMENT (continued)

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

Claims Liabilities

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

Unpaid Claims Liabilities

The County 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 County from July 1, 2023, to June 30, 2025:

	Dental Care
Liability Balance, July 1, 2023	\$ 212,939
Claims and changes in estimates	1,404,725
Claims payments	<u>(1,367,552)</u>
Liability Balance, June 30, 2024	250,112
Claims and changes in estimates	1,385,390
Claims payments	<u>(1,377,047)</u>
Liability Balance, June 30, 2025	<u>\$ 258,455</u>
Assets available to pay claims at June 30, 2025	<u>\$ 9,204,175</u>

Required Supplementary Information

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ORANGE COUNTY DEPARTMENT OF EDUCATION
Budgetary Comparison Schedule – County School Service Fund
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF Sources	\$ 134,975,307	\$ 133,908,729	\$ 133,116,278	\$ (792,451)
Federal	21,656,522	16,961,714	15,563,970	(1,397,744)
Other State	31,989,472	37,816,119	41,532,305	3,716,186
Other Local	164,973,431	197,224,238	184,246,128	(12,978,110)
Total Revenues	353,594,732	385,910,800	374,458,681	(11,452,119)
Expenditures				
Current:				
Certificated Salaries	61,858,413	59,749,846	59,512,560	237,286
Classified Salaries	71,576,425	73,004,234	71,152,478	1,851,756
Employee Benefits	73,462,735	69,229,041	65,887,876	3,341,165
Books and Supplies	36,519,095	28,081,203	21,125,581	6,955,622
Services and Other Operating Expenditures	86,165,343	104,452,941	87,040,369	17,412,572
Transfers of indirect costs	(5,975,004)	(9,032,989)	(9,109,153)	76,164
Capital Outlay	19,879,134	9,318,295	9,452,630	(134,335)
Other Outgo	36,977,675	41,878,278	41,219,209	659,069
Total Expenditures	380,463,816	376,680,849	346,281,550	30,399,299
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,869,084)	9,229,951	28,177,131	18,947,180
Other Financing Sources and Uses				
Interfund Transfers Out	(1,761,731)	(2,058,775)	(2,095,555)	(36,780)
Proceeds from SBITAs	-	-	678,417	678,417
Total Other Financing Sources and Uses	(1,761,731)	(2,058,775)	(1,417,138)	641,637
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(28,630,815)	7,171,176	26,759,993	19,588,817
Fund Balance, July 1, 2024	394,555,517	452,290,329	452,290,338	9
Fund Balance, June 30, 2025	\$ 365,924,702	\$ 459,461,505	479,050,331	\$ 19,588,826
Other Fund Balances included in the Statement of Revenues, Expenditures and Changes in Fund Balances:				
Special Reserve Fund for Other Than Capital Outlay			28,980,780	
Total reported General Fund balance on the Statement of Revenues, Expenditures and Changes in Fund Balances:			<u>\$ 508,031,111</u>	

ORANGE COUNTY DEPARTMENT OF EDUCATION*Budgetary Comparison Schedule – Special Education Pass Through Fund
For the Fiscal Year Ended June 30, 2025*

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
LCFF Sources	\$ 48,599,543	\$ 47,977,458	\$ 47,499,614	\$ (477,844)
Federal	8,370,743	8,624,065	8,073,245	(550,820)
Other State	-	-	454,714	454,714
Other Local	426,559	407,957	323,022	(84,935)
Total Revenues	57,396,845	57,009,480	56,350,595	(658,885)
Expenditures				
Other Outgo	56,308,908	56,131,249	55,365,061	766,188
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,087,937	878,231	985,534	107,303
Fund Balance, July 1, 2024	9,698,933	9,516,283	9,516,283	-
Fund Balance, June 30, 2025	<u>\$ 10,786,870</u>	<u>\$ 10,394,514</u>	<u>\$ 10,501,817</u>	<u>\$ 107,303</u>

ORANGE COUNTY DEPARTMENT OF EDUCATION
Budgetary Comparison Schedule – Child Development Fund
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
Federal	\$ 33,172,818	\$ 62,296,241	\$ 68,051,558	\$ 5,755,317
Other State	34,458,620	41,423,126	36,063,495	(5,359,631)
Other Local	1,680,455	2,194,816	2,302,224	107,408
Total Revenues	69,311,893	105,914,183	106,417,277	503,094
Expenditures				
Current:				
Certificated Salaries	311,327	176,965	311,884	(134,919)
Classified Salaries	4,957,826	5,376,819	5,293,247	83,572
Employee Benefits	3,292,431	3,176,155	3,086,249	89,906
Books and Supplies	545,220	743,470	217,336	526,134
Services and Other Operating Expenditures	54,892,123	88,761,038	89,890,626	(1,129,588)
Transfers of indirect costs	5,975,004	9,032,989	9,109,153	(76,164)
Total Expenditures	69,973,931	107,267,436	107,908,495	(641,059)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(662,038)	(1,353,253)	(1,491,218)	(137,965)
Other Financing Sources and Uses				
Interfund Transfers In	-	1,078,040	1,114,820	36,780
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(662,038)	(275,213)	(376,398)	(101,185)
Fund Balance, July 1, 2024	2,670,000	426,385	426,385	-
Fund Balance, June 30, 2025	<u>\$ 2,007,962</u>	<u>\$ 151,172</u>	<u>\$ 49,987</u>	<u>\$ (101,185)</u>

ORANGE COUNTY DEPARTMENT OF EDUCATION
Schedule of Proportionate Share of the Net Pension Liability-CalSTRS
For the Fiscal Year Ended June 30, 2025

Employer's Fiscal Year Measurement Period	Last Ten Fiscal Years				
	2024-25 2023-24	2023-24 2022-23	2022-23 2021-22	2021-22 2020-21	2020-21 2019-20
County's proportion of the net pension liability	0.0736%	0.0734%	0.0753%	0.0810%	0.0763%
County's proportionate share of the net pension liability	\$ 49,460,340	\$ 55,922,861	\$ 52,342,520	\$ 36,883,061	\$ 73,979,992
State's proportionate share of the net pension liability associated with the County	22,692,574	26,794,215	26,212,929	18,558,126	38,136,694
Totals	\$ 72,152,914	\$ 82,717,076	\$ 78,555,449	\$ 55,441,187	\$ 112,116,686
County's covered-employee payroll	\$ 49,318,152	\$ 45,020,120	\$ 44,309,622	\$ 42,721,907	\$ 43,217,982
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	100%	124%	118%	86%	171%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%
Employer's Fiscal Year Measurement Period	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17	2016-17 2015-16	2015-16 2014-15
County's proportion of the net pension liability	0.0803%	0.0903%	0.0910%	0.0950%	0.1040%
County's proportionate share of the net pension liability	\$ 72,532,183	\$ 83,019,800	\$ 84,144,083	\$ 76,836,950	\$ 70,016,960
State's proportionate share of the net pension liability associated with the County	39,571,148	47,532,718	49,778,929	43,748,345	37,031,154
Totals	\$ 112,103,331	\$ 130,552,518	\$ 133,923,012	\$ 120,585,295	\$ 107,048,114
County's covered-employee payroll	\$ 43,101,112	\$ 48,515,759	\$ 47,398,000	\$ 48,203,000	\$ 47,996,000
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	168%	171%	178%	159%	146%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%

ORANGE COUNTY DEPARTMENT OF EDUCATION
Schedule of Proportionate Share of the Net Pension Liability-CalPERS
For the Fiscal Year Ended June 30, 2025

	<i>Last Ten Fiscal Years</i>				
Employer's Fiscal Year	2024-25	2023-24	2022-23	2021-22	2020-21
Measurement Period	2023-24	2022-23	2021-22	2020-21	2019-20
County's proportion of the net pension liability	0.3441%	0.3751%	0.3948%	0.4077%	0.4096%
County's proportionate share of the net pension liability	\$ 122,965,071	\$ 135,778,148	\$ 135,864,178	\$ 82,912,021	\$ 125,681,012
County's covered-employee payroll	\$ 68,691,668	\$ 65,308,766	\$ 59,701,056	\$ 58,851,845	\$ 58,988,865
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	179%	208%	228%	141%	213%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%
Employer's Fiscal Year	2019-20	2018-19	2017-18	2016-17	2015-16
Measurement Period	2018-19	2017-18	2016-17	2015-16	2014-15
County's proportion of the net pension liability	0.4087%	0.4230%	0.4292%	0.4443%	0.4474%
County's proportionate share of the net pension liability	\$ 119,105,453	\$ 112,783,669	\$ 102,455,197	\$ 87,749,525	\$ 65,947,202
County's covered-employee payroll	\$ 55,802,192	\$ 55,298,184	\$ 54,825,000	\$ 53,475,000	\$ 49,525,000
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	213%	204%	187%	164%	133%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%

ORANGE COUNTY DEPARTMENT OF EDUCATION
Schedule of Proportionate Share of the Net Pension Liability-OCERS
For the Fiscal Year Ended June 30, 2025

*Last Ten Fiscal Years**

Employer's Fiscal Year Measurement Period - December 31,	2024-25 2024	2023-24 2023	2022-23 2022	2021-22 2021
County's proportion of the net pension liability	0.063%	0.066%	0.062%	0.074%
County's proportionate share of the net pension liability	\$ 2,489,629	\$ 3,189,922	\$ 3,323,372	\$ 1,523,058
County's covered-employee payroll	N/A	N/A	N/A	N/A
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	86%	82%	79%	91%

Employer's Fiscal Year Measurement Period - December 31,	2020-21 2020	2019-20 2019	2018-19 2018	2017-18 2017
County's proportion of the net pension liability	0.063%	0.061%	0.057%	0.051%
County's proportionate share of the net pension liability	\$ 2,661,390	\$ 3,099,339	\$ 3,517,372	\$ 2,530,324
County's covered-employee payroll	N/A	N/A	N/A	N/A
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	77%	77%	70%	75%

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

Note: As of June 30, 2018, the County did not have any active members participating in OCERS; therefore, the covered payroll disclosure is not applicable. Prior to June 30, 2018, the County did not implement GASB No.68 for OCERS.

ORANGE COUNTY DEPARTMENT OF EDUCATION
Schedule of Pension Contributions-CalSTRS
For the Fiscal Year Ended June 30, 2025

Last Ten Fiscal Years

Employer's Fiscal Year	2024-25	2023-24	2022-23	2021-22	2020-21
Contractually required contribution	\$ 9,864,635	\$ 9,419,767	\$ 8,598,843	\$ 7,497,188	\$ 6,899,588
Contributions in relation to the contractually required contribution	9,864,635	9,419,767	8,598,843	7,497,188	6,899,588
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 51,647,302	\$ 49,318,152	\$ 45,020,120	\$ 44,309,622	\$ 42,721,907
Contributions as a percentage of covered-employee payroll	19.10%	19.10%	19.10%	16.92%	16.15%

Employer's Fiscal Year	2019-20	2018-19	2017-18	2016-17	2015-16
Contractually required contribution	\$ 7,390,275	\$ 7,016,861	\$ 7,000,824	\$ 6,030,647	\$ 5,172,158
Contributions in relation to the contractually required contribution	7,390,275	7,016,861	7,000,824	6,030,647	5,172,158
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 43,217,982	\$ 43,101,112	\$ 48,515,759	\$ 47,398,000	\$ 48,203,000
Contributions as a percentage of covered-employee payroll	17.10%	16.28%	14.43%	12.72%	10.73%

ORANGE COUNTY DEPARTMENT OF EDUCATION
Schedule of Pension Contributions-CalPERS
For the Fiscal Year Ended June 30, 2025

Last Ten Fiscal Years

Employer's Fiscal Year	2024-25	2023-24	2022-23	2021-22	2020-21
Contractually required contribution	\$ 20,621,805	\$ 18,326,937	\$ 16,568,834	\$ 13,677,512	\$ 12,182,332
Contributions in relation to the contractually required contribution	20,621,805	18,326,937	16,568,834	13,677,512	12,182,332
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 76,235,878	\$ 68,691,668	\$ 65,308,766	\$ 59,701,056	\$ 58,851,845
Contributions as a percentage of covered-employee payroll	27.050%	26.680%	25.370%	22.910%	20.700%

Employer's Fiscal Year	2019-20	2018-19	2017-18	2016-17	2015-16
Contractually required contribution	\$ 11,633,194	\$ 10,078,992	\$ 8,588,361	\$ 7,614,077	\$ 6,335,210
Contributions in relation to the contractually required contribution	11,633,194	10,078,992	8,588,361	7,614,077	6,335,210
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	\$ 58,988,865	\$ 55,802,192	\$ 55,298,184	\$ 54,825,000	\$ 53,475,000
Contributions as a percentage of covered-employee payroll	19.721%	18.062%	15.531%	13.888%	11.847%

ORANGE COUNTY DEPARTMENT OF EDUCATION
Schedule of Pension Contributions-OCERS
For the Fiscal Year Ended June 30, 2025

*Last Ten Fiscal Years**

Employer's Fiscal Year	2024-25	2023-24	2022-23	2021-22
Contractually required contribution	\$ 338,378	\$ 316,960	\$ 366,917	\$ 345,566
Contributions in relation to the contractually required contribution	338,378	316,960	366,917	345,566
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

Employer's Fiscal Year	2020-21	2019-20	2018-19	2017-18
Contractually required contribution	\$ 286,085	\$ 267,432	\$ 301,464	\$ 524,000
Contributions in relation to the contractually required contribution	286,085	267,432	301,464	524,000
Contribution deficiency (excess):	\$ -	\$ -	\$ -	\$ -
County's covered-employee payroll	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

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

Note: As of June 30, 2018, the County did not have any active members participating in OCERS; therefore, the covered payroll disclosure is not applicable. Prior to June 30, 2018, the County did not implement GASB No.68 for OCERS.

ORANGE COUNTY DEPARTMENT OF EDUCATION

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

*Last Ten Fiscal Years**

Employer's Fiscal Year Measurement Period	2024-25 2024-25	2023-24 2023-24	2022-23 2022-23	2021-22 2021-22
Service cost	\$ 165,839	\$ 171,134	\$ 168,989	\$ 214,768
Interest	105,011	107,578	102,988	72,623
Differences between expected and actual experience	-	(289,122)	-	(236,920)
Changes in assumptions	(235,037)	(95,854)	(21,402)	(244,034)
Benefit payments	(130,901)	(201,876)	(225,237)	(247,707)
Net change in total OPEB liability	(95,088)	(308,140)	25,338	(441,270)
Total OPEB liability - beginning	2,654,578	2,962,718	2,937,380	3,378,650
Total OPEB liability - ending	\$ 2,559,490	\$ 2,654,578	\$ 2,962,718	\$ 2,937,380
Covered payroll	N/A	N/A	N/A	N/A
Total OPEB liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

Employer's Fiscal Year Measurement Period	2020-21 2020-21	2019-20 2019-20	2018-19 2018-19	2017-18 2017-18
Service cost	\$ 207,457	\$ 223,211	\$ 207,170	\$ 201,625
Interest	73,454	120,570	117,952	128,023
Differences between expected and actual experience	-	(229,356)	-	-
Changes in assumptions	9,057	85,167	63,344	-
Benefit payments	(292,807)	(302,691)	(340,709)	(327,605)
Net change in total OPEB liability	(2,839)	(103,099)	47,757	2,043
Total OPEB liability - beginning	3,381,489	3,484,588	3,436,831	3,434,788
Total OPEB liability - ending	\$ 3,378,650	\$ 3,381,489	\$ 3,484,588	\$ 3,436,831
Covered payroll	N/A	N/A	N/A	N/A
Total OPEB liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

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

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

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

*Last Ten Fiscal Years**

Employer's Fiscal Year Measurement Period	2024-25 2023-24	2023-24 2022-23	2022-23 2021-22	2021-22 2020-21
County's proportion of net OPEB liability	0.1074%	0.1086%	0.1131%	0.1218%
County's proportionate share of net OPEB liability	\$ 286,351	\$ 329,557	\$ 372,407	\$ 485,926
Covered-employee payroll	N/A	N/A	N/A	N/A
County's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(0.96%)	(0.94%)	(0.80%)

Employer's Fiscal Year Measurement Period	2020-21 2019-20	2019-20 2018-19	2018-19 2017-18	2017-18 2016-17
County's proportion of net OPEB liability	0.1330%	0.1421%	0.1621%	0.1647%
County's proportionate share of net OPEB liability	\$ 563,713	\$ 529,058	\$ 620,596	\$ 693,007
Covered-employee payroll	N/A	N/A	N/A	N/A
County's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	(0.40%)	0.01%

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2025

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The County employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the *Governmental Accounting Standards Board* and provisions of the *California Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget 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 County's Proportionate Share of the Net Pension Liability

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

Change in benefit terms – There were no changes in benefit terms since the previous valuations for either CalSTRS, CalPERS, or OCERS.

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

Schedule of Pension Contributions

This schedule presents information on the County's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

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

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

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

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are deferred based on the average working life. The discount rate was changed from 3.93 percent to 5.20 percent since the previous valuation.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2025

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

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

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

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

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Supplementary Information

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ORANGE COUNTY DEPARTMENT OF EDUCATION*Schedule of Average Daily Attendance-County Office**For the Fiscal Year Ended June 30, 2025*

	Alternative Education	
	Second Period	Annual
Juvenile Halls, Homes, and Camps		
Elementary	19.70	19.50
High School	226.05	218.45
Total Juvenile Halls, Homes, and Camps	245.75	237.95
Probation Referred, On Probation or Parole, Expelled Pursuant to EC 48915 (a) or (c)		
Elementary	34.04	41.09
High School	824.90	824.47
Total Probation Referred, On Probation or Parole, Expelled	858.94	865.56
Total ADA	1,104.69	1,103.51

ORANGE COUNTY DEPARTMENT OF EDUCATION

Schedule of Average Daily Attendance-Charter School

For the Fiscal Year Ended June 30, 2025

	College and Career Preparatory Academy	
	Second Period	Annual
County Community Schools		
Grades 9-12	115.20	111.45

All charter school ADA is generated through nonclassroom-based instruction.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Schedule of Financial Trends and Analysis

For the Fiscal Year Ended June 30, 2025

County School Service Fund	(Budget)			
	2026 ²	2025 ³	2024	2023
Revenues and other financing sources	\$ 374,499,852	\$ 375,137,098	\$ 367,237,874	\$ 349,692,995
Expenditures and other financing uses	394,470,330	348,377,105	291,039,522	290,541,669
Change in fund balance (deficit)	(19,970,478)	26,759,993	76,198,352	59,151,326
Ending fund balance	\$ 459,079,853	\$ 479,050,331	\$ 452,290,338	\$ 376,091,986
Available reserves ¹	\$ 270,969,106	\$ 269,098,358	\$ 238,951,747	\$ 155,033,614
Available reserves as a percentage of total outgo	68.7%	77.2%	82.1%	53.4%
Total long-term debt	\$ 190,492,750	\$ 192,371,954	\$ 212,853,929	\$ 206,366,944
Average daily attendance at P-2	1,058	1,105	1,370	1,189

The County School Service Fund balance has increased by \$102.9 million over the past two years. The fiscal year 2025-26 adopted budget projects a decrease of \$20.0 million. For a county office of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo).

The County Office has incurred an operating deficit in none of the past three years. Long-term debt has decreased by \$14.0 million over the past two years.

ADA decreased by 84 compared to 2022-23. Budgeted ADA projects a decrease of 47 for 2025-26.

¹ Available reserves consist of all unassigned fund balances in the County School Service Fund.

² Revised budget September, 2025.

³ The actual amounts reported in this schedule are for the County School Service 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.

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

	Special Reserve Fund for Capital Outlay	Debt Service Fund
June 30, 2024, annual financial and budget report (SACS) fund balance	\$ 4,438,272	\$ 1,324,063
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Cash with fiscal agent misstated	(1,129,916)	1,032,625
June 30, 2024, audited financial statement fund balance	<u>\$ 3,308,356</u>	<u>\$ 2,356,688</u>

ORANGE COUNTY DEPARTMENT OF EDUCATION*Schedule of Charter Schools**For the Fiscal Year Ended June 30, 2025*

Charter School		Inclusion in Financial
Name	Number	Statements
College and Career Preparatory Academy	1761	Included
California Republic Leadership Academy Capistrano	2138	Not included
California Republic Leadership Academy Yorba Linda	2147	Not included
Citrus Springs Charter	1831	Not included
Ednovate - Legacy College Prep.	1798	Not included
Epic California Academy	1807	Not included
Explore Academy	2129	Not included
International School for Science and Culture	2048	Not included
Irvine International Academy	2116	Not included
OCSA	0290	Not included
Orange County Academy of Sciences and Arts	1799	Not included
Orange County Classical Academy	2127	Not included
Orange County Workforce Innovation High	1833	Not included
Oxford Preparatory Academy - Middle School	2135	Not included
Oxford Preparatory Academy - Saddleback Valley	1784	Not included
Samueli Academy	1419	Not included
Scholarship Prep Charter	1808	Not included
Suncoast Preparatory Academy	2025	Not included
Sycamore Creek Community Charter II	2155	Not included
Tomorrow's Leadership Collaborative (TLC) Charter	1987	Not included
Vista Condor Global Academy	1930	Not included
Vista Heritage Global Academy	1752	Not included
Vista Meridian Global Academy	2132	Not included
<u>Schools closed starting in the 2025-26 school year:</u>		
Unity Middle College High	1800	Not included
<u>Schools starting in the 2025-26 school year:</u>		
Orange County Academy of Sciences and Arts III	2151	
Orange Springs Charter	2158	
Magnolia Science Academy - Orange County	2154	
<u>Schools starting in the 2026-27 school year:</u>		
Ednovate - OC College Prep	2157	

ORANGE COUNTY DEPARTMENT OF EDUCATION

Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Sub-total Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Basic School Breakfast Program	10.553	13525	\$ 533,484	
Local Food for Schools	10.555	15708	1,702	
Total Child Nutrition Cluster				\$ 535,186
NSLP Equipment Assistance Grants	10.579	14906		83,438
Total U.S. Department of Agriculture				618,624
U.S. Department of Justice:				
Stop School Violence	16.839	N/A		345,970
Total U.S. Department of Justice				345,970
U.S. Department of Education:				
Every Student Succeeds Act (ESSA):				
Title I Grants to Local Educational Agencies Fund:				
Title I, Part A, Basic Grants, Low-Income and Neglected	84.010	14329	\$ 3,485,714	
Title I, Part D, Local Delinquent Programs	84.010	14357	851,486	
School Improvement Funding for LEAs	84.010	15438	857,500	
School Improvement Funding for COEs	84.010	15439	252,316	
Total Title I Fund				5,447,016
Title II, Part A, Supporting Effective Instruction	84.367	14341		47,155
Title III, English Learner Student Program	84.365	14346		121,363
Title IV, 21st Century Community Learning Centers Technical Assistance	84.287	14350		182,859
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396		230,669
Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	14332		304,059
COVID-19 Education Stabilization Fund:				
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425U	15559	704,737	
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	240,875	
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Emergency Needs	84.425U	15620	259,321	
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425U	15621	314,903	
American Rescue Plan-Homeless Children and Youth (ARP - Homeless I)	84.425U	15564	400,244	
American Rescue Plan-Homeless Children and Youth II (ARP - Homeless II)	84.425U	15566	24,933	
Subtotal Education Stabilization Fund				1,945,013
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement	84.027	13379	8,201,537	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	49,506	
Local Assistance, Part B, Sec 611, Early Intervening Services	84.027	10119	693,958	
Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	114,729	
Alternate Dispute Resolution, Part B, Sec 611	84.027A	13007	18,261	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	182,231	
Part B, Sec 619, Preschool Grants Early Intervening Services	84.173	10131	4,167	
Preschool Staff Development, Part B, Sec 619	84.173A	13431	2,151	
Total Special Education (IDEA) Cluster				9,266,540
Early Intervention Grants	84.181	23761		822,809
Total U.S. Department of Education				18,367,483
U.S. Department of Health & Human Services:				
Passed through California Department of Social Services:				
Child Care and Development Fund Cluster:				
AB 110 Childcare Stipends	93.575	10163	837,772	
Quality Counts Block Grant	93.575	N/A	555,677	
Quality Improvement Activities	93.575	14564	1,394,114	
Quality Improvement Activities	93.575	15534	887,926	
Federal Alternative Payment, Stage 3	93.596	13694	63,724,304	
Local Planning Councils	93.575	13946	155,323	
Federal Alternative Payment, Stage 2	93.575	14178	204,654	
Early Education: Federal Alternative Payment, Stage 3	93.575	13881	2,598,998	
Subtotal Child Care and Development Fund Cluster				70,358,768
Cooperative Agreement for Emergency Response - Public Health Crisis Response	93.354	N/A		110,349
Passed through County of Orange:				
Alcohol and Other Drug Prevention Services Friday Night Live	93.959	N/A	826,528	
Block Grant for Substance Abuse Prevention Services	93.959	N/A	566,292	
				1,392,820
Foster Youth Services Coordinating Programs	93.658	N/A		494,759
Total U.S. Department of Health & Human Services				72,356,696
Total Expenditures of Federal Awards				\$ 91,688,773
<i>Of the federal expenditures presented in the schedule, the County provided the following awards to sub-recipients.</i>				
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement	84.027	13379	\$ 7,181,550	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	49,506	
Local Assistance, Part B, Sec 611, Early Intervening Services	84.027	10119	693,958	
Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	144,065	
Part B, Sec 619, Preschool Grants Early Intervening Services	84.173	10131	4,167	
Total federal awards provided to sub-recipients			\$ 8,073,246	

ORANGE COUNTY DEPARTMENT OF EDUCATION

Note to the Supplementary Information

June 30, 2025

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Financial Trends and Analysis

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

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 County, and displays information for each charter school and whether or not the charter school is included in the County audit.

Schedule of Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the County 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 County did not elect to use the ten percent de minimis indirect cost rate.

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Other Information

ORANGE COUNTY DEPARTMENT OF EDUCATION

Local Educational Agency Organization Structure

June 30, 2025

The Orange County Department of Education was established in 1889 and consists of an area comprising approximately 782 square miles. The County operates one community home education site (CHEP), one site that supports homeless outreach program (Skyview), nineteen community schools/independent study program sites, five juvenile court schools program sites, one charter school with six program sites, one field program site, and thirteen special education program sites (Connections). The County provides professional and administrative assistance to thirteen elementary school districts, three high school districts, twelve unified school districts, four community college districts, three regional occupational programs, and forty-one charter schools, within Orange County.

GOVERNING BOARD

Member	Office	Term Expires
Ken L. Williams, Jr., D.O.	President	June 30, 2028
Mari Barke	Vice President	June 30, 2026
Jorge Valdes, Esq.	Member	June 30, 2028
Tim Shaw	Member	June 30, 2028
Lisa Sparks, Ph.D.	Member	June 30, 2026

ADMINISTRATION

Dr. Stefan Bean,
County Superintendent of Schools and Board Secretary

Renee Hendrick,
Deputy Superintendent of Operations

Dr. Sandra Lee,
Associate Superintendent, Educational Services

David Giordano,
Associate Superintendent, Administrative Services

Dean West,
Associate Superintendent, Business Services

Annalee Kredel,
Associate Superintendent, ACCESS & CONNECTIONS

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***

To the Superintendent of Schools
and County Board of Education
Orange County Department of Education
Costa Mesa, 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 County Department of Education (the County) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 2, 2025.

Report on Internal Control Over Financial Reporting

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

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

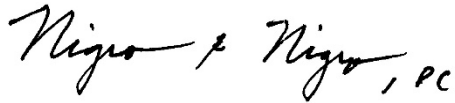
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Murrieta, California
December 2, 2025



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Orange County Department of Education'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 County Department of Education's major federal programs for the year ended June 30, 2025. The Orange County Department of Education'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 County Department of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Orange County Department of Education 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 County Department of Education'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 County Department of Education'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 County Department of Education'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 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 County Department of Education'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 County Department of Education'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 County Department of Education'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 County Department of Education's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

Nigro & Nigro, PC

Murrieta, California
December 2, 2025



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

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

Report on Compliance

Opinion

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

In our opinion, Orange County Department of Education complied in all material aspects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

Basis for Opinion

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Orange County Department of Education'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 County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of the state programs as a whole.

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

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	Yes
Continuation Education	Not Applicable
Instructional Time	Not Applicable
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
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
School Districts, County Offices of Education, and Charter Schools:	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Expanded Learning Opportunities Program	Not Applicable
Transitional Kindergarten	Not Applicable
Kindergarten Continuance	Not Applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes – Classroom-Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Areas marked as “Not Applicable” were not operated by the County or do not pertain to county offices.

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 instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Finding 2025-001. 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 County’s response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The County’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

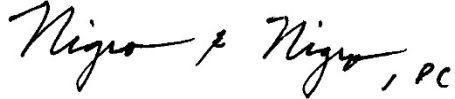
Report on Internal Control over Compliance

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

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

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

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

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Murrieta, California
December 2, 2025

Schedule of Findings and Questioned Costs

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ORANGE COUNTY DEPARTMENT OF EDUCATION

Summary of Auditors' Results

For the Fiscal Year Ended June 30, 2025

Financial Statements

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

Federal Awards

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

Assistance Listing

<u>Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A,	
84.173, 84.173A	<u>Special Education Cluster (IDEA)</u>
	Childcare and Development Block Grant
93.575, 93.596	<u>Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 2,750,663</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 COUNTY DEPARTMENT OF EDUCATION

Financial Statement Findings

For the Fiscal Year Ended June 30, 2025

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

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

There were no financial statement findings in 2024-25.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Federal Award Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2025

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

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

ORANGE COUNTY DEPARTMENT OF EDUCATION

State Award Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2025

FINDING 2025-001: CALPADS UNDUPLICATED PUPIL COUNT (40000)

Repeat Finding? No

Criteria: Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (*EC* sections 2574(b)(2) and 42238.02(b)(1)).
- Divided by total enrollment in the LEA (*EC* sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

Condition: During our testing of the free and reduced-price meal eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted that two students that were reported as qualifying for free or reduced priced meals did not have an application on file for the 2024-25 fiscal year.

Context: We selected an initial sample of 51 students out of a population of 247 students showing as FRPM-eligible only. Two errors were noted. The error rate was extrapolated across the remaining population as shown below:

	Unduplicated			Unduplicated	Extrapolated
	Students Tested	Audit Exceptions	Error Rate	Population	Exceptions
Access Community Schools FRPM Only	42	2	5%	196	9
College and Career Preparatory Academy FRPM Only	9	0	0	51	0

Cause: The County applied the local "grace period" to the CALPADS reporting and as a result, two students in the CALPADS system are reported based on 2023-24 application data instead of 2024-25 application data.

Effect: There is a questioned cost of \$42,336, calculated using the CDE audit penalty calculator. The unduplicated pupil counts in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes:

	CALPADS	FRPM	Adjusted Total
Program/Site:			
ACCESS County Community	1,150	(9)	1,141
ACCESS Juvenile Hall	186	-	186
OCCS: CHEP/PCHS	130	-	130
Orange County Special Education	191	-	191
County-wide	1,657	(9)	1,648

Total enrollment of 2,122 was not adjusted based on the results of our procedures.

ORANGE COUNTY DEPARTMENT OF EDUCATION

State Award Findings and Questioned Costs

For the Fiscal Year Ended June 30, 2025

FINDING 2025-001: CALPADS UNDUPLICATED PUPIL COUNT (40000) (continued)

Recommendation: We recommend that the County implement a procedure to ensure proper document retention as well as reviewing the CALPADS information prior to the report's submission to the California Department of Education.

Views of Responsible Officials: For the 2024-25 fiscal year, two (2) of the sampled Free or Reduced-Price Meal application forms did not reflect the current fiscal year, 2024-25, application data. The FRPM forms are used to complete the CALPADS data report 1.17 and data report 1.18 that generate the unduplicated pupil percentage which is used to calculate the Local Control Funding Formula (LCFF) Supplemental and Concentration funding.

This finding highlighted the need to update and streamline the current manual practices when completing the eligibility FRPM forms. The school year 2024-2025 was the beginning of the planning phase for the program's transition to an electronic method of completing the FRPM forms. In 2025-2026 the district began using the Aeries Online Enrollment portal allowing parents to create Aeries accounts. Once the accounts are established by the parents, the district plans to fully implement and utilize the Parent Data Confirmation portal to notify and inform parents when information needs to be submitted and/or updated. The complete transition of all forms online, including the LCFF forms, and the use of all tools available by Aeries, will be implemented at the beginning of school year 2026-2027.

These online systems will enable centralized tracking of missing, duplicative, and outdated information, while providing site staff with better tools for more timely and accurate data collection. These improvements will strengthen data accuracy, consistency, and overall efficiency. To begin addressing current needs, Aeries Data Validations have been created to help staff track missing LCFF forms, providing immediate tools to identify students who need updated forms.

With these tracking measures in place and our planned transition to be fully online for enrollment we will address and mitigate any future year findings. The CALPADS data reports for 2024-2025 will be revised and funding will be adjusted accordingly.

ORANGE COUNTY DEPARTMENT OF EDUCATION

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2025

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>2024-001 Annual Report Card, High School Graduation Rate</i>	Local Education Agencies (LEAs) must report graduation rate data for all public high schools at the school and LEA levels using the four-year adjusted cohort rate and, at an LEA's discretion, one or more extended-year adjusted cohort rates. Graduation rate data must be reported both in the aggregate and disaggregated by the subgroups in Section 1111(c)(2) of the Elementary and Secondary Education Act (ESEA), homeless status, status as a child in a foster care using a four-year adjusted cohort graduation rate (and any extended-year adjusted cohort rates) (ESEA sections 1111(h)(1)(C)(iii)(II) and 7801(23), (25))). Written documentation must be maintained to remove a student from the cohort. The County did not maintain written documentation for three of the sampled students that were removed from the cohort.	50000	The County should ensure that they meet all of the requirements of ESEA. The County should revise its procedures to ensure that written documentation for all students removed from the cohort is maintained and data inputted into the system is accurate.	Implemented.